

MILLIMAN REPORT

# The Part VII Transfer of the Business of Phoenix Life Assurance Limited, Standard Life Assurance Limited and Standard Life Pension Funds Limited to Phoenix Life Limited

The Supplementary Report of the Independent Expert

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# 1. Purpose and scope

## INTRODUCTION

- 1.1. It is proposed to transfer all of the long-term insurance business from PLAL, SLAL, and SLPF to Phoenix.
- 1.2. I am the Independent Expert in relation to this proposed transfer of long term business. I have produced a report on the transfer dated 18 April 2023 and I now refer to that report as my Main Report.
- 1.3. My Main Report makes a number of references to matters being updated or considered further in my Supplementary Report, and this report is my Supplementary Report. This Supplementary Report must be read in conjunction with my Main Report.
- 1.4. The terms and abbreviations used in my Main Report are also used (without further definition) in this Supplementary Report. Appendix D contains the glossary of terms used throughout my Main Report and this Supplementary Report.
- 1.5. My appointment as Independent Expert and considerations of my independence were covered in my Main Report.
- 1.6. The purpose of this Supplementary Report is to provide the updates that I said I would provide in my Main Report (including in relation to updated financial information), and to consider matters arising including the complaints, objections and correspondence from policyholders following the policyholder communications process, and to consider further whether the conclusions which I reached in my Main Report remain valid. Appendix A sets out the main items of new documentation and information which I have used in preparing this Supplementary Report. The parties for whom this Supplementary Report has been prepared are the same as set out in my Main Report.
- 1.7. Since the finalisation of my Main Report, there have been Directions (or equivalent) hearings at the High Court (in London) and the Royal Court of Jersey (in Jersey). No such equivalent hearing is applicable in Guernsey. Additionally, the Scottish Notes have been presented to the Court of Session. Each of these courts have issued the relevant orders or approvals for the process of considering the Scheme to proceed to the next stage, and the dispensations sought by the Companies in respect of policyholder communications were granted. The Companies thus proceeded with the mailings, communications, website updates, advertisements, and notifications as set out in my Main Report.
- 1.8. This Supplementary Report will be made available on the relevant Phoenix and Standard Life websites prior to the final Court hearings. In addition any person who objects to or makes a representation in respect of the Scheme, any person who states they will attend the Court Hearings, and any person who requests a copy of my Main Report will be contacted and advised that this Supplementary Report is available on the website and that a hard copy will be sent to them free of charge on request.

## RELIANCES AND LIMITATIONS

- 1.9. This Supplementary Report is subject to the same reliances and limitations as set out in my Main Report. This Supplementary Report has been prepared on a basis agreed with the PRA and the FCA and must not be relied upon for any other purpose. No liability will be accepted by Milliman, or me, for any application of this Supplementary Report to a purpose for which it was not intended, nor for the results of any misunderstanding by any user of any aspect of this Supplementary Report. In particular, no liability will be accepted by Milliman or me under the terms of the Contracts (Rights of Third Parties) Act 1999.

## REGULATORY AND PROFESSIONAL GUIDANCE

- 1.10. This Supplementary Report has been prepared subject to the terms of TAS 200 Insurance as applicable to Insurance transformations issued by the Financial Reporting Council. In my opinion, this Supplementary Report complies with TAS 200. This Supplementary Report is also compliant with TAS 100: General Actuarial Standards, and in particular those aspects that are applicable to transformations.
- 1.11. In complying with these requirements, I note that a number of the new key documents listed in Appendix A have been prepared or reviewed by individuals who were subject to professional standards in undertaking their work, including, where appropriate, TAS requirements.
- 1.12. Actuarial Profession Standard X2, as issued by the IFoA, requires members to consider whether their work requires an independent peer review.
- 1.13. In my view this Supplementary Report does require independent peer review and this has been carried out by an appropriate senior actuary in Milliman LLP who has not been part of my team working on this assignment.

## 2. Executive summary

- 2.1. The financial analyses set out in my Main Report have been updated to 30 June 2023, and I have also considered the effects of changes in financial markets between 30 June 2023 and the time of finalising this Supplementary Report. Updates to the key tables from my Main Report are included in this Supplementary Report. The updated financial and risk positions of the Companies, both pre-Scheme and post-Scheme, are fundamentally similar to those set out in my Main Report and I have highlighted and commented on the changes arising.
- 2.2. An application has been made to the UK Office of Financial Sanctions Implementation to allow the policies/plans held by the three sanctioned individuals (as referred to in paragraphs 8.108 and 14.36 of my Main Report) to be transferred from SLAL to Phoenix. At the time of finalising this Supplementary Report, no such approval has been received. It is thus expected that these policies/plans will remain in SLAL with their benefits being reinsured to Phoenix under an Excluded Policies Reinsurance Agreement, as provided for by the Scheme. In the event that approval from the UK Office of Financial Sanctions Implementation is received prior to the Transfer Date, or the sanctions on these customers are lifted, this process will not be necessary and the relevant policies/plans would be transferred as normal.
- 2.3. My Main Report (commencing at paragraph 9.37) set out my considerations arising from the events in September and October 2022 when there was a sudden and significant increase in long term UK interest rates. Phoenix has provided me with updated progress reports in relation to the enhancements to its modelling and interest rate hedging management information and I have discussed these with Phoenix and raised questions as necessary. I am satisfied that Phoenix has made substantial progress in line with its plans. I note that Phoenix continues to maintain the additional amounts of capital (over and above its capital management policy) referred to in my Main Report, and that these amounts will be revised going forwards once Phoenix has confidence that the level of mis-estimation risk (as explained in paragraph 9.40 of my Main Report) has actually been reduced in practice, subject to the approval of the Phoenix Board. I also note that Phoenix has, since the finalisation of my Main Report, introduced a similar concept of holding additional required amounts as part of its liquidity management process whilst further developments in this area are being undertaken. This will ensure that additional liquid assets are maintained during this period.
- 2.4. My Main Report set out a number of regulatory approvals and additional regulatory permissions and rule waivers which Phoenix was going to seek in conjunction with the Scheme. All of the relevant applications have now been made to the PRA and/or the FCA as necessary. I note that the relevant waiver being sought has now been granted by the FCA, as has the “change in control” application for two subsidiaries of SLAL. I note further that the additional regulatory permissions needed in respect of the SIPP business being transferred from SLAL to Phoenix have also now been received from the PRA and the FCA. The application for the post-Scheme recalculation of the Phoenix TMTP has been approved by the PRA, conditional on the Scheme proceeding. My Main Report also set out the position in relation to the contractual consents being sought by Phoenix where this is necessary. I note that Phoenix is making progress in this area, and that there is a fallback approach (as described in paragraph 14.49 of my Main Report) under the Scheme for any non-UK consents which cannot be obtained by the Transfer Date. I have also provided updates in this Supplementary Report in relation to certain other regulatory matters, none of which in my opinion have any adverse impact on policyholders. All of the regulatory approvals and permissions which are a pre-requisite of the Scheme proceeding have now been received.
- 2.5. Phoenix has now received the main tax clearances sought from HMRC in relation to the Scheme.
- 2.6. No new material risks or events affecting the Companies have emerged since the date of my Main Report. There has been some volatility in financial markets, and UK short term and long term interest rates have risen over recent months. The potential for future volatility remains given current global events. Such events and future volatility are to be expected, and the purpose of the regulatory capital framework and the capital management policies of the Companies is to allow the Companies to deal with such events and emerging volatility.
- 2.7. I have been provided with Phoenix’s updated position in relation to its operational readiness plans to implement the Scheme. I have raised questions on this as necessary, and I am satisfied with the position which Phoenix has set out and with the operational readiness position of the Companies in relation to the Scheme.
- 2.8. I have provided an updated certificate in respect of the modifications to the Phoenix 2011 Scheme in order to correct a discrepancy in the certificate given in my Main Report.

