Phoenix

STANDARD LIFE INTERNATIONAL DAC

Proposed Scheme to transfer the business
of
Phoenix Life Assurance Europe DAC
to
Standard Life International DAC

Report by the Head of Actuarial Function on the impact of the Scheme on Policyholders of Standard Life International DAC

27 June 2024

Contents

1. INTRODUCTION

1.1. Purpose and Scope of Report and Reliances

The purpose of this report is to describe the impact of a proposed scheme ("the Scheme") under Section 13 of the Assurance Companies Act 1909 on the policyholders of Standard Life International DAC ("SLIntl").

Under the Scheme the German, Icelandic, Swedish, Norwegian, and Irish business of Phoenix Life Assurance Europe Designated Activity Company ("PLAE") will transfer to SLIntl.

This report describes how the Scheme is expected to affect the security of benefits and the reasonable benefit expectations of existing policyholders of SLIntl. The impact of the Scheme on the transferring policyholders of PLAE is considered in the report of the Head of Actuarial Function of PLAE. I have considered the report of the Head of the Actuarial Function of PLAE and am supportive of his conclusions.

This report is written for the SLIntl Board in my capacity as Head of Actuarial Function for SLIntl. As well as the Board, this report may be used by the Independent Actuary, the High Court of Ireland, the Central Bank of Ireland ("CBI") and any affected parties in forming their own judgements about the Scheme. A copy of this report will be provided to the Irish High Court. This report may also be made available to the existing SLIntl policyholders and other interested parties in the transfer.

In carrying out the work and preparing this report, I have relied on data and other information provided to me by Phoenix group service companies acting for both SLIntl and PLAE. I have reviewed the information for consistency and reasonableness. If the underlying data or information is inaccurate or incomplete, the results of the analysis may likewise be inaccurate or incomplete.

The information provided to me has been prepared on a Solvency II basis based on data as at 31 December 2023. The production of this information relied upon actuarial data and information provided by PLAE and SLIntl, which were externally audited. The pro-forma financial information in this report has been produced assuming that the Scheme had taken effect on 31 December 2023. This report is based on information made available to me up to the date of this report and takes no account of developments after this date.

An Independent Actuary, with experience in business transfers, has also prepared a report, which considers the Scheme and its effects on the policyholders of SLIntl and PLAE.

During the preparation of this report, I have considered the content of the report prepared by the Independent Actuary and am supportive of his conclusions. There is nothing in his report that represents a difference of substance from the views expressed in this report.

I will prepare a supplementary report ahead of the Sanctions Hearing.

Unless otherwise defined in this report, words and phrases used in this report have the same meaning attributed to them in the Scheme.

A glossary of the definitions and abbreviations used in this document is included in Appendix A.

1.2. Independent Actuary

Mr Mike Claffey of Milliman Limited has been appointed by the Phoenix group companies as the Independent Actuary and the CBI have not objected to this appointment.

1.3. Status

I am a Fellow of the Society of Actuaries in Ireland ("FSAI") with over 25 years of actuarial experience. I was appointed as Head of Actuarial Function ("HoAF") of SLIntl on 5 January 2022.

I am an employee SLIntl, which is a wholly owned subsidiary of Phoenix Group Holdings plc ("PGH"), the ultimate parent company of SLIntl. I do not directly hold any policies with the companies impacted by the Scheme, and I hold no shares or share options with. My remuneration structure is consistent with that of other senior managers in the organisation, and I am a member of a defined contribution pension scheme provided by the group.

I confirm that I have not considered my personal interest in reaching any of the conclusions detailed in this report.

1.4. Technical standards

There is no actuarial professional guidance specifically covering the work of the HoAF in respect of a Section 13 transfer. My work has been performed in accordance with Actuarial Standard of Practice ASP-PA2 v1.2, effective 1 March 2022, issued by the Society of Actuaries in Ireland that covers general actuarial practice. However given the nature of the report and to support the Board and the Independent Actuary, the content takes into account ASP-INS2, the Actuarial Standard of Practice concerning the role of the Independent Actuary in transfers of insurance portfolios.

1.5. Materiality

In arriving at my conclusions in this report, I have applied the concept of "materiality", and considered whether I believe any class of SLIntl policyholders in the round is "materially adversely affected" by the implementation of the Scheme. If the potential impact under consideration is very unlikely to happen and does not have a significant impact, or is likely to happen but has a very small impact, then I do not consider it to have a material effect on the policies and policyholders.

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

2. EXECUTIVE SUMMARY AND CONCLUSION

The business that is proposed to be transferred from PLAE to SLIntl comprises:

- Business originally written in Ireland that transferred to PLAE from Phoenix Life Limited ("PLL"). This is a mix of mainly unit-linked savings, protection, and annuities in payment within the non-profit fund, and mainly pension and protection business split across four of the with-profits funds ("WPF"s) of PLAE;
- Non-linked non-profits business in Germany and Iceland that transferred to PLAE from PLL; and
- Unit-linked business written in Norway and Sweden, and Critical Illness business written in Germany that transferred to PLAE from ReAssure Life Limited ("RLL")

The business transferred from the PLL WPFs is reinsured back to PLL, as is the investment element of the Irish unit-linked business. The investment element of the Swedish and Norwegian unit-linked business transferred from RLL is reinsured back to RLL. These reinsurance arrangements will remain in place after the business is transferred from PLAE to SLIntl.

It is intended that the High Court of Ireland will be asked to sanction the transfer at a hearing on or around 12 November 2024 (the "Sanctions Hearing"). The proposed Scheme "Effective Date" is 1 January 2025.

In my opinion as Head of Actuarial Function, taking into account the information set out in this report, no class of existing SLIntl policyholder will be materially adversely affected by the implementation of the Scheme. In particular, the security of benefits, the benefit prospects, and the service levels of the existing non-profit and with-profits SLIntl policyholders would not be materially adversely affected by the transfer.

3. BACKGROUND INFORMATION ON SLINTL

3.1. History of SLIntl

SLIntl was established in Ireland on 27 September 2005 (originally registered as Standard Life International Limited). Standard Life International Limited converted to a Designated Activity Company in April 2016, under the Companies Act, 2014. SLIntl is an insurance undertaking, and its main activities consist of the provision of life assurance and pension products in the UK, Ireland and Germany.

SLIntl and SLAL were acquired together in 2018 by the Phoenix Group, which is headed by Phoenix Group Holdings plc. The Phoenix Group includes seven active regulated UK life companies – PLL, Phoenix Life Assurance Limited ("PLAL"), ReAssure Limited ("RAL"), RLL, Standard Life Assurance Limited ("SLAL"), Standard Life Pension Funds Limited ("SLPF") and Sun Life Assurance Company of Canada (UK) ("SLOC"), and two Irish regulated companies PLAE and SLIntl, as shown in the simplified group structure diagram (

Figure 1). Note that all of the long-term business of PLAL and almost all of the long-term business of SLAL was transferred to PLL under a UK Part VII transfer during 2023; though the companies remain authorised at the time of writing.

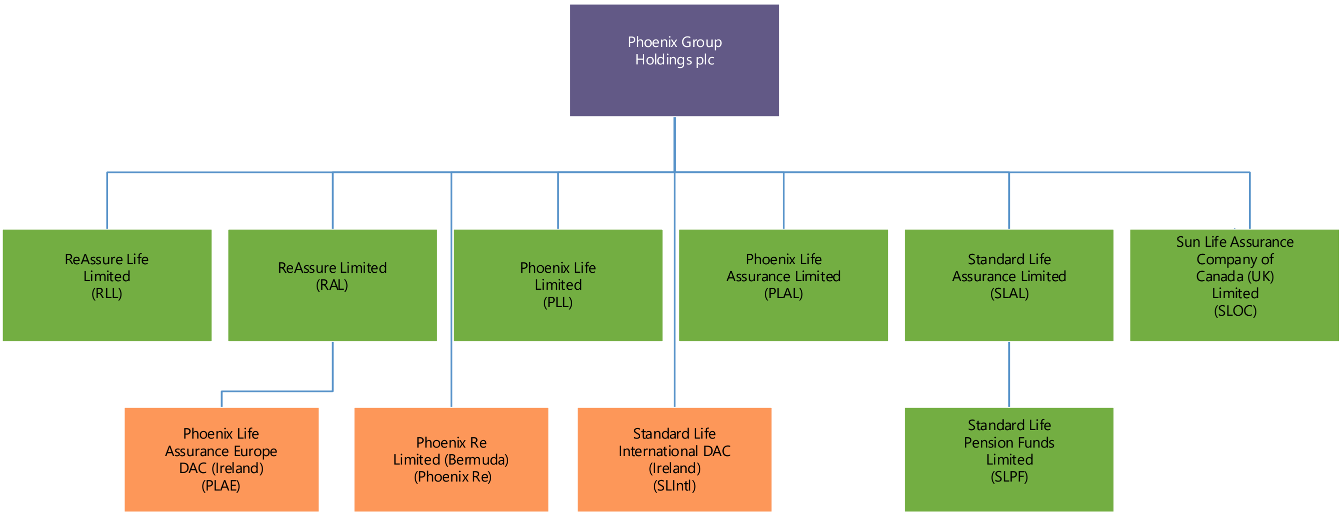

Figure 1 Structure of the Phoenix Group

SLIntl is authorised by the CBI to transact insurance business in Ireland and cross-border life assurance business in the EU under the European Union (Insurance and Reinsurance) Regulations 2015. SLIntl relies on its existing Jersey authorisation known as a Jersey Category A Insurance Permit to support the ongoing provision of the International Bond (offshore) to existing customers resident in the UK and to continue to offer this product to new customers in the UK market. Its financial promotions are approved by Phoenix Group Management Services Limited which is authorised and regulated in the UK by the Financial Conduct Authority.