- 2.9. I have reviewed and discussed with the Companies the policyholder correspondence, complaints and objections received following the mailing and policyholder communications process. In particular, I have considered each objection raised. Summarised information is contained within this Supplementary Report, including a summary of those types of objections which are relevant to the Scheme and how the Companies have responded to them. I am satisfied that the areas covered by all these objections have been considered in my Main Report, and I am satisfied that Phoenix has responded to the objections fully and appropriately. I have provided an update in this Supplementary Report in relation to the ways which can be used by policyholders to raise objections with the Court of Session in Scotland, and I am satisfied that policyholders have been made aware of the various options available to them.
- 2.10. I have considered and discussed with the Companies a mailing incident which resulted in some 23,600 SLAL policyholders being mailed in relation to the Scheme when they should not have been (for the deceased cases) or did not need to be (for the remaining cases). Although this may have caused confusion and/or distress to the policyholders (or their relatives) in question, I am satisfied that it has not caused any adverse impact on the policyholders who are subject to the Scheme. I am similarly satisfied in relation to two other mailing incidents which have occurred.
- 2.11. I have considered and taken into account the latest available information and consultation papers from His Majesty's Treasury ("HMT") and the PRA in relation to the ongoing review of Solvency II in the UK post Brexit. I have also considered what is currently expected in the consultations that are yet to be released. The main fundamental changes are expected to be beneficial from a solvency viewpoint, and I note that these changes will apply whether or not the Scheme proceeds. I have also taken into account the latest information published by HMT in relation to the development in the UK of an Insurer Resolution Regime.
- 2.12. I can confirm that, taking into account the further analyses and updates set out in this Supplementary Report (as summarised above), the conclusions set out in Section 16 of my Main Report remain unchanged. For ease of reference I have set out those conclusions in Section 8 of this Supplementary Report. Should any material events or issues of relevance to the Scheme and its effects arise between finalising this Supplementary Report and the dates of the final Court hearings, I will make arrangements via Phoenix to inform the Court accordingly of my views and opinions.

### 3. The Scheme

- 3.1. Subject to the two minor updates set out below, there have been no changes to the wording of the Scheme, the Jersey Scheme, or the Guernsey Scheme since the date of my Main Report and since the Directions (or equivalent) hearings at the courts in London and Jersey and the presentation of the Scottish Notes to the Court of Session.
- 3.2. A further subsidiary of SLAL, previously omitted, has been added to the list of transferring subsidiaries in Schedule 3 of the Scheme.
- 3.3. A previously incorrect Effective Date within the Guernsey Scheme has been corrected.
- 3.4. The two minor changes set out above have no impact on my conclusions.

## 4. Updates to financial aspects

### INTRODUCTION

- 4.1. The financial analyses carried out and presented in my Main Report were based on financial information as at 31 December 2022. The Companies have now provided me with a complete set of updated financial information as at 30 June 2023, including analyses of the changes in the key financial results between 31 December 2022 and 30 June 2023. I have considered this updated financial information and am satisfied with the explanations of the changes in the key financial results since 31 December 2022. I have set out below updated versions of the key analysis tables from my Main Report, together with my comments and conclusions arising from these updated tables. I have not considered it necessary to include an update to each and every table in my Main Report as the with-profits fund detail within such updated tables essentially shows a very similar position to those in my Main Report. I am satisfied that the changes which have arisen since my Main Report are adequately conveyed and explained by the updates to the key analysis tables together with the commentaries and explanations that I set out in this Supplementary Report.
- 4.2. I note that the 31 December 2022 financial information contained in my Main Report has been subject to audit (as explained in my Main Report). The 30 June 2023 financial information contained in this Supplementary Report has not been subject to audit, but has been prepared on fundamentally the same bases subject to the normal processes of updates, and has been subject to the normal internal review processes followed by the Companies. The analyses of the changes referred to above link the 30 June 2023 financial information back to the latest audited position. I am thus satisfied that this 30 June 2023 financial information is appropriate for the purposes of this Supplementary Report.
- 4.3. In addition to the updated 30 June 2023 position, I have also considered the financial position of the Companies after this date based on management information provided by the Companies. I will continue to monitor the financial position of the Companies (based on management information provided by the Companies) up to the dates of the final Court hearings.

### UPDATED SOLVENCY II POSITION

- 4.4. Table 4.1 below is an update to the key balance sheet and solvency coverage analysis for the Companies as at 30 June 2023, as shown in Table 2.1 and Table 9.5 in my Main Report. For the sake of clarity, the post-Scheme values in Table 4.1 below include the small amounts of assets which would be initially retained under the Scheme within PLAL and SLAL/SLPF pending their de-authorisations post-Scheme, or due to the need to retain authorisation for SLAL as a result of any Excluded Policies needing to be retained in SLAL, or pending the cessation of the Instructing Parties Agent arrangement for SLPF. Table 4.1 thus shows the final (pro-forma) post-Scheme position once these initially retained assets have been transferred to Phoenix.
- 4.5. Arising from the 30 June 2023 financial results, the Companies have under their normal processes remitted certain amounts (which would in principle be dividends) up to PGH (via the intermediate holding companies where applicable). The amounts in question are £150m in respect of PLAL, £50m in respect of SLAL, and £nil in respect of Phoenix itself. This aspect is not relevant to SLPF as it is owned by the Heritage WPF within SLAL. These remittances are to be expected as part of the normal operation of the Companies, and the amounts remitted have been determined by the Companies taking into account all relevant financial and business considerations.
- 4.6. Amounts can only be remitted as formal dividends if the Companies have sufficient accounting distributable reserves, this being a requirement under the UK Companies Act. A new accounting regime (known as "IFRS17") came into force on 1 January 2023 which PGH is now subject to. The Companies themselves are now carrying out their entity accounting using the UK regime known as UK Generally Accepted Accounting Principles ("UKGAAP") as opposed to IFRS17, and currently there is some uncertainty in relation to the level of accounting distributable reserves which are available. For this reason the remittances which would have been paid as dividends have actually been paid up to PGH (via the intermediate holding companies where applicable) by PLAL and SLAL in the form of loans, with the expectation that these loans will be converted to dividends (or equivalent) in due course. Within Table 4.1 below, the relevant Own Funds are not reduced as a result of these loans (as they are technically still assets), but the SCRs have been increased by the amount of the loans in order to ensure that the Excess Own Funds are the correct values, as if dividends of the same amounts as the loans had been paid. The various shareholder SCR ratios shown in Table 4.1 have been adjusted appropriately (as explained in the notes below the table) to show the true position as if the loans had actually been paid as dividends as at 30th June 2023.

4.7. I am satisfied as to Phoenix's rationale for making these remittances as loans rather than dividends and that there is no impact on my conclusions as a result of this approach being adopted. I have referred to these loans in several places below as loans in lieu of dividends. For the avoidance of doubt, I can confirm that I see no reason or need for me to consider any of the accounting results of PGH or of the Companies (either under IFRS17 or UK GAAP). My consideration of the financial effects of the Scheme is correctly based solely on the Solvency II position of the Companies and the capital management policies which are associated with the Solvency II position.

**Table 4.1 - Phoenix, SLAL and PLAL UK Solvency II balance sheet as at 30 June 2023**

£m	Pre-Scheme				Post-Scheme	Difference
	Phoenix	PLAL	SLAL	Total	Phoenix	
Own Funds (A)	3,929	1,485	4,396	9,809	9,791	(18)
RFF Restriction (B)	358	311	1,398	2,067	2,009	(58)
SCR (C)*	2,275	751	1,900	4,927	4,434	(493)
Excess Own Funds (D=A-B-C)	1,295	422	1,097	2,815	3,347	532
<b>Solvency Coverage Ratio – as per regulatory returns ((A-B)/C)</b>						
	<b>157%</b>	<b>156%</b>	<b>158%</b>	<b>N/A</b>	<b>175%</b>	<b>N/A</b>
<b>Solvency Coverage Ratio – Shareholder (Actual)**</b>						
	<b>175%</b>	<b>230%</b>	<b>184%</b>	<b>N/A</b>	<b>220%</b>	<b>N/A</b>
<b>Solvency Coverage Ratio – Shareholder (Actual, Adjusted for Comparison with Capital Policy Target)***</b>						
	<b>175%</b>	<b>230%</b>	<b>163%</b>	<b>N/A</b>	<b>210%</b>	<b>N/A</b>
<b>Solvency Coverage Ratio – Shareholder (Capital Policy Target)***</b>						
	<b>139%</b>	<b>146%</b>	<b>135%</b>	<b>N/A</b>	<b>138%</b>	<b>N/A</b>

Source: Phoenix Information summarised by Milliman

\* The SCRs for PLAL pre-scheme, SLAL pre-scheme and Phoenix post-scheme incorporate an amount included for the loans in lieu of dividends. The inclusion of these amounts within the SCRs ensures that the Excess Own Funds are the same as if equivalent dividends had been paid.

\*\* "Solvency Coverage Ratio – Shareholder (Actual)" is calculated as the ratio of Total Own Funds to Total SCR as follows (this being as set out in my Main Report with the addition of the final point below):

- For the non-profit funds, the value of Own Funds is included in the Total Own Funds and the value of the SCR is included in the Total SCR.
- For the With-Profits Funds with Excess Own Funds less than zero prior to any support loans (i.e. the Supported Funds), the value of Own Funds is included in the Total Own Funds and the value of the SCR is included in the Total SCR.
- For the With-Profits Funds with Excess Own Funds greater than or equal to zero (i.e., the Unsupported Funds), the value of Excess Own Funds is included in the Total Own Funds, nothing is included in the Total SCR.
- The loans in lieu of dividends are deducted from both the Total Own Funds and the Total SCR.

\*\*\* The Capital Policy Target ratios are considered excluding the Group Loan capital which exists in SLAL pre-Scheme and, as a result, in Phoenix post-Scheme. The Shareholder (Actual) Solvency Coverage Ratios adjusted to exclude the Group Loan capital, and to compare with the Capital Policy Target Ratios, are shown in the row above the Capital Policy Target Ratios. These adjusted ratios also exclude the loans in lieu of dividends.

4.8. I note that the pre-Scheme results for SLPF are incorporated into the SLAL pre-Scheme position in Table 4.1, as SLPF is a subsidiary of SLAL and the business of SLPF is fully reinsured into SLAL. The pre-Scheme position of SLPF at 30 June 2023 is Own Funds of £11.0 million, an MCR of £3.4 million and a Solvency Coverage Ratio of 319%. The post-Scheme SLPF position is incorporated within the post-Scheme Phoenix results shown in Table 4.1.

4.9. The loans in lieu of dividends paid to PGH (£150m from PLAL and £50m from SLAL) were put in place on 17 July 2023. These loans arose from the results of the 30 June 2023 valuation and have thus been incorporated into the 30 June 2023 results shown above as an overlay in order to show the most realistic position for the purposes of this analysis.

4.10. For ease of reference I have set out the equivalent of Table 4.1 as at 31 December 2022 (i.e. Table 2.1 from my Main Report) below in Table 4.2. The changes arising over the period from 31 December 2022 to 30 June 2023 will include the effects of writing new business, the unfolding of actual experience relative to previous assumptions, changes in financial conditions (including the rises in interest rates which have taken place), and updates to methodologies and assumptions as necessary under the usual governance processes for such updates. Changes in assets, technical provisions, other liabilities, Own Funds and SCRs are thus to be expected. Of greater relevance to my considerations are the changes in the various Solvency Coverage Ratios, and these are set out in Table 4.3 below.

**Table 4.2 - Phoenix, SLAL and PLAL UK Solvency II balance sheet as at 31 December 2022**

£m	Pre-Scheme				Post-Scheme	Difference
	Phoenix	PLAL	SLAL	Total	Phoenix	
Own Funds (A)	3,996	1,560	4,385	9,942	9,905	(37)
RFF Restriction (B)	401	346	1,225	1,973	1,914	(59)
SCR (C)	2,293	666	1,985	4,945	4,433	(512)
Excess Own Funds (D=A-B-C)	1,302	547	1,175	3,024	3,558	534
<b>Solvency Coverage Ratio – as per regulatory returns ((A-B)/C)</b>						
	<b>157%</b>	<b>182%</b>	<b>159%</b>	<b>N/A</b>	<b>180%</b>	<b>N/A</b>
<b>Solvency Coverage Ratio – Shareholder (Actual) *</b>						
	<b>173%</b>	<b>255%</b>	<b>193%</b>	<b>N/A</b>	<b>225%</b>	<b>N/A</b>
<b>Solvency Coverage Ratio – Shareholder (Actual, Adjusted for Comparison with Capital Policy Target)**</b>						
	<b>173%</b>	<b>255%</b>	<b>168%</b>	<b>N/A</b>	<b>215%</b>	<b>N/A</b>
<b>Solvency Coverage Ratio – Shareholder (Capital Policy Target)*</b>						
	<b>138%</b>	<b>144%</b>	<b>131%</b>	<b>N/A</b>	<b>136%</b>	<b>N/A</b>

Source: Phoenix Information summarised by Milliman

\* "Solvency Coverage Ratio – Shareholder (Actual)" is calculated as described in \*\* under Table 4.1, but without adjustment for the loans in lieu of dividends as these were not applicable as at 31 December 2022.

\*\* The Capital Policy Target ratios are considered excluding the Group Loan capital which exists in SLAL pre-Scheme and, as a result, in Phoenix post-Scheme. The Shareholder (Actual) Solvency Coverage Ratios are adjusted to exclude the Group Loan capital, and to compare with the Capital Policy Target Ratios, are shown in the row above the Capital Policy Target Ratios.