With regard to the conduct of business requirements, SLIntl operates within the CBI's Consumer Protection Framework. Products sold into the UK are overseen by the Financial Conduct Authority's ('FCA') in respect of Conduct of Business rules. For business in Germany and Austria, conduct is supervised by Bundesanstalt für Finanzdienstleistungsaufsicht ('BaFin') and the Finanzmarktaufsicht ('FMA').

SLIntl acquired its euro-denominated business written in Ireland, Germany and Austria in 2019 from SLAL under a Part VII scheme (the "SLAL Brexit Scheme"). Prior to Phoenix Group's acquisition of SLIntl and SLAL in 2018, SLIntl was a subsidiary of SLAL. The transfer of all of SLAL's euro-denominated business to SLIntl through this scheme was in response to the UK's decision to leave the European Union in 2019.

The business transferred was predominantly made up of with-profits policies, written or invested in one of three SLAL with-profits funds (the SLAL Heritage With-Profits Fund (the "SLAL HWPF"), the SLAL German With-Profits Fund (the "SLAL GWPF") or the SLAL German Smoothed Managed With-Profits Fund (the "SLAL GSMWPF")), unit-linked policies written in both the SLAL HWPF and SLAL non-profit fund and non-profit annuity policies (in-payment and deferred) written in both the SLAL HWPF and SLAL non-profit fund. All business transferred into equivalent SLIntl funds as part of the SLAL Brexit Scheme.

To ensure the appropriate and fair treatment of policyholders the transferred business has the following significant features:

- liabilities transferred to SLIntl's with-profits funds were reinsured back to SLAL, which allowed the transferred with-profits policyholders to continue to benefit from the protection of the UK with-profits regime, and allowed policyholders within SLIntl's Heritage With-Profits Fund to continue to share in the experience of the SLAL HWPF;
- a collateralised security structure involving fixed and floating charges was put in place to provide appropriate security to SLIntl and its policyholders following the transfer and reinsurance;
- three Deed Polls and a legal undertaking were issued by SLIntl to help ensure that the rights and reasonable benefit expectations of transferring policyholders whose liability is reinsured back to SLAL were not materially adversely affected by the SLAL Brexit Scheme. These Deed Polls and undertaking gave the transferring with-profits policyholders an enforceable right against SLIntl, pursuant to which SLIntl is obliged to "top-up" the amounts owed to such policyholders under the terms of their policy to the level of returns they would have received under the same policy had it not transferred under the Scheme; and
- a retrocession arrangement (known as the "EFL Retrocession Arrangement") was put in place to allow transferring Irish policyholders in the SLAL Heritage WPF to maintain their unit- linked investment options in SLIntl funds.

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

3.2. SLIntl fund structure and in-force business

The existing fund structure of SLIntl is shown below:

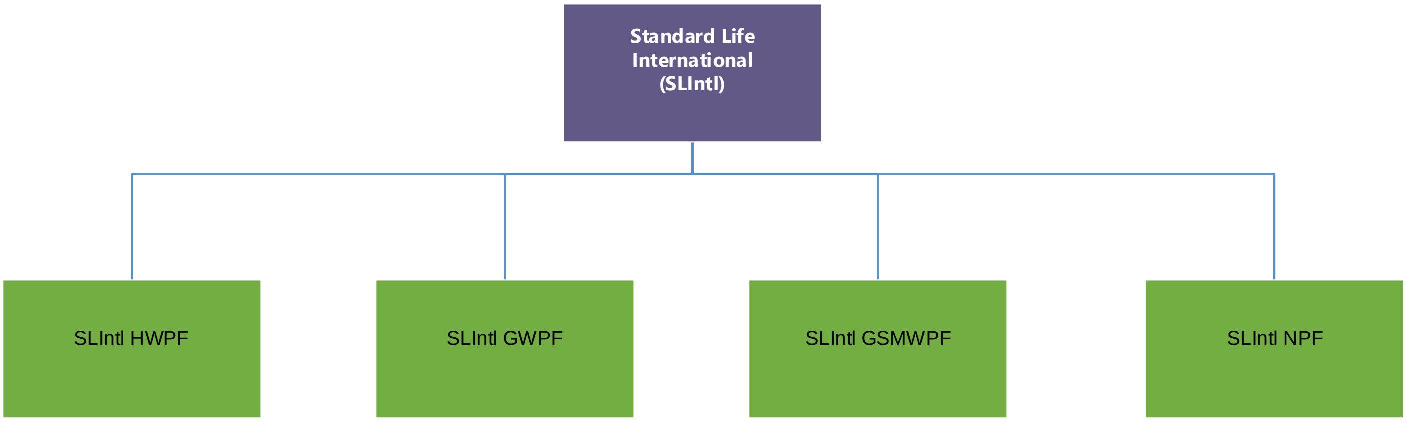

Figure 2 Fund Structure of SLIntl

There are four funds within SLIntl:

- SLIntl Heritage With Profits Fund ("SLIntl HWPF") comprises Irish, German and Austrian euro-denominated policies, both with profits and non profits;
- SLIntl German With Profits Fund ("SLIntl GWPF") comprises investment content of the German and Austrian with profits policies written in the SLIntl NPF;
- SLIntl German Smoothed Managed With Profits Fund ("SLIntl GSMWPF") holds the investment element of the unitised smoothed managed with profits policies written in SLIntl NPF;
- SLIntl Non Profit fund ("SLIntl NPF") contains certain non-profit euro-denominated annuities and unit linked policies across all 4 territories.

The first three funds described above are closed to new business while the SLIntl NPF is open to new business across the four territories.

There are several internal and external reinsurance arrangements in place in relation to the SLIntl business. These are described in more details in paragraph 3.5.

No capital support arrangements exist between SLIntl funds. The three SLIntl with-profits funds have no physical assets with the liabilities in those funds supported by a reinsurance asset equal in value to the fund's liabilities.

The split of policies and their BEL as at 31 December 2023 is shown in

Table 1 below:

Table 1 SLIntl liabilities

Fund	SLIntl HWPF	SLIntl GWPF	SLIntl GSMWPF	SLIntl NPF	TOTAL
Policies	260,212	-	-	259,640	519,852
Unit BEL	692			17,451	18,143
Non-Unit BEL	9,642	2,568	198	47	12,454
Total Gross BEL	10,334	2,568	198	17,498	30,598
Unit BEL Ceded	-692				-692
Non-Unit BEL Ceded	-9,642	-2,568	-198	-430	-12,838
Net Unit BEL	0	0	0	17,451	17,451
Net Non Unit BEL	0	0	0	-383	-383
Total Net BEL	0	0	0	17,068	17,068
Risk Margin				171	171
Technical Provisions Gross				17,669	30,769
Technical Provisions Net				17,239	17,239
Other Technical Provisions				438	438

Source: SLIntl AFR, QRTs

The total liabilities for SLIntl as at 31 December 2023 were equal to €31,036m gross of reinsurance.

SLIntl maintains and publishes WPOP documents in relation to its WPFs. in compliance with Ireland's Domestic Actuarial Regime. These are consistent with the equivalent PLL PPFM documents.

3.3. Solvency II Features of SLIntl

SLIntl calculates its capital requirement using a Partial Internal Model ("PIM"). The PIM introduces an Internal Model approach for calculating the Counterparty Default Risk and Operational Risk capital requirements, with all other risk modules using the Solvency II Standard Formula. Aggregation of the overall capital requirements is completed using the Standard Formula correlation matrix approach.

SLIntl makes no use of the matching adjustment or transitional measures in the calculation of its technical provisions. SLIntl has CBI approval to use the Volatility Adjustment for its Euro denominated lines of business.

3.4. SLIntl capital policy ("SLintl CP")

The Phoenix group life companies' Risk Appetite Framework sets out a structure and principles which each entity uses to determine its capital policy. The main objective of the Risk Appetite Framework is to ensure that the group companies can meet their regulatory capital requirements under internally specified stress scenarios. The strength of the capital policy is a function of these scenarios.

The scenario testing is based on holding sufficient capital to be able to meet the higher of the regulatory capital requirements after a 1 in 10 year all risk event, or after a 1 in 20 year market risk event. There are also tests relating to the quality of capital held. This internal additional capital margin is expressed as a percentage of the SCR. The scenarios and the percentage are reviewed from time to time to ensure that the capital policy continues to meet its objective. The percentage may thus change without affecting the strength of the capital policy.