**Table 4.3 - Change in Solvency Coverage Ratios from 31 December 2022 to 30 June 2023**

Change in Ratios from 31 December 2022 to 30 June 2023	Pre-Scheme			Post-Scheme
	Phoenix	PLAL	SLAL	Phoenix
<b>Solvency Coverage Ratio – as per regulatory returns ((A-B)/C)</b>				
	<b>0%</b>	<b>-26%</b>	<b>-1%</b>	<b>-5%</b>
<b>Solvency Coverage Ratio – Shareholder (Actual) **</b>				
	<b>+2%</b>	<b>-25%</b>	<b>-9%</b>	<b>-5%</b>
<b>Solvency Coverage Ratio – Shareholder (Actual, Adjusted for Comparison with Capital Policy Target)***</b>				
	<b>+2%</b>	<b>-25%</b>	<b>-5%</b>	<b>-5%</b>
<b>Solvency Coverage Ratio – Shareholder (Capital Policy Target)***</b>				
	<b>+1%</b>	<b>+2%</b>	<b>+4%</b>	<b>+2%</b>

Source: Phoenix Information summarised by Milliman

(The \*\* and \*\*\* notes for Table 4.3 are as set out above under Table 4.1)

- 4.11. As indicated in my Main Report, the Capital Policy Target Ratios have now been updated by Phoenix as a result of its annual review process. There have been no changes to the underlying principles and approaches used to determine these ratios, and the final rows of Table 4.1 and Table 4.3 show that the updated ratios are similar to the previous ratios. The Phoenix Capital Policy Target Ratio has increased from 138% to 139%, the PLAL Capital Policy Target Ratio has increased from 144% to 146% and the SLAL Capital Policy Target Ratio has increased from 131% to 135%. The Phoenix post-scheme Capital Policy Target Ratio has increased from 136% to 138%.
- 4.12. As shown in Table 4.1, Phoenix continues to meet both its regulatory capital requirements and the quantitative requirements of its capital management policy post-Scheme. On a post-Scheme pro-forma basis, Phoenix has an Adjusted Shareholder Solvency Coverage Ratio of 210% which is materially above its capital management policy requirement post-Scheme of 138%. Both Phoenix and SLAL policyholders will see an increase in the relevant regulatory and shareholder coverage ratios as a result of the Scheme, and this will also effectively apply to SLPF policyholders who currently benefit (indirectly) from the pre-Scheme position of SLAL. PLAL policyholders will see an increase in the regulatory ratio but decreases in the shareholder ratios. The position is thus similar to that set out in my Main Report, and it remains the case that the key consideration is the comparison against the Capital Policy Targets, both pre-Scheme and post-Scheme. The reduction seen in the shareholder ratios in respect of PLAL policyholders is thus not a concern (as was also set out in my Main Report).
- 4.13. Table 4.3 shows that for Phoenix pre-Scheme, SLAL pre-Scheme, and Phoenix post-Scheme the changes in the ratios over the first half of 2023 are small. The changes for SLAL pre-Scheme are marginally larger and take into account the £50m loan in lieu of dividend. The reductions in the ratios for PLAL are significant as they take into account and are largely explained by the £150m loan in lieu of dividend. However, it remains the case that pre-Scheme PLAL's Adjusted Shareholder Solvency Coverage Ratio remains materially above its Capital Policy Target – more so in fact than is the case pre-Scheme for Phoenix and SLAL. I am thus content that the reduction in the coverage ratios for PLAL are explainable and are not a concern in relation to the Scheme proceeding. The key consideration remains the comparison of the post-Scheme position with the post-Scheme Capital Policy Target.
- 4.14. In addition to the above considerations, the fact that (absent the loans in lieu of dividends) the changes in the Actual Shareholder Solvency Coverage Ratios are small, and the changes to the Capital Policy Target ratios are also small, indicates to me a reasonable degree of resilience in the pre-Scheme financial positions of the Companies, and of the post-Scheme financial position of Phoenix, particularly given the increase in interest rates which has taken place over the first half of 2023.

4.15. As outlined in paragraph 9.40 of my Main Report, Phoenix, PLAL and SLAL continue to maintain additional capital amounts over and above the capital management policy requirements (known as true-up risk triggers) whilst certain process enhancements are being undertaken. Further details on this area are given from paragraph 5.10 below. I note that based on the 30 June 2023 financial position set out above (which is after allowing for the loans in lieu of dividends), the Companies pre-Scheme and Phoenix post-Scheme can cover these additional amounts and still meet the relevant capital management policy requirements.

4.16. I have analysed further the changes arising on implementation of the Scheme as set out in Table 4.1. Table 4.1 shows that on a pro-forma basis:

- Combined Own Funds decrease by £18 million post-Scheme. This includes the remaining project costs associated with the Scheme (most of which have now actually been incurred within the Companies) net of the applicable tax relief. This value also includes a number of minor technical adjustments to the liabilities which arise as a result of the consolidation of the three main companies, including the reduction in the Risk Margin which arises from the reduction (see below) in the SCR.
- The RFF Restriction falls by £58 million. Phoenix will not be continuing with the Volatility Adjustment in the post-Scheme Phoenix Heritage WPF. This increases the SCR for this WPF by £58 million and reduces the RFF Restriction by the same amount. As this WPF has a large RFF Restriction pre-Scheme, these changes are essentially just changes of presentation.
- The combined SCR reduces by £493 million as a result of diversification benefits generated through the consolidation of the three main companies and through an increased level of LACDT. Of this £493 million, £354 million is a reduction in respect of the basic diversification of risks arising on combining the Companies, £197 million is a reduction in respect of the additional LACDT, and £58 million is the increase due to the Volatility Adjustment change explained above.

The changes in the last bullet point above can be further analysed as follows:

- The basic SCR diversification benefit arising as a result of the Scheme has decreased from £418 million as at 31 December 2022 to £354 million as at 30 June 2023. This change has been driven by enhancements made by Phoenix to the SCR treatment of certain derivatives which have reduced its SCR, and has therefore reduced the corresponding diversification benefit as a result of the Scheme. However the SCR diversification benefit as a result of the Scheme remains significant, and the fundamental explanation of this diversification benefit remains as described in Appendix F of my Main Report.
- The reduction in the SCR in respect of the additional LACDT has increased from £153 million as at 31 December 2022 to £197 million as at 30 June 2023. This has been mainly driven by the release of a previously held prudence margin as a result of there now being greater certainty in relation to this post-Scheme LACDT calculation. Additionally, an allowance for future profits on a class of business not previously allowed for has offset a fall in the value of future profits (due to normal market and business changes) that was allowed for in the 31 December 2022 calculation.
- The RFF restriction fall remains almost the same at £58 million at 30 June 2023 (as compared with £59 million at 31 December 2022).

The Companies have provided me with detailed technical notes which provide further details in relation to the changes summarised above, and I can confirm that I am satisfied that the changes have been fully analysed, explained, and justified.

4.17. In relation to which with-profits funds are now supported:

- In PLAL the SERP WPF, the London Life WPF, and the NPL WPF are Supported Funds, as was the case in my Main Report.
- No with-profits funds in SLAL require support, as was the case in my Main Report.
- The Phoenix Britannic WPF no longer requires the small capital support loan that was referred to in my Main Report and this loan is expected to be repaid once the relevant governance process has completed. The Phoenix SAL WPF no longer requires the use of assets in the Phoenix NPF to cover the additional amount required by the PCP.

- 4.18. I note that the pre-Scheme additional capital quality requirement being held in respect of PLAL continues to bite, as was the case in my Main Report, albeit at a lower level than as at 31 December 2022. It remains the case, as described in my Main Report, that the capital quantity requirement, rather than the capital quality requirement, is expected to bite for the enlarged Phoenix post-Scheme. I note for completeness that the capital quantity requirement being the biting requirement for Phoenix post-Scheme is reliant on the assumed use of a management action to perform unit matching on unit-linked business allocated to the Heritage WPF, which is enabled under the Scheme and which is referred to further from paragraph 5.35 of this Supplementary Report. This new unit matching is expected to be put in place (if the Scheme proceeds and subject to the appropriate governance) following the Transfer Date and prior to 31 December 2023. Allowing for this increases the resources available under the relevant capital quality metrics for the durations in question, and I am satisfied that the use of this assumed management action post-Scheme is consistent with Phoenix's overall approach to management actions in relation to its liquidity metrics. I note also that the Companies' capital quality metrics (both pre-Scheme and Phoenix post-Scheme) now also allow for additional liquidity buffers which have been put in place subsequent to the date of my Main Report (i.e. 18 April 2023) as described further below.
- 4.19. Paragraphs 9.31 to 9.33 of my Main Report set out my consideration of the regular sensitivity tests which the Companies carry out, including my consideration of the results of these tests as at 31 December 2022. The Companies have provided me with updated sensitivity test results as at 30 June 2023, and I can confirm that these show a similar position to those as at 31 December 2022.
- 4.20. Appendix E sets out further numerical details on the derivation as at 30 June 2023 and as at 31 December 2022 of the Solvency Coverage Ratios (Actual, Adjusted for Comparison with the Capital Policy Target). These are the key ratios used in the analyses as set out in Table 4.1 and Table 4.2 above. For the sake of completeness I note that other than an immaterial amount in respect of deferred tax assets, all of the capital of the Companies as at 31 December 2022 and as at 30 June 2023, both pre-Scheme and post-Scheme, is categorised as Tier 1, this being the highest quality of capital under the Solvency II categorisation.

#### UPDATE ON LIQUIDITY POSITION

- 4.21. Since finalising my Main Report, Phoenix has undertaken a review to ascertain if any enhancements to its liquidity framework were necessary in light of the events during September / October 2022. These events were described in paragraph 9.38 of my Main Report and an update is provided from paragraph 5.10 of this Supplementary Report. The consideration of liquidity forms part of the capital quality assessment.
- 4.22. This review, and the normal annual review of the liquidity framework, have now been completed. Various enhancements have been identified, including the establishment of two new committed liquidity facilities as follows:
- A committed liquidity support facility from PGH to the Companies. This facility will continue to be available to Phoenix post-Scheme and will equate to the sum of the facilities available to Phoenix, PLAL and SLAL/SLPF pre-scheme. The facility will be reviewed in the 3 months following the implementation of the Scheme to ascertain whether any amendments are required.
  - A committed liquidity support facility from the SLAL PBF to the SLAL German WPF. This facility was created to support ongoing derivative collateral requirements. The liquidity facility will be available to Phoenix post-Scheme with the facility providing liquidity from the Phoenix NPF to the newly-established Phoenix German WPF.
- 4.23. In relation to the above, the term "committed" refers to the fact that legal agreements are now in place which allow the Companies to call on the facilities when needed at their own option. I note also that PGH itself has in place significant revolving credit facilities with a syndicate of banks which it can use if necessary to satisfy any liquidity demands from the Companies under the new committed facilities referred to above. I understand that PGH has full rights to call upon these bank facilities entirely at its own option. These new committed facilities, considered in conjunction with the existing PGH bank facilities, thus constitute in my opinion an enhancement to the facilities and protections which the Companies have (both pre-Scheme and post-Scheme) in the area of liquidity. As referred to in my Main Report (from paragraph 3.20), care is needed in taking account of any support from a group company to an insurance company subsidiary. However, as the facilities now being provided by PGH are committed facilities (i.e. on a legal basis with arm's length legal agreements), and given PGH's own bank facilities as referred to here, it is appropriate in my view to acknowledge these new committed facilities as adding to the liquidity protections available to the Companies.

4.24. Similarly to the additional capital amounts being retained under the capital quantity assessments, the Companies are now maintaining additional amounts over and above the normal capital management policy requirements within the capital quality liquidity assessments. These additional amounts will continue to be held immediately post-Scheme, and will be subject to review (along with the equivalent additional quantity amounts) as Phoenix completes the programme of process enhancements which it has commenced as identified by the reviews undertaken. These additional amounts will ensure that appropriate additional liquid assets will be maintained whilst the programme of enhancements is being completed.

4.25. I note that these additional liquidity requirements have been taken into account in determining the loans in lieu of dividends arising from the 30 June 2023 financial results.

#### UPDATED PGH SOLVENCY II POSITION

4.26. Table 4.4 below is an update as at 30 June 2023 to the PGH Solvency II balance sheet position as shown in Table 9.6 of my Main Report.

**Table 4.4 - PGH Solvency II balance sheet as at 30 June 2023**

£bn	PGH
Own Funds (A)	8.7
SCR (B)	4.8
Excess Own Funds (C=A-B)	3.9
Solvency Coverage Ratio – Shareholder (actual) (%) (A / B)	180%
Solvency Coverage Ratio – Shareholder (Capital Policy target range)	140% to 180%

*Source: PGH published half year 2023 results*

4.27. Table 4.4 shows that PGH's Solvency Coverage Ratio – Shareholder as at 30 June 2023 lies within its target range, and is actually at the top of the range. As previously explained in my Main Report, the PGH solvency position will not be impacted by the Scheme.

#### UPDATED RISK PROFILE

4.28. Table 11.5 of my Main Report set out a summary of the pre-Scheme and post-Scheme risk profiles of the Companies, based on the post-diversification SCR. Table 4.5 below shows the updated position as at 30 June 2023, and Table 4.6 below shows the changes in the percentages since 31 December 2022.

**Table 4.5 - The percentage breakdown of the post-diversification SCR of the Companies (excluding Unsupported Funds) pre- and post-Scheme as at 30 June 2023**

Risk Type	Pre-Scheme				Post-Scheme
	Phoenix	PLAL	SLAL	Total	Phoenix
<b>Credit Risk</b>	<b>45%</b>	<b>17%</b>	<b>11%</b>	<b>28%</b>	<b>30%</b>
<b>Market Risk</b>	<b>20%</b>	<b>7%</b>	<b>4%</b>	<b>12%</b>	<b>8%</b>
– Residential Property	16%	2%	0%	8%	6%
– Other	4%	5%	4%	4%	2%
<b>Insurance Risk</b>	<b>22%</b>	<b>59%</b>	<b>53%</b>	<b>38%</b>	<b>37%</b>
– Longevity	11%	51%	8%	13%	14%
– Financial Guarantee Persistency	0%	8%	0%	1%	1%
– Dependent Persistency	3%	0%	36%	17%	16%
– Other	8%	0%	9%	8%	7%
<b>Operational Risk</b>	<b>4%</b>	<b>6%</b>	<b>20%</b>	<b>11%</b>	<b>11%</b>
<b>Other Modelled Risks</b>	<b>10%</b>	<b>11%</b>	<b>12%</b>	<b>11%</b>	<b>13%</b>
<b>Total*</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Phoenix information summarised by Milliman.