SLIntl sets its own capital policy following structures and principles that are consistent with the methodology used in the Risk Appetite Framework. In addition to this, when defining its optimal capital range, SLIntl considers any specific risks that it is particularly exposed to. It should be noted that SLIntl does not allow for any contingent management actions when calculating its target capital. As at 31.12.2023 the SLIntl CP requires SLIntl to hold an optimal capital level between 30% and 50% of the SCR in addition to the capital necessary to meet the SCR itself. The policy is reviewed at least annually.

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

3.5. SLIntl Reinsurance Arrangements

Existing Reinsurance with PLL

SLIntl has reinsurance agreements with PLL in respect of each of the three of its WPFs, whereby the business in each of these funds is reinsured back to the equivalent Phoenix with-profits fund. These arrangements were put in place in order to facilitate the effective management of this business following the transfer into SLIntl as part of the SLAL Brexit Scheme.

- SLIntl HWPF – there is a 100% Quota Share reinsurance for with-profit policies from SLIntl HWPF into PLL HWPF which was introduced as a result of SLAL Brexit Scheme in order to allow the PLL HWPF fund to continue to be managed as a single fund. In addition, the Euro-denominated unit linked funds which are available to the small number of unit linked contracts written in the PLL HWPF are currently SLIntl funds. PLL HWPF unit linked contracts have access to these funds via the EFL retrocession agreement back to SLIntl;

- Business invested in SLIntl GWPF and SLIntl GSMWPF - there is a 100% Quota Share reinsurance into PLL. With profit contracts are reinsured back to the PLL NPF, with their investment content reinsured in the PLL GWPF and PLL GSMWPF as appropriate. This means that the PLL NPF and the PLL GWPF and PLL GSMWPF as appropriate are liable for the claims and benefits of these Euro-denominated policyholders. The reinsurance of the With-Profits business maintains the benefits and expectations of the SLIntl policyholders by maintaining the protection of the UK With-Profits regime.

In 2022 PGH set up a new Bermuda reinsurance subsidiary, Phoenix Re Limited ("Phoenix Re"), with the aim of providing greater reinsurance capacity for the Phoenix Group. An initial reinsurance transaction completed in second half of 2023 to transfer all the market risks and a proportion of the longevity risk arising from benefits provided from the SLIntl annuity book to Phoenix Re. The main benefit of this arrangement is through improved pricing and profitability of future new annuity business.

External Reinsurance

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

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

3.6. Administration of SLIntl Policies

SLIntl servicing arrangements are structured according to similar principles as the PLAE arrangements. The main principle of the SLIntl services arrangements is that SLIntl utilises its own staff in Ireland/EEA or rely on the management services agreement with Phoenix Group Management Services Limited (Irish Branch) ("PGMSIB") (the "SLIntl MSA") to perform activities. PGMSIB is not authorised to carry out regulated activities itself in Ireland, so the staff provided under this agreement are acting directly on behalf of SLIntl.

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

Administration of the SLIntl International Bond is provided from Ireland.

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

3.7. SLIntl risk profile

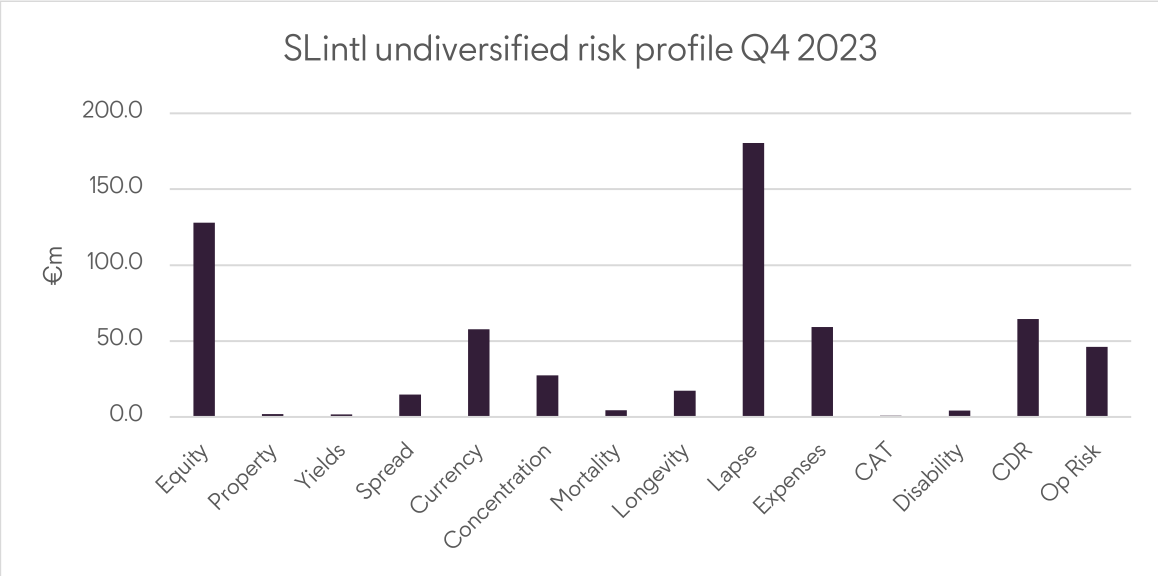

Figure 3 Risk Profile of SLIntl

Table 2 SLIntl SCR Breakdown

€m	Q4 2023	% of undiversified SCR
Lapse risk	**180.5**	**30%**
Equity risk	**128.0**	**21%**
Expense risk	**59.2**	**10%**
Currency risk	**57.8**	**9%**
Counterparty Default Risk	**64.6**	**11%**
Concentration risk	**27.5**	**5%**
Spread risk	**14.8**	**2%**
Longevity	**17.3**	**3%**
Disability risk	**4.3**	**1%**
Mortality risk	**4.4**	**1%**
Operational Risk	**46.2**	**8%**
Other	**4.3**	**1%**
Total before diversification	**608.9**	**100%**

Figure 3 and Table 2**Error! Reference source not found.** show the risk profile of SLIntl as at 31 December 2023 before taking account of diversification between risks. SLIntl is mostly exposed to the risks associated with unit-linked business (particularly lapse and equity).

3.8. Events since 31 December 2023

There have been no events since 31 December 2023 that would have materially changed the SLIntl solvency II balance sheet or its risk profile.

4. BACKGROUND INFORMATION ON PLAE

4.1. History of PLAE

PLAE is a company within the Phoenix Group of companies that was incorporated in Ireland to accept the transferring EU business of PLL and RLL. It is a direct subsidiary of RAL and is regulated by the CBI. The company was authorised by the CBI in September 2022 to carry out long-term insurance business in Classes 1, 3, 4, and 7 as set out in Schedule 2 of the European Union (Insurance and Reinsurance) Regulations 2015; and it has freedom of service permissions (passports) in a number of jurisdictions where policyholders have been identified as being resident.

PLAE is a member of the Phoenix Group, as shown in

Figure 1 .

During 2022 the Phoenix group transferred all of the EEA business held in its UK subsidiaries, namely RLL and Phoenix, into PLAE. (the “2022 Scheme”). PLAE holds no other long-term business other than that transferred under the 2022 Scheme. PLAE is closed to new business except for writing new annuities in respect of its vesting pensions business.

4.2. PLAE fund structure and in-force business

4.2.1. Fund Structure

The long-term insurance business within PLAE is held within five sub-funds:

- The PLAE Alba With-Profits Fund (the “PLAE Alba WPF”);
- The PLAE Phoenix With-Profits Fund (the “PLAE PWPF”);
- The PLAE 90% With-Profits Fund (the “PLAE 90% WPF”);
- The PLAE SPI With-Profits Fund (the “PLAE SPI WPF”);
- The Non-Profit Fund (the “PLAE NPF”).

The first four funds listed above are WPFs and all are closed to new business and are in run-off. The NPF is maintained for accounting and operational purposes to allow PLAE to identify its long-term insurance business which is not allocated to its WPFs. Since the introduction of Solvency II, there is no legal or regulatory requirement to maintain the NPF or to separate the business allocated to the NPF from the assets and liabilities of PLAE which are not attributable to its long-term insurance business (referred to as the "Shareholders' Fund"). For reporting purposes under Solvency II, the Shareholders’ Fund is combined with the NPF.

The business to be transferred under the Scheme is contained within the following funds:

- The **PLAE Alba WPF** comprises the Irish business that was transferred from Alba Life to PLL in 2006. This includes business originally written by Crusader Insurance and the Life Association of Scotland. The fund closed to new business in 1999. The business comprises a mix of traditional with-profits life and corporate pension business, and includes some deposit admin business, non-profit deferred and some immediate annuities..

- The **PLAE PWPF** comprises the Irish business originally written by Royal Life Insurance Limited (subsequently renamed Royal & Sun Alliance Life and Pensions Limited) and transferred into PLL in 2006. The fund closed to new business in 2002. The business comprises a mix of with-profit whole of life, life and pension endowments, non-profit endowments, deferred and immediate annuities..

- The **PLAE 90% WPF** comprises Irish business transferred to PLL from Swiss Life (UK), including business written by Pioneer Mutual. The business mainly consists of a mix of with-profit and non-profit Industrial Branch policies with low sums assured. The policies are traditional endowments and whole life policies.

- The **PLAE SPI WPF** which comprises the Irish business transferred to PLL from Scottish Provident in 2009. The fund consists mainly of conventional with-profits whole of life, endowments and deferred annuities, and the unitised with-profits benefits under policies written in the NPF. .

All of the above with-profits funds are 100% reinsured back to PLL so that the PLAE policyholders remain invested in the same funds as they did prior to the 2022 Scheme. All of the respective PLL funds have a combination of both Irish and UK policies.

All four WPFs are 100:0 funds and the respective estates of each fund remains in PLL. PLL provides capital support if required by the funds, and in respect of these funds, PLAE is only exposed to counterparty default risk from PLL and operational risk (which is not transferred by reinsurance under the Solvency II Standard Formula).

Note that PLAE has a derogation from the CBI for it to publish With-Profits Operating Principles ("WPOP"s) documents in Ireland, on the grounds that these would be substantially identical to the Principles and Practices of Financial Management ("PPFM"s) published by the corresponding PLL funds in the UK.

- The **PLAE NPF** holds a mix of annuity, conventional non-profit business as well as unit-linked savings, pensions and bonds from PLL and RLL. New annuities on vesting pensions from the WPFs are mainly set up in the NPF.

The investment element of unit-linked liabilities from the unit-linked business transferred into PLAE NPF from PLL is 100% reinsured back to PLL, and similarly the unit-linked liabilities on the business originally from RLL are 100% reinsured back to RLL. These reinsurance agreements ensured that the PLAE policyholders remained in the same funds as they did prior to the 2022 Scheme. Many of the reinsurers' unit linked funds are invested in by both PLAE policyholders and by the reinsurer's own direct policyholders.

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

Table 3 PLAE in-force business

Fund	PLAE Alba WPF	PLAE 90% WPF	PLAE PWPF	PLAE SPI WPF	PLAE NPF	Total
Policies	794	651	988	5,568	15,339	**23,340**
Gross BEL (€m)	18	2	37	209	651	**918**
Net BEL (€m)	1	0	2	9	474	**486**

4.2.2. The Irish business

The Irish business in scope originated from a number of legacy companies and was transferred to PLL via various UK Part VII schemes, and subsequently under a UK and Irish portfolio transfer to PLAE. There are around 80 products and the majority were written before the introduction of Passporting rights and were sold via a local Irish branch. The business is mainly denominated in Euros, but there are a few policies denominated in GBP.

Table 4 below shows the split of products within the Irish business.

Table 4 Irish business – product info

Fund	Consisting of
PLAE Alba WPF	Traditional with-profits life and corporate pension business. Includes Deposit Admin business, non-profit deferred and some immediate annuities
PLAE 90% WPF	A mix of with-profit and non-profit Industrial Branch policies with low sums assured. The policies are traditional endowments and whole life policies.
PLAE PWPF	A mix of with-profit whole of life, life and pension endowments, non-profit endowments, deferred and immediate annuities.
PLAE SPI WPF	Conventional with-profits whole of life, endowments and deferred annuities, and the unitised with-profits benefits under policies written in the NPF.
PLAE NPF	Mainly annuities in payment, and unit-linked (mainly life) business. There is also some term assurance and protection business. The unit-linked business is ex Scottish Provident

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

Table 5 Composition of the Irish business

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

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

It should be noted that there is a requirement to deposit claims with the National Treasury Management Agency ("NTMA") in respect of policies where a payment is due to a customer but over a specified time frame customer contact is not possible or customer response has not been obtained (in accordance with the Unclaimed Life Assurance Policies Act 2003). There were 4,293 policies subject to this process as at Q4 2023. Any obligations will transfer to SLIntl and are discussed in section 5.3.8.

There are small amounts of external reinsurance in connection with some of the business written in the PLAE NPF.

4.2.3. The Swedish business

The following table shows the composition as at 31 December 2023 of the Swedish policies of PLAE that were sold by RLL between January 1988 and December 2007 under the Freedom of Services regulations. This book is open to increments on existing policies.

Table 6 Composition of the Swedish business

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

The Swedish business is managed in the PLAE NPF.

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

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

4.2.4. German Business

The German business comprises policies originally written by Swiss Life (UK) Limited which transferred from PLL; and policies which transferred from RLL. It sits in the PLAE NPF.

The German business from PLL is a single life, premium paying, accelerated critical illness product sold between 2001 and 2004 which has a reviewable premium and is denominated in Euros.

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

There is external reinsurance in place for the German business originating from both PLL and RLL.

The table below shows the number of policies and BEL of the German business transferring from PLAE as at 31 December 2023.

Table 7 Composition of the German business

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

4.2.5. Icelandic Business

Icelandic business was originally written by Swiss Life (UK) Limited and portfolio transferred to PLL in 2005. This business then transferred from PLL to PLAE under the 2022 Scheme. The Icelandic business is premium paying and is a mix of accelerated critical illness product, critical illness, and term assurance sold between 2002 and 2005. This business is denominated in GBP, and premiums and claims are settled in GBP. There is external reinsurance in place for this business.

The table below shows the number of policies and BEL of the Icelandic business transferring from PLAE as at 31 December 2023.

Table 8 *Composition of the Icelandic business*

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

4.2.6. Norwegian Business

RLL sold Norwegian business between March 1997 and December 2007 under a local branch. This book is closed to increments. The savings business comprises unit-linked regular and single premium investment business and does not contain any guarantees. The pensions products are administered as individual single premium unit-linked policies (including transfers in) that may pay out a regular pension payment from the retirement date.

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

The table below shows the number of policies and BEL of the Norwegian business transferring from PLAE as at 31 December 2023.

Table 9 *Composition of the Norwegian business*

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

4.3. Solvency II Features of PLAE

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

4.4. PLAE Capital Policy ("PLAE CP")

The Phoenix group life companies' Risk Appetite Framework sets out a structure and principles which each entity uses to determine its capital policy. The main objective of the Risk Appetite Framework is to ensure that the group companies can meet their regulatory capital requirements under internally specified stress scenarios. The strength of the capital policy is a function of these scenarios.

The scenario testing is based on holding sufficient capital to be able to meet the higher of the regulatory capital requirements after a 1 in 10 year all risk event, or after a 1 in 20 year market risk event. There are also tests relating to the quality of capital held. This internal additional capital margin is expressed as a percentage of the SCR. The scenarios and the percentage are reviewed from time to time to ensure that the capital policy continues to meet its objective. The percentage may thus change without affecting the strength of the capital policy.

PLAE sets its own capital policy following structures and principles that are consistent with the methodology used in the Risk Appetite Framework. As at 31.12.20023, the PLAE CP requires PLAE to hold capital equal to 50% of the SCR in addition to the capital necessary to meet the SCR itself.

If at any point there is an immaterial deficit relative to the PLAE capital policy, then no action is required to be taken other than that no capital can be released (for example through the payment of dividends). However, material deficits would require consideration of corrective action.

4.5. PLAE Reinsurance Agreements

4.5.1. With-Profits Reinsurance with PLL

PLAE has 100% quota share reinsurance agreements with PLL in respect of each of the four of its WPFs. These were put in place to ensure that the with-profits policyholders transferred under the 2022 Scheme continued to receive the same benefits and participation in the funds as if they had remained with Phoenix. It has no shareholder participation in any of the four funds but received a day-one fee from PLL under the 2022 Scheme to compensate it for the cost of local oversight of the reinsured funds, and for its cost of counterparty default and operational risk capital. All of the reinsured premiums, claims, expense and tax cash flows are settled monthly between PLL and PLAE. The 2022 Scheme requires PLAE to declare bonus at least equivalent to those declared by PLL for the business in question.

Expense cash flows are defined in terms of inflating per-policy amounts in perpetuity, reflecting the previous buyouts of expense risk by the corresponding funds in PLL.

Termination of the with-profits reinsurance

Either party may terminate the reinsurances under circumstances such as material breach, default or loss of authorisation. PLAE may also trigger non-default termination on defined capital events expressed as a material downgrade in PLL's credit rating or reduction in solvency cover.

A non-default termination provides for a staged settlement process that would provide PLAE with a source of immediate liquidity whilst the process to divide the estate and determine the appropriate final termination amount is carried out.

On termination of a with-profits reinsurance agreement due to the winding up of the relevant WPF in PLL, the with-profits policies within the relevant PLAE WPF will be converted to non-profit policies with guaranteed increases in benefits or to unit-linked policies in line with the approach taken by PLL on closure of the corresponding WPF. The business will be moved to the PLAE NPF and the PLAE WPF will cease to exist.

For termination of a with-profits reinsurance agreement in any other circumstance it will be for the Board of PLAE to decide whether to run the PLAE WPF as a stand-alone WPF, or to look to convert the with-profit policies as above. The Scheme provides for the Board of PLAE to apply a set of principles which conform with the principles for the management of the PLL WPFs which set out the basis on which the PLAE WPF is to be maintained.

4.5.2. Unit-Linked Reinsurance with RLL and PLL

These agreements reinsure 100% of the unit-linked liabilities of the PLAE business back to RLL and PLL respectively. The rationale for the unit-linked reinsurance was to ensure that transferring policyholders under the 2022 Scheme continued to have access to the same range of unit-linked funds as they did with PLL and RLL. PLAE unit linked policyholder benefits are calculated by reference to the value of their units reinsured into the PLL and RLL funds. All of the non-unit cash flows associated with this business were transferred to PLAE under the 2022 Scheme.