\*Some columns do not actually sum to 100% due to rounding.

**Table 4.6 – Change in the percentage breakdown of the post-diversification SCR of the Companies (excluding Unsupported Funds) pre- and post-Scheme between 31 December 2022 and 30 June 2023**

Risk Type	Pre-Scheme				Post-Scheme
	Phoenix	PLAL	SLAL	Total	Phoenix
<b>Credit Risk</b>	<b>0%</b>	<b>+5%</b>	<b>-1%</b>	<b>-1%</b>	<b>-2%</b>
<b>Market Risk</b>	<b>-3%</b>	<b>+2%</b>	<b>+2%</b>	<b>-1%</b>	<b>+3%</b>
– Residential Property	+4%	+1%	0%	+2%	+1%
– Other	-6%	+1%	+2%	-2%	+1%
<b>Insurance Risk</b>	<b>+3%</b>	<b>-5%</b>	<b>+3%</b>	<b>+2%</b>	<b>0%</b>
– Longevity	+1%	-3%	-1%	0%	-2%
– Financial Guarantee Persistency	0%	-3%	0%	0%	0%
– Dependent Persistency	0%	0%	+3%	+2%	+2%
– Other	+1%	0%	+1%	+1%	+1%
<b>Operational Risk</b>	<b>0%</b>	<b>-1%</b>	<b>-2%</b>	<b>-1%</b>	<b>0%</b>
<b>Other Modelled Risks</b>	<b>0%</b>	<b>0%</b>	<b>-2%</b>	<b>0%</b>	<b>-1%</b>
<b>Total</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

Source: Phoenix information summarised by Milliman.

4.29. All of the percentage changes shown in Table 4.6 above are small, with the maximum change at the main risk level (shown in bold font) being +/-5%. This demonstrates that Table 4.5 above shows a very similar position to Table 11.5 in my Main Report, and thus that there have been no material changes in the pre-Scheme or post-Scheme risk profiles of the Companies that I regard as key to my analyses and considerations.

#### UPDATED SL INTL POSITION

4.30. Table 13.1 of my Main Report sets out the Solvency II position of SL Intl as at 31 December 2022. Table 4.7 below sets out the updated Solvency II position of SL Intl as at 30 June 2023.

**Table 4.7 - SL Intl EU Solvency II position as at 30 June 2023**

€m	SL Intl total
Own Funds (€m) (A)	732
SCR (€m) (B)	352
Excess Own Funds (€m) (C=A-B)	380
Solvency Coverage Ratio – as per regulatory returns (A/B)	<b>208%</b>

*Source: Phoenix / SL Intl information summarised by Milliman*

4.31. SL Intl have confirmed the effect of the Scheme would (as set out in my Main Report) increase the SCR by approximately €4 million, reduce Own Funds by approximately €5 million, and thus reduce Excess Own Funds by €9m. The resulting reduction in the Solvency Coverage Ratio would be from 208% to 204%, this being materially above the minimum under the SL Intl Capital Target Framework.

#### FINANCIAL DEVELOPMENTS SINCE 30 JUNE 2023

4.32. Phoenix has provided me with its monthly solvency monitoring information as at end July 2023 and as at end August 2023. This information shows, for each of Phoenix, PLAL, and SLAL (incorporating SLPF), the Solvency II Excess Own Funds (i.e. the excess over the SCR) and the excess over the relevant capital management policy. I have discussed these results with the Chief Actuaries of Phoenix/PLAL, and SLAL/SLPF. The results are similar to the positions set out in Table 4.1 above, and the excess amounts over the relevant capital management policies are sufficient to cover the additional retained amounts referred to both above and in paragraph 5.11. I will continue to liaise with the Companies to monitor their solvency positions up to the dates of the final Court hearings.

#### CONCLUSIONS IN RELATION TO UPDATED FINANCIAL ASPECTS

4.33. I have carried out a full review and analysis of the updated financial position of the Companies as at 30 June 2023, and I have set out above updates to the key tables shown in my Main Report. I have covered developments arising in the area of liquidity management. I have also taken into account changes in financial conditions and the financial positions of the Companies since 30 June 2023. I am satisfied that the conclusions which I reached in my Main Report remain unchanged.

## 5. Updates to non-financial aspects

### INTRODUCTION

5.1. There are various non-financial aspects in my Main Report where I stated that I would provide an update in my Supplementary Report. In the paragraphs below I have provided an update on these aspects, as well as on various other matters arising.

### EXCLUDED POLICIES AND SANCTIONED INDIVIDUALS

5.2. As set out in paragraph 8.106 of my Main Report, it was not expected at that time that there would be any Excluded Policies, other than potentially in respect of three customers of SLAL who are subject to UK government sanctions arising from the conflict between Ukraine and Russia. This aspect was covered in paragraph 14.36 of my Main Report. At the time of finalising this Supplementary Report, this remains the case, and the only potential Excluded Policies are those held by the three sanctioned individuals.

5.3. The SLAL policies/plans held by the three sanctioned individuals cannot be transferred to Phoenix under the Scheme unless consent is given by the UK Office of Financial Sanctions Implementation. Phoenix has submitted an application for this consent, but at the time of finalising this Supplementary Report no such consent has been received. Hence it is currently expected that these policies/plans will remain behind in SLAL as Excluded Policies and an Excluded Policies Reinsurance Agreement will be put in place between Phoenix and SLAL to fully reinsure the liabilities of these policies/plans from SLAL to Phoenix, with a reinsurance premium being paid equal to the assets which would have otherwise been transferred (and hence making the total assets transferred under the Scheme the same as if these policies/plans had been transferred). The transfer of assets from SLAL to Phoenix pursuant to the Scheme will thus be deemed to satisfy the obligation for SLAL to pay Phoenix the Reinsurance Premium under the Excluded Policies Reinsurance Agreement. I have reviewed a draft of the Excluded Policies Reinsurance Agreement, and this agreement covers all the benefits and rights to which these policies/plans are entitled. This agreement also takes into account which SLAL funds the Excluded Policies are currently allocated to and ensures that the reinsured liabilities of the Excluded Policies will be allocated to the appropriate funds within Phoenix post-Scheme. These policies/plans would thus be treated in all material respects as if they had been transferred from SLAL to Phoenix. I note that all three Excluded Policies have no with-profits benefits and hence post-Scheme SLAL will no longer maintain any with-profits funds and so will not need to retain a WPA or a WPC. For completeness I note that one of the Excluded Policies has an option to switch to with-profits benefits, but while this policy is subject to sanctions such a switch is not permitted. In the event of the sanctions being lifted, the policy would immediately transfer to Phoenix under the terms of the Scheme.

5.4. I note that if and when sanctions are lifted from these policyholders (or the relevant consent from the UK Office of Financial Sanctions Implementation is received), then the Scheme contains provisions for these policies/plans to subsequently be transferred to Phoenix, and SLAL could then apply to be de-authorised as an insurer. Not transferring these policies/plans and executing instead the Excluded Policies Reinsurance Agreement will not have any impact on the residual assets that need to be held back within SLAL in order to meet the minimum regulatory capital requirements immediately post-Scheme as such assets must be retained in any case pending de-authorisation. The only impact would be that the de-authorisation of SLAL and the final transfer of the residual assets to Phoenix would be delayed. Depending on how long the Excluded Policies Reinsurance Agreement is in force for, and depending on the level of any residual ongoing expenses borne by SLAL post-Scheme, it may become necessary for SLAL's capital resources to be topped-up from elsewhere within the Phoenix Group in order to ensure that SLAL continues post-Scheme to meet the relevant minimum regulatory capital requirements.