PLL and RLL reserve the rights to add, close or merge unit-linked funds, providing they give adequate notice to PLAE.

Termination of the unit-linked reinsurance
Either party may terminate the unit-linked reinsurances under circumstances such as material breach, default or loss of authorisation.

PLAE has the additional right to a no-fault termination provided it gives at least 90 days' notice to the reinsurer.

4.5.3. Security Agreements

Fixed charge

PLL has granted fixed charge deeds in favour of PLAE as cedant over sufficient assets of the relevant PLL WPFs to enable 65% of the reinsured BEL to be met. The fixed charges mean that in the event that termination of the relevant reinsurance agreement occurs, PLAE can take control of sufficient assets to meet the majority of the reinsured liabilities and have a source of liquidity to meet short term claims even if PLL was insolvent.

The assets subject to the fixed charges are taken from the assets of the relevant WPF of PLL and are allocated to a separate ring-fenced collateral account at the custodian. The assets continue to be managed by PLL to the relevant investment benchmarks and are available to meet claims arising under the reinsured contracts. No fixed charge is in place for the SLIntl 90% WPF as it is not considered proportionate given the immaterial size of the reinsured liabilities.

Floating charges

PLL and RLL have granted floating charges to PLAE, which is not restricted to any specified pool of assets but attaches to all available assets. The floating charges cover the total obligations of the reinsurers to PLAE on an insolvency of that reinsurer and ensures that PLAE ranks at an equal priority with unsecured insurance creditors of the reinsurer in that insolvency. The with-profits floating charges over PLL would take account of any amounts already recovered by PLAE from the fixed charges of PLL.

The floating charge contains provisions which restrict the amount recoverable by PLAE to that of unsecured insurance debts of the reinsurer to ensure fairness with the non-transferred policyholders under the 2022 scheme.

4.5.4. External Reinsurance

PLAE has a number of external existing reinsurance arrangements which originated from PLL and RLL. The external reinsurance is held with four reinsurers and the majority of these relate to the non-unit liability on unit-linked Irish business.

4.6. Administration of PLAE policies

PLAE policies are administered through a management services agreement with PGMSIB (the “PLAE MSA”). Under the PLAE MSA, PGMSIB provides access to all staff, systems and other resources to administer PLAE policies, including services sub-contracted to other internal and external service providers. PGMSIB is not authorised to carry out regulated activities itself in Ireland, so the staff provided under this agreement are acting directly on behalf of PLAE.

The main sub-contracted parties involved in PLAE policy servicing are:

- SS&C International Managed Services Limited (“SS&C”), who administer policies originally written by SPI and held in the PLAE SPI WPF or the PLAE NPF.
- Diligenta Limited (“Diligenta”), who provide administration systems and other unregulated support services in respect of other policies transferred from PLL.
- ReAssure UK Services Limited (“RUKSL”), who provide administration systems and other unregulated support services in respect of policies transferred from RLL.

4.7. PLAE risk profile

Figure 4**Error! Reference source not found.** and Table 10 show the risk profile of PLAE as at 31 December 2023 before taking account of diversification between risks. Longevity risk on the annuity book is the most significant exposure; spread risk on this business has been significantly reduced through a de-risking action carried out by PLAE during the first half of 2023. The with-profits reinsurance removes all of the risks associated with those funds of PLAE and replaces it with a counterparty default risk ("CDR") exposure to PLL. The risks arising from the reinsured unit-linked business of PLAE remain in its risk profile. Expense risk (comprising base expense risk and inflation risk) remains significant, though there is a small amount of risk-mitigation through PLAE's MSA.

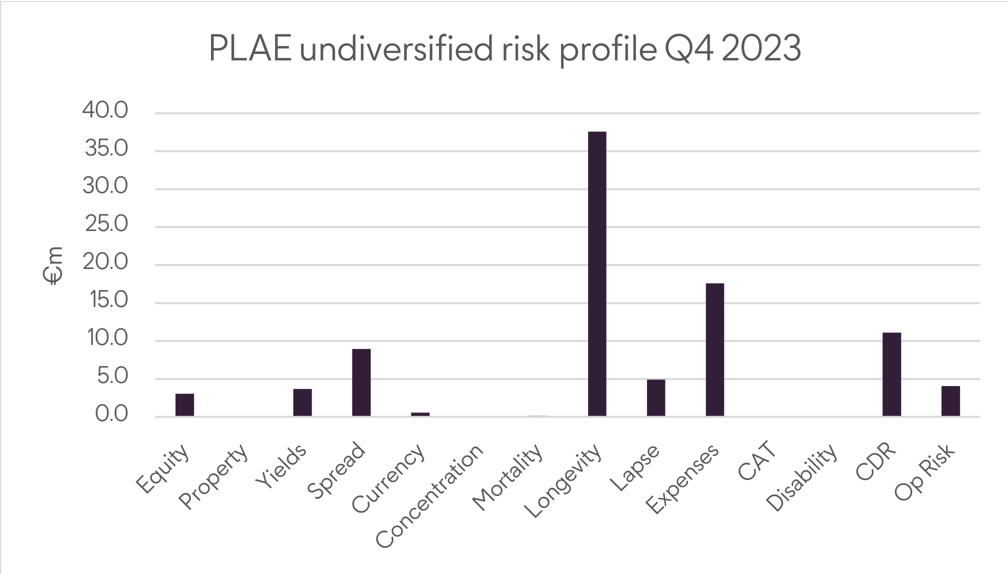

Figure 4 PLAE Risk Profile

Table 10 PLAE SCR breakdown

€m	Q4 2023	% of undiversified SCR
Longevity risk	**37.6**	**41%**
Expense risk	**17.6**	**19%**
Counterparty Default Risk	**11.1**	**12%**
Spread risk	**8.9**	**10%**
Lapse risk	**4.9**	**5%**
Yields risk	**3.7**	**4%**
Equity risk	**3.1**	**3%**
Operational risk	**4.0**	**4%**
Other risks	**0.8**	**1%**
Total before diversification	**91.7**	**100%**

4.8. Events Since 31 December 2023

There have been no events since 31 December 2023 that would have materially changed the PLAE solvency II balance sheet or its risk profile.

5. THE PROPOSED SCHEME

5.1. Background to the Scheme

PLAE was established and the 2022 Scheme was carried out so that, following the end of the Brexit transition period, the group could safeguard future customer stability and the ability to continue to provide the range of benefits that customers could seek to exercise on their policies, in compliance with applicable law in the relevant EEA jurisdiction.

The 2022 Scheme was already designated as a "transitional insurance business transfer scheme" under the post-31 December 2020 cross-border transfer provisions, as set out in the amended version of Part VII and Schedule 12 to FSMA, according to the Financial Services (Miscellaneous) (Amendment) (EU Exit) Regulations 2019. This prevented the group from transferring the EU policies of RLL and PLL directly into SLIntl.

The 2022 Scheme has left the group in a position of having two authorised life insurance companies in Ireland, which has significant cost diseconomies compared with the alternative of having a single authorised life insurance entity. This Scheme would address these diseconomies through consolidation. Following the transfer PLAE would have no remaining long-term business, so the group would be able to apply for its subsequent deauthorisation and winding up.

For the transferring policyholders of PLAE, integration into a larger, well-established entity that is open to new business provides more long-term certainty of the strategic future of their provider, and better economies of scale to support ongoing provision of services, under the oversight of a single management team focussed across the interests of all the group's non-UK European operations.

5.2. Summary of the Scheme

The Scheme provides for the transfer of all of the long-term business of PLAE to SLIntl as at the Effective Date, which is expected to be 1 January 2025.

The design of the Scheme preserves all of the features of the 2022 Scheme included to ensure that PLAE policyholders remained invested in the same funds as they were prior to the 2022 Scheme, and that the non-transferring policyholders of PLL were not materially disadvantaged as a result of the 2022 Scheme. Certain commercial aspects of the transfer have been updated to reflect the change of circumstances compared to the 2022 transfer. These are outlined in 5.3.

The Scheme does not include any changes to the terms and conditions, benefits, policyholder funds, or the operation of any existing SLIntl policies.

The transfer of the business is carried out under Section 13 of the 1909 Assurance Companies Act. The implementation of the Scheme is dependent, amongst other things, on the Scheme being sanctioned by the High Court of Ireland, for the transfer of the business to take place.

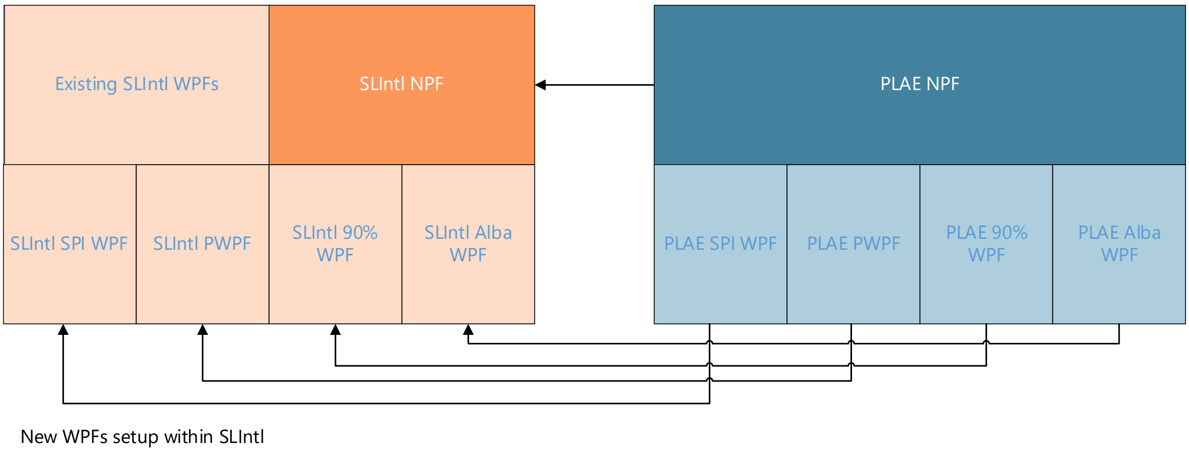

Figure 5 Scheme Structure Diagram

Figure 5 shows the structure of the Scheme in terms of transferring assets and liabilities under the fund structures of the respective companies (the box sizes are not proportional to the business volumes).

Under the Scheme, the following new 100:0 ring fenced WPFs will be established in SLIntl as separate with-profits sub-funds within the SLIntl Long-Term Fund:

- the SLIntl Alba With-Profits Fund;
- the SLIntl 90% With-Profits Fund;
- the SLIntl Phoenix With-Profits Fund; and,
- the SLIntl SPI With-Profits Fund.

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

SLIntl will set up unit-linked funds that correspond to the range of funds invested in by the transferring unit-linked policyholders of PLAE. Units will be allocated to transferring policies of equal number and value to those held prior to the transfer.

Note that the transferring German business from PLAE will be held directly in the PLAE NPF and not transferred to the SLIntl German Branch.

PLAE will pay across 114% of the adjusted PLAE Solvency II BEL to SLIntl on the Effective Date in relation to the transferring business from the PLAE NPF, together with an amount to make good any surplus or shortfall in the transferred net accounting liabilities that are not included in the Solvency II BEL. The percentage has been determined as an arms-length transaction price. The adjustment to the PLAE Solvency II BEL is in respect of maintenance expense reserves in order to reflect the anticipated costs to SLIntl of running the business. In all other respects I am comfortable that the best estimate assumptions that PLAE uses materially reflect the corresponding reserving requirements of SLIntl.

5.3. Particular Features of the Scheme

5.3.1. Preservation of benefits for with-profits policyholders

Whilst the with-profit reinsurance is in place, the Scheme requires SLIntl to set benefits as least as high as they would have been had that policy remained in PLL. This feature applies to PLAE and is carried over from the 2022 Scheme.

5.3.2. Existing Reinsurance and Security Agreements

All of PLAE reinsurance treaties associated with the transferring business, will transfer across to SLIntl. This specifically includes the internal reinsurance agreements described in 4.5.1 and 4.5.2. Some changes will be made to the reinsurance treaties to include the relevant terms of the 2022 Scheme that applied to PLL, since PLL is not a party to the current Scheme but it needs to make the same obligations to SLIntl. The PLAE security agreements described in 4.5.3 will terminate on the effective date and be replaced with equivalent charges in favour of SLIntl.

Currently the PLAE NPF internally reinsures to the PLAE SPI WPF the with-profits investment element of hybrid policies and the risk arising from guarantees on this business, and the Guaranteed Annuity Option ("GAO") risk on transferring ex-Scottish Provident unit-linked policies. The Scheme replicates this in SLIntl.

5.3.3. Unit-linked funds

The Scheme provides for SLIntl to establish unit-linked funds that mirror those within PLAE. The policies that invest in the unit-linked funds will receive the same number and classes of units in the unit-linked funds of SLIntl as they held in the unit-linked funds of PLAE prior to the Effective Date. The Scheme does not make any change to the terms and conditions of the unit-linked policies and will not change the arrangements with third parties relating to the investment, management and pricing of unit-linked funds or the associated costs.

The 2022 Scheme allows the PLAE Board to decide to make future changes to close, wind-up, amalgamate or modify unit-linked funds, subject to actuarial (or other appropriate senior manager) advice to the Board that the terms would be equitable to transferring policyholders and provided that, whilst the reinsurance is in place, this reflects actions within the PLL and/or RLL funds and that PLAE consults with and has regard to the views of PLL and/or RLL. This provision will be replicated by the Scheme.

5.3.4. Residual policies

Should it not be possible for technical reasons to transfer any policy or group of policies at the time the Scheme is implemented then such policies will be reinsured to SLIntl. In effect, this arrangement will ensure that any residual policies will be treated for all practical purposes in the same way as if they had been transferred to SLIntl at the Effective Date until it is possible for them to be transferred.

5.3.5. Mis-selling and mal-administration liabilities

Any liabilities of PLAE in respect of mis-selling or mal-administration would transfer to SLIntl. Under the 2022 Scheme, liabilities for mis-selling and mal-administration due to actions carried out prior to 1.1.23 remained with PLL and RLL. Under this Scheme, PLAE's right to claim for such liabilities from PLL and RLL will also transfer to SLIntl. The net effect of these provisions is that SLIntl would be exposed to any transferred mis-selling or mal-administration liabilities incurred by after the effective date of the 2022 Scheme. Any reserves held by PLAE in respect of remediation activities at the Effective Date would transfer to SLIntl. Any provisions held by PLAE in respect of any remediation work will be included as part of accounting liabilities.

5.3.6. Annuity benefits in the PLAE WPFs

Guaranteed rate annuities from vesting pensions from the SLIntl WPFs originating from PLAE will ordinarily be written by SLIntl into its NPF on its own terms. As the cost of these options is met by the WPF, whilst the WPF reinsurance is in place, the PLL Board (having regard to the advice of the PLL With-Profits Committee and the PLL With-Profits Actuary) can recommend that SLIntl (and on such recommendation SLIntl shall) provide these annuities within the SLIntl WPF if the NPF annuity rate is deemed unfair. Any annuity written into a SLIntl WPF would automatically be reinsured back to the WPF of PLL that bears the cost. There are also some deferred annuities which are fully reinsured back to PLL on vesting.

For vesting pensions from the SPI WPF, where there is no guarantee, if the policyholder choses to accept an annuity with SLIntl, the annuity would be provided from the SLIntl NPF using an annuity rate determined by the SLIntl Board, but with the approval of the PLL With-Profits Actuary.

These provisions are also carried over from the 2022 Scheme.

5.3.7. Annuity New Business

Whilst not a specific feature of the Scheme, SLIntl will ensure that annuity rates offered to PLAE policyholders in the future at the point of vesting (i.e. converting a benefit value into an annuity) will be no worse than would have been offered had the Scheme not occurred. SLIntl will reserve the right, as would PLAE in the absence of the Scheme, to price these annuities with due allowance for their specific features and expected experience, in particular allowing for the operational arrangements driving expenses, for mortality experience and for investment returns anticipated on the assets backing this business. Subject to this pricing discretion, SL Intl will look to align annuity pricing across SLIntl including ex-PLAE business where possible. In doing this, SLIntl will take into account the current annuity pricing practices in PLAE.

5.3.8. General provisions

Certain suspended annuity business in the WPFs of PLAE will transfer to SLIntl . These are likely to be cases where the death of the annuitant has been notified but not verified. If these policies are reinstated, then PLL will pay to SLIntl any overdue annuity payments. Likewise if any Irish policy which has had its benefit paid by PLL to the NTMA is reinstated, SLIntl will be liable to pay customer claims, but will be able to recover any customer benefit deposited with the NTMA, and PLL will pay to SLIntl any additional benefit value due under that policy, as if it had never been paid out to the NTMA but had transferred under the Scheme as an inforce policy. Likewise for any reinstatement of a policy in line with its terms and conditions and in line with current practise.

5.3.9. Management Services Agreements

Upon the Scheme becoming effective, there will be some changes to the MSAs described in 3.6 and 4.6. The SLIntl MSA will be expanded to include any additional group support services identified as being needed by the enlarged business, such as finance, HR, investment management, and legal services. The PLAE MSA will novate to SLIntl but will exclude any support services that will move to be provided under the SLIntl MSA. Thus the PLAE MSA will cover all policy administration services including outsourced services. The fees payable under the PLAE MSA will be reduced to a level commensurate with the remaining services provided to SLIntl under the agreement.

5.3.10. With Profits-Operating Principles

Whilst not a specific feature of the Scheme, SLIntl is applying to the CBI for the existing WPOP derogation granted to PLAE to be carried over to SLIntl following the transfer. If this derogation is approved then SLIntl would continue to maintain the WPOP documents in respect of its existing funds prior to the transfer and look through to the PLL PPFM for equivalent material for the funds transferred from PLAE.

5.3.11. Costs

The shareholder funds of PLAE and SLIntl will meet the costs associated with the Scheme, and no costs will be borne by any policyholders of PLAE or SLIntl.