5.5. I can confirm that none of the above constitutes a material issue in relation to the Scheme and there is no impact on the conclusions which I reached in my Main Report and which I have reconfirmed in this Supplementary Report. There will also be no material adverse impact on the sanctioned policies/plans themselves in the event that consent to transfer them is not received. In the event that the relevant consent is received from the UK Office of Financial Sanctions Implementation prior to the Transfer Date then the need for the Excluded Policies Reinsurance Agreement will fall away and the policies/plans can be transferred as normal.

## ASSETS RELATED TO RUSSIA

- 5.6. In addition to the issue of Excluded Policies and sanctioned individuals as set out above, a further consideration arises in relation to the transfer under the Scheme of assets related to Russia which are also subject to UK government sanctions. These assets fall into two groups – those assets which are held indirectly in collective investment funds of various types which are managed by PLAL's and SLAL/SLPF's external third party investment managers, and those assets which are held directly and which are listed on the Moscow Stock Exchange (MOEX).
- 5.7. For the first group (i.e. the indirectly held assets), all but two of the external third party investment managers have confirmed that the relevant portfolios do not contain any sanctioned assets. For one third party investment manager (which manages certain SLAL assets), the investment manager in question is in administration. The administrator has however published a list of all the underlying assets as at 30 September 2022 for the (one) investment fund in question, and I understand that this list contains no sanctioned assets. The investment fund in question is stated publicly to be in the process of being liquidated as at 30 September 2022, with no new assets being purchased. The remaining (one) third party investment manager (which also manages certain SLAL assets) has indicated that the relevant portfolios may contain sanctioned assets, but that the transfer of the collective investment fund holdings under the Scheme will not give rise to any transaction or dealing in any underlying sanctioned assets, and thus that there will be no breach of the sanctions. I note that, in respect of this manager, collective investment fund holdings are still being bought and sold by SLAL in the normal course of business as premiums are received and as claims are paid on the relevant policies. I also note that the relevant collective investment funds managed by this manager are not exclusive to SLAL, and that other investors are able to buy and sell units in these funds as they wish. I am thus able to concur with this investment manager that the transfer of these collective fund holdings under the Scheme will not give rise to any transaction or dealing in any underlying sanctioned assets – in the same way that the transfer under the Scheme will not give rise to any transaction or dealing in any other underlying assets of these collective investment funds. In summary, therefore, all of the indirectly held assets will be transferred under the Scheme, and I am satisfied based on the facts presented to me that there will be no transaction or dealing in any sanctioned asset as a result of the implementation of the Scheme.
- 5.8. For the second group (i.e. the MOEX assets), the UK government sanctions regulations will allow these assets to be transferred (from SLAL to Phoenix) provided MOEX is open on the Transfer Date. If MOEX is not open on the Transfer Date, or if transfer is not possible due to any other reason, then these assets will be retained within SLAL under the Residual Assets provision within the Scheme, and subsequently transferred to Phoenix if and when circumstances permit. I note that all of these assets are allocated to a single unit-linked fund within SLAL and are currently valued at £nil within that unit-linked fund. In the event of these assets being retained within SLAL as Residual Assets, and in the event that Phoenix/SLAL were to place any non-zero value on these assets post-Scheme, then Phoenix would ensure that its determination of the unit price for the unit-linked fund in question takes into account the value of these Residual Assets within SLAL.
- 5.9. I am satisfied that the Companies have taken all reasonable steps to deal appropriately with these assets related to Russia, and I am satisfied that the approaches being adopted will not lead to the Scheme giving rise to any adverse policyholder impact in this area.

## CONSIDERATIONS ARISING FROM SEPTEMBER/OCTOBER 2022

- 5.10. Paragraph 9.38 of my Main Report outlined a project that is in progress within Phoenix to deliver certain enhancements to its modelling approaches and to its interest rate hedging management information. The need for the enhancements was identified following the sudden and significant increase in UK long term interest rates experienced at the end of September 2022. I have reviewed the latest progress reports on these enhancements and I note that substantial progress has been made with the relevant phase of their implementation. In particular, I have been provided with a progress update report dated 13 July 2023. This shows that all except one of the thirteen improvements applicable to the Companies which were due to be completed by 30 June 2023 have been completed. The timescale for the outstanding improvement has been extended to September 2023 (arising from the UKGAAP accounting aspects referred to in paragraph 4.6) and I am content with this.

- 5.11. As described in paragraph 9.40 of my Main Report, Phoenix has also established a framework to retain additional capital over and above its capital management policy requirements within each of Phoenix, PLAL, and SLAL (including SLPF). The additional amounts being retained pre-Scheme are, at the time of finalising this Supplementary Report, unchanged since my Main Report. Since my Main Report however, Phoenix has taken the decision to maintain the total pre-Scheme amount immediately post-Scheme, and to not take into account any immediate reduction post-Scheme as a result of the offsetting of risks (as described in paragraph 9.41 of my Main Report). Instead, a review of the total additional amount held within Phoenix will take place post-Scheme prior to 31 December 2023. This represents an additional degree of caution. Further phases of the enhancement project referred to in paragraph 5.10 above have yet to complete in accordance with the plans which Phoenix has set out. The additional amounts retained will be revised going forwards into 2024 as the further enhancements are implemented and once Phoenix has confidence that the level of mis-estimation risk has actually as a result been reduced in practice, subject to the approval of the Phoenix Board.
- 5.12. As described in paragraph 4.21, Phoenix has also now undertaken a review to ascertain if any enhancements to its liquidity and funding framework were necessary in light of the events during September / October 2022. I note that this review has been completed with both internal and external advice being received, and a number of enhancements are being progressed within the liquidity framework, with additional amounts being retained in the meantime. In relation to the immediate and on-going review of these additional amounts post-Scheme, Phoenix will follow the same approach as set out above in relation to the additional capital quantity amounts. I note that a number of other UK life companies are also reviewing and enhancing their approach to their liquidity and funding frameworks in the light of recent changes to UK interest rates. I am not aware of any aspect of the Scheme which will be impacted by these enhancements.

#### APPLICATIONS FOR REGULATORY APPROVAL

- 5.13. Phoenix requires PRA approval for the use of the MA in the Phoenix Heritage WPF post-transfer. This will be an exact replication of the MA that exists within SLAL Heritage WPF currently. The application for PRA approval has been submitted and as I understand progressing but it remains the case that approval may not be obtained prior to the Transfer Date. As outlined in paragraph 11.64 of my Main Report, this will not give rise to any impact on Phoenix overall post-Scheme or on any policyholder benefits because of the ring fencing under Solvency II of the Heritage WPF and the use of the Notional Company approach (which will not be affected by the timing of this approval), in determining policyholder benefits.
- 5.14. Phoenix presented a paper to the Board on 1 August 2023 which provided an update on the post-Scheme TMTP methodology application, with the aim of carrying out a recalculation of the TMTP, under its proposed methodology, as at 30 September 2023. This paper was approved by the Board and an application for the TMTP recalculation was submitted to the PRA. The PRA has now provided its approval (conditional on the Scheme proceeding) for a TMTP recalculation as at 30 September 2023 using the methodology proposed by Phoenix. This methodology, which is essentially a continuation of the current approach, is that used for the post-Scheme financial analyses within both my Main Report and this Supplementary Report. This (conditional) approval from the PRA thus removes any remaining uncertainty as to the post-Scheme financial position of Phoenix in relation to TMTP.