6. EFFECT OF THE SCHEME ON THE EXISTING POLICYHOLDERS OF SLINTL

6.1. Security of Policyholder Benefits

As part of the considerations as to whether the benefit security of existing policyholders in SLIntl will be affected by the Scheme, it is helpful to compare the solvency position of SLIntl before and after the Scheme. In addition to this, it is helpful to consider the extent to which the profile of risks borne by SLIntl is affected by the Scheme.

6.1.1. Inclusion of PLAE within the SLIntl Partial Internal Model

As noted in 4.3, PLAE calculates its solvency capital requirements using the Standard Formula; whilst in 3.3, SLIntl has approval for a PIM where the Operational and Counterparty risk models are calculated using its internal model.

SLIntl will be following a process in due course to change its PIM to include the transferred PLAE business within the model scope, among other unrelated changes. The inclusion of PLAE in the PIM scope would be conditional upon the Scheme being approved.

Until this change becomes effective, SLIntl would use the Standard Formula to calculate all risk modules in respect of the transferred business. The aggregation approach would assume that the Operational and Counterparty Default risk module components of PLAE and SLIntl are 100% correlated during this period, and hence recognize no diversification within risk modules.

The pro-forma analysis produced in this report takes this approach for the calculation of the post-transfer SCR.

This matter (i.e. whether the PLAE OPR and CDR modules are assessed under SF or PIM) is considered to be a technicality given its low overall materiality. The table in section 6.1.2 illustrates this by showing the relatively small contributions of risk capital from PLAE across all risk modules as well as within the OPR and CDR modules.

Subject to ongoing validation the Volatility Adjustment will be applied to PLAE's euro-denominated lines of business post transfer.

6.1.2. Effect of the Scheme on the SLIntl Risk Profile

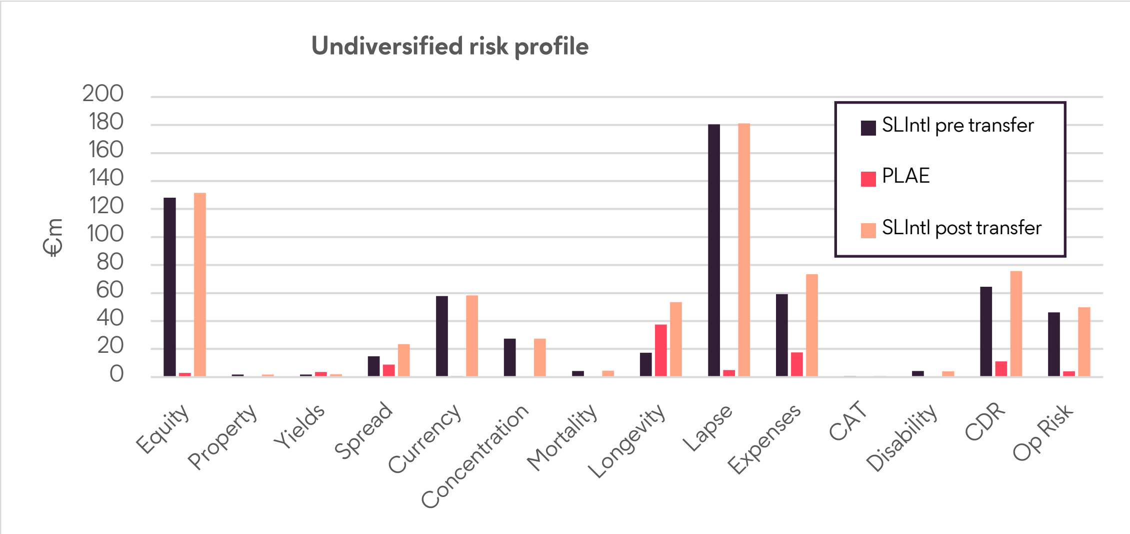

Figure 6 Comparison of Risk Profiles

Figure 6Figure 6 Comparison of Risk ProfilesFigure 6 shows the respective undiversified profiles of risks borne by SLIntl and PLAE prior to the Scheme, and the risk profile of SLIntl calculated on a pro-forma basis after the Scheme. It shows that the risk profile of SLIntl is not materially changed following the transfer, largely due to the small size of the transferred business in comparison to the size of the existing business. The most notable difference is the increase in longevity risk arising from PLAE's annuity business, which is not reinsured.

6.1.3. Effect of the Scheme on the Capital Position of SLIntl

Table *11* shows the actual solvency position of SLIntl and PLAE as at 31 December 2023, alongside the solvency position that would have been the case if the Scheme had become effective on that date. The actual solvency position was approved by the Board and subject to external audit. Similarly, the transferred technical provisions of PLAE used to calculate the post-transfer position were approved by the PLAE Board and subject to external audit.

Table 11 YE23 Pro Forma Balance Sheet

€m	Pre-Transfer		Post-Transfer	
	SLIntl	PLAE	SLIntl	PLAE
Assets excl. Reinsurance Recoverable	**18,828**	**651**	**19,310**	**160**
Current assets	**231**	**99**	**330**	**-**
BEL gross of reinsurance	**- 30,598**	**- 918**	**- 31,450**	**-**
Other liabilities	**- 438**	**- 108**	**- 546**	**-**
Ceded reinsurance	**12,838**	**432**	**13,270**	**-**
Risk Margin	**- 171**	**- 36**	**- 195**	**-**
Basic Own Funds	**690**	**119**	**719**	**160**
Ancillary Own Funds	**55**	**-**	**55**	**-**
SCR	**383**	**61**	**420**	**0**
Total OF/SCR cover%	**194%**	**196%**	**184%**	

Source: SLIntl SFCR 2023, PLAE SFCR 2023

Note – The numbers in the table above and elsewhere in this section may not add up due to rounding. Assets figure differs to SFCR figures due to EFL reinsurance

The pro-forma post-transfer liabilities have been calculated using best estimate assumptions and methodology that are materially consistent with the basis and methodology that I would anticipate using for the transferred business.

The increase in SLIntl assets reflects the assets transferring from PLAE including the transfer price described in 5.2, less SLIntl's contribution towards the cost of the transfer. The increase in BEL comprises the transferring liabilities from PLAE, less the anticipated release of expense reserves due to projected cost synergies following the Effective Date. The risk margin and SCR movements reflect the transferred risk exposures from PLAE, less the Standard Formula allowance for diversification.

Note the increase in post-transfer liabilities shown does not take account of the application of the volatility adjustment to the transferred business, and is thus slightly conservative.

The Scheme is expected to increase the SLIntl Own Funds. The Excess of Adjusted Own Funds over SCR has decreased because the increase in Own Funds is less than offset by the increase in the SCR due to the transfer.

Overall, the pro-forma presentation shows that after the implementation of the Scheme, the reported solvency position of SLIntl will lead to a decrease in adjusted Own Funds over the SCR, however the ratio will still remain well above that required by the SLIntl CP.

Based on analysis of the position of SLIntl after implementation of the Scheme, SLIntl would have met the levels implied by the SLIntl CP on 31 December 2023. Whilst this will decrease the surplus in excess of the SLIntl CP, little reliance or benefit can be placed on this in terms of improving the security of policyholders, since subject to the dividend policy and its associated governance, any surplus in excess of the SLIntl CP may be paid up to PGH.

I have also reviewed a projected evolution of the SLIntl solvency position for a number of years after the Effective Date including the transferred business, and at all durations there is a surplus in excess of the SLIntl CP. The SLIntl ORSA process is used to assess and manage the solvency needs of SLIntl under relevant stress scenarios. Due to the relatively small contribution from PLAE business to the SLIntl overall risk profile, there is no reason to expect that SLIntl would have materially different solvency needs under these relevant stress scenarios as a result of the Scheme.

Therefore, I am satisfied that the Scheme will not have a material adverse effect on the security of existing SLIntl policyholders.

6.2. Effect of the Scheme Benefit Expectations of current SLIntl Policies

The existing policies in SLIntl are not transferring under the Scheme. They will remain in the same funds as now and no changes are being proposed to their terms and conditions under the Scheme, and there are no changes to the way the existing policies of SLIntl are managed.

There will be no change to the expenses charged to policies, or to the WPFs and NPF of SLIntl due to the Scheme.

On this basis, I consider that there will be no reduction in the reasonable benefit expectations of current SLIntl policyholders as a result of the Scheme.

6.3. Effect of the Scheme on the Administration of current SLIntl Policies

The administration staff, process and systems used to administer the PLAE policies are all scheduled to continue to provide the same customer service to the transferring policies, through the amended PLAE MSA.

The Scheme makes no changes to the administration of current SLIntl policies, and therefore, there is no reason to expect the quality of administration or the level of service provided to existing SLIntl policyholders to deteriorate as a consequence of the Scheme.

6.4. Effect of the Scheme on SLIntl Governance and Oversight

The governance structures of PLAE and SLIntl provide oversight of various aspects of the businesses through a number of respective management committees. These oversight responsibilities will transfer from PLAE management to SLIntl Management.

I also note that should the derogation from the requirement to publish WPOP documents in respect of the transferring WPFs be approved, this has no effect on the WPOP documents that SLIntl publishes in respect of its existing WPFs.

I consider that the inclusion of additional governance measures to cover the transferring business do not change or reduce the level of oversight of the existing SLIntl business.

6.5. Communication to current SLIntl Policyholders

SLIntl has made an application to the court to waive the requirement to write to any SLIntl customers individually, as there is no specific change resulting from the Scheme that has a direct impact on them. The proposal is made on the basis that SLIntl customers are not transferring, that their rights, reasonable benefit expectations and security are not directly affected by the Scheme, and that mailing them may cause undue concern. The number of policies being transferred to SLIntl from PLAE is small relative to the existing size of SLIntl (approximately 4% by policy count) and the reinsurance which is a condition of the Scheme means that there is no material change to the risk profile of SLIntl.

I agree that the rights and benefits of existing SLIntl customers will not be affected by the Scheme and that the security of their benefits will be maintained. The Scheme will be publicised through newspaper notices and through the SLIntl website.

Therefore, I am satisfied that no individual notifications in respect of the Scheme need be sent to current SLIntl policyholders.

7. CONCLUSIONS FOR CURRENT SLINTL POLICYHOLDERS

For the reasons set out above I consider that the Scheme will not materially adversely change the position of current policyholders of SLIntl.

I will prepare a supplementary report in advance of the Sanctions Hearing which will provide updates to this report including updated financial results to 30 June 2024, and any other matter that comes to light which may have an effect on my conclusions.

M. Wh

M Wharton
Fellow of the Society of Actuaries in Ireland
27 June 2024

Appendix 1 – Glossary

Term	Definition
"**1909 Act**"	means the Assurance Companies Act, 1909 of the Republic of Ireland (as amended)
"**1989 Act**"	means the Insurance Act, 1989 of the Republic of Ireland (as amended)
"**2015 Regulations**"	means the European Union (Insurance and Reinsurance) Regulations 2015 (SI 485/2015)
"BEL"	Best estimate Liabilities, the value being derived from a model using best estimate actuarial assumptions.
"Capital Policy"	A Board-approved policy for the amount of additional capital the firm holds in excess of the regulatory requirements to provide an additional solvency buffer.
"**CBI**"	means the Central Bank Of Ireland, the regulator of insurance companies in Ireland.
"CDR"	means counterparty default risk, the risk exposure to the failure of a contractual counterparty, for example a reinsurer.
"**Court**"	means the High Court of Ireland
"**Diligenta**"	Diligenta Limited, an external service company providing administration services to companies in the Phoenix Group
"**Directions Hearing**"	means the hearing to be held before the Court on 8 July 2024 at which the Court is asked to give certain directions to the parties in relation to the proposed Transfer including how the Transfer will be publicised / how the parties intend to communicate with policyholders
"**EEA**"	means the European Economic Area

Term	Definition
"**Effective Date**"	means 1 January 2025
"EFL Retrocession Agreement"	means retrocession arrangement that was put in place to allow transferring Irish policyholders in the SLAL HWPF to maintain their current unit- linked investment options
"**Fixed Charge Arrangements**"	means the deed of fixed charge between PLL as chargor and SLIntl as secured party which will be executed prior to the sanction of this Scheme by the Court, the Account Control Agreement and Custody Agreement
"**Floating Charges**"	means the deeds of floating charge, which will be executed prior to the sanction of this Scheme by the Court, between: (a) PLL as chargor and SLIntl as secured party; and (b) RAL as chargor and SLIntl as secured party
"**FSAI"**	means a Fellow of the Society of Actuaries in Ireland
"GAO"	means Guaranteed Annuity Option, a feature of certain pension policies which have the benefit that policyholders can purchase an annuity at a guaranteed rate.
"FSMA"	means the UK Financial Services and Markets Act 2000
"**HoAF**"	means the Head of Actuarial Function
"**IA**"	means the Independent Actuary, Mr. Michael Claffey of Milliman Limited (7 Grand Canal, Grand Canal Street Lower, Dublin 2, D02 KW81, Ireland) who has been appointed as the independent expert to report to the Court on the Scheme
"**MSA**"	means Management Services Agreement.

Term	Definition
"**NTMA**"	means the National Treasury Management Agency which manages the Dormant Accounts Fund (i.e., the fund established under the Dormant Accounts Act 2001) in accordance with the Unclaimed Life Assurance Policies Act 2003)
"OPR"	Means Operational risk, which incorporates losses caused by inadequate or failed internal processes, people and systems, or from associated external events including legal risks.
"ORSA"	Means Own Risk and Solvency Assessment. This is a set of processes defined under Solvency II to assess a firm's overall solvency needs related to its specific risk profile, in a continuous and prospective way.
"Own Funds"	Free assets on an insurance company balance sheet in excess of the amount required to cover technical provisions and the regulatory capital requirements.
"Partial Internal Model (PIM)"	Under Solvency II, an internal model is an alternative methodology for determining the SCR instead of using the standard formula. Internal models require regulatory approval. A partial internal model adopts a hybrid of internal model and standard formula components and also requires regulatory approval.
"PGH"	means Phoenix Group Holdings plc
"**Phoenix Re**"	means Phoenix Re Limited, Bermudian subsidiary of PGH
"**PGMSI**"	means PGMS (Ireland) Limited
"**PGMSIB**"	means the Irish branch of PGMS UK
"**PGMS UK**"	means Phoenix Group Management Services Limited, a UK-based service company of the Phoenix group.

Term	Definition
“PLL”	means Phoenix Life Limited
“**Phoenix 2009 Scheme**”	means the scheme providing for the transfer to PLL of the business of Scottish Mutual Assurance Limited and Scottish Provident Limited in February 2009 (as amended, modified or replaced from time to time)
“**PLAE**”	means Phoenix Life Assurance Europe Designated Activity Company
"**PLAE 90% WPF”**	means PLAE 90% WPF
"**PLAE Alba WPF”**	means PLAE Alba WPF
“PLAE MSA”	means the Management Services Agreement through which administration and other services are provided by PGMSIB to PLAE.
“PLAE CP”	means the PLAE Capital Policy
"**PLAE PWPF”**	means PLAE Phoenix WPF
"**PLAE SPI WPF”**	means PLAE SPI WPF
"**PLAE NPF”**	means PLAE Non-Profit Fund
“PPFM”	means Principles and Practices of Financial Management, a document required for UK with-profits funds that aims to explain how a firm manages its with-profits business.
“**2022 Scheme**”	means the transfer of certain insurance business from PLL and RLL to PLAE by way of a UK Part VII Scheme and Irish Scheme that became effective on 1 January 2023
“**RAL**”	means ReAssure Limited, the immediate parent company of PLAE.
“**Regulator**”	means the CBI
“**RLL**”	means ReAssure Life Limited

Term	Definition
"**RUKSL**"	ReAssure UK Services Ltd, a service company in the Phoenix group that provides administration for life companies that were part of the ReAssure group.
"Risk Margin"	An amount representing the amount required by a third party to take over the capital obligations of an insurance company
"Risk Profile"	The composition of different types of risk borne by an insurance company, typically subdivided into market risks, insurance risks, and operational risks.
"**Sanctions Hearing**"	means the final hearing before the Court to be held on 12 November 2024 at which the Court is asked to consider the petition seeking the Court's approval for the Transfer (following such hearing the Court will issue its judgement on whether or not to sanction the Scheme)
"Shareholders' Fund"	means assets and liabilities not attributable to the long term insurance business
"Solvency II"	means the prudential regime for insurance and reinsurance undertakings in the EU.
"Solvency Capital Requirement (SCR)"	The Solvency Capital Requirement is the capital a company is required to hold under Solvency II Pillar 1.
"Solvency Cover Ratio"	The ratio of Own Funds divided by the SCR
"Standard Formula (SF)"	The methodology and calibration set by EIOPA to determine regulatory capital requirements for firms that do not use an internal model.
"**SLIntl**"	means Standard Life International Designated Activity Company
"**SLAL**"	means Standard Life Assurance Limited

Term	Definition
"SLAL Brexit Scheme"	means the transfer of certain insurance business from SLAL to SLIntl by way of a UK Part VII Scheme and Irish Scheme that became effective on 28 February 2019
"SLIntl CP"	means SLIntl Capital Policy
"SLIntl HWPF"	means SLIntl Heritage WPF
"SLIntl GWPF"	means SLIntl German WPF
"SLIntl GSMWPF"	means SLIntl German Smoothed WPF
"SLInt MSA"	means the Management Services Agreement through which administration and other services are provided by PGMSIB to PLAE.
"SLIntl NPF"	means SLIntl Non Profit Fund
"SLOC"	means Sun Life Assurance Company of Canada (UK)
"**SS&C**"	means SS&C International Managed Services Limited
"Technical Provisions"	The amount that an insurer requires to fulfil its insurance obligations and settle all expected commitments to policyholders and other beneficiaries arising over the lifetime of the insurer's portfolio of insurance contracts
"Unit-Linked Business (UL)"	A type of long-term business where the policy benefits are determined by the value of assets held in policyholders' funds. These funds are divided into units of equal value and allocated amongst policies in proportion to their investment in the fund.
"WPOP"	means With-Profits Operating Principles, a document required for Irish with-profits funds that aims to explain how a firm manages its with-profits business.

Term	**Definition**
"WPF"	Means with-profits fund, a pooled investment fund where the policyholders share a participating interest in the rewards and risks borne by the fund.