#### TAX

- 5.15. In paragraph 14.20 of my Main Report, I noted that Phoenix was seeking confirmation from HMRC in respect of the impact of the Scheme on taxation matters affecting the companies. Phoenix has now received this confirmation from HMRC, which stated that none of the main purposes of entering into the transfer arrangements is an unallowable purpose within section 132 of the Finance Act 2012. This is effectively the HMRC "clearance" confirmation that Phoenix was seeking. The remainder of the points made in my Main Report in respect of taxation, including those arising from the PwC tax report, remain unchanged.

#### EMERGING RISKS & VOLATILITY

- 5.16. No new material risks or events affecting the Companies have emerged since the date of my Main Report. The potential for future volatility in financial markets or other events still exists given current global events. Such volatility is to be expected, and the purpose of the regulatory capital framework and the capital management policies of the Companies is to allow the Companies to deal with such volatility and events. It thus remains my view that it is appropriate for the Companies to continue to pursue the Scheme.

## INVESTMENT PATHWAYS

- 5.17. Investment Pathways refers to a product feature in connection with drawdown pension policies. Drawdown is the term used when a policyholder does not wish to purchase a conventional annuity with their retirement funds, but instead wishes to draw a flexible income from time to time from the retirement funds. Under FCA rules, such customers entering a drawdown phase who are not in receipt of financial advice must be offered a facility known as Investment Pathways in order for such customers to select (if they so wish) from a discrete number of pre-determined investment and drawdown strategies. There is however a regulatory easement which allows a company not to have to offer Investment Pathways if the number of potentially affected customers is small. Phoenix currently avails itself of this regulatory easement in respect of its Phoenix Wealth branded Retirement Wealth Account as most of the actual and potential drawdown customers in this group are financially advised. It does however refer non-advised customers to a third party who may be able to help with an Investment Pathways solution. To put this issue into context, I understand that the number of non-advised cases within Phoenix wishing to enter into drawdown is typically around 4 cases per month.
- 5.18. Post-Scheme, the increased number of customers within Phoenix will mean that the regulatory easement will no longer apply. SLAL has an Investment Pathways product solution for its customers and this product solution (known as the Active Money Personal Pension) will become available post-Scheme to the current Phoenix customers. Phoenix will thus make Investment Pathways available to the policyholders in question via this product, and I have discussed this product with Phoenix. I note that policyholder communication in relation to this solution will commence in each case when the policyholder first considers entry into a drawdown phase, this being the normal communication approach in respect of drawdown and Investment Pathways. I note also that Phoenix will be ready to implement this solution for policyholders wishing to enter drawdown and make use of Investment Pathways from immediately after the Transfer Date.
- 5.19. I am satisfied that Phoenix's proposed solution to this issue is fair and reasonable for the policyholders in question.

## OPERATIONAL READINESS FOR THE SCHEME

- 5.20. As outlined in paragraph 14.33 of my Main Report, the implementation of the Scheme is a significant operational exercise for the Companies, and I have continued to monitor the state of operational readiness for the implementation of the Scheme since my Main Report.
- 5.21. I have been provided with the latest operational readiness progress report for the Scheme (dated September 2023), and I have reviewed this and raised questions on it with the Companies. Of the nine operational readiness workstreams, seven are showing as fully on track, including the "Customer Day 1" workstream which is clearly of immediate key importance to policyholders should the Scheme proceed. The "Compliance" workstream notes that certain regulatory approvals were still outstanding as described in paragraph 5.22 below, but these have now been received. The "Finance" workstream is showing a small number of tasks still to be fully completed in readiness for financial reporting post-Scheme, but this is not in my view unexpected or unusual for a project of this nature, and I note that these tasks are all internally related and non-customer-facing. I am satisfied based on the information provided by Phoenix and their responses to my questions that the Companies will be operationally ready to implement the Scheme if sanctioned by the High Court and the other relevant courts.

## OTHER REGULATORY MATTERS

- 5.22. As outlined in paragraph 14.44 of my Main Report, Phoenix post-Scheme will require additional regulatory permissions in respect of pensions and investments, each covering dealing in investments as an agent and managing investments. These arise from the administration of the SLAL SIPP business transferring to Phoenix. Applications to the PRA and the FCA for these additional permissions have been made by Phoenix, and these additional permissions have now been received.
- 5.23. As described in paragraph 14.45 of my Main Report, Phoenix needed to apply for only one waiver in connection with the Scheme. This was a waiver under the FCA COBS rules (currently granted to SLAL) in relation to the benefit illustrations which are provided to policyholders under what is commonly known as the "statutory money purchase" basis. This waiver has been applied for and has now been granted by the FCA.
- 5.24. Paragraph 14.46 of my Main Report referred to "change in control" applications to the regulators in respect of the change of ownership of SLPF and Standard Life Lifetime Mortgages Limited (both of which are subsidiaries of SLAL) from SLAL to Phoenix. These applications were submitted and have now been approved by the regulators.

- 5.25. As a legacy of Phoenix Group's model of acquiring insurance companies, the Companies currently have three service companies: PGS, SLAESL and PGMS. Paragraph 12.14 of my Main Report stated that Phoenix Group is planning to merge PGS and SLAESL into PGMS to form a single service company, and that this could occur either before or after the Transfer Date. I noted that I was satisfied that this change should not have any impact on policyholder servicing, and this remains my view. In the event this change occurs before the Transfer Date, no additional regulatory approvals or permissions are needed as PGMS is itself a regulated entity. In the event that this change does not occur before the Transfer Date, it will be necessary for SLAESL to be an Appointed Representative of Phoenix given that SLAESL is not a regulated entity and will still be providing administration services to the former SLAL business of Phoenix. Phoenix has thus submitted an application to the FCA for SLAESL to become an Appointed Representative of Phoenix. My understanding is that this process requires no formal approval from the FCA, just appropriate notification at least 30 days in advance (and this condition will have been met by the Transfer Date).
- 5.26. I note that there is no equivalent of the Appointed Representative requirement set out in paragraph 5.25 in respect of PGS providing administration services post-Scheme to the former PLAL business of Phoenix. This is because (unlike SLAESL but similar to PGMS) PGS is itself a regulated entity.
- 5.27. I note that an order from the High Court to sanction the Scheme will likely constitute a triggering event in relation to The Pension Regulator's ("TPR's") regulation of certain master trust arrangements which are currently operated by SLAL and which will transfer under the Scheme to Phoenix. Post-Scheme, Phoenix will be prevented from increasing administration charges, or allowing new employers to enter the master trust arrangement until after TPR has confirmed that the triggering event has been resolved. These triggering event conditions are I understand intended to provide protection for members of the master trusts in times of financial difficulty, as opposed to impinging on a Part VII Transfer such as the one in question. I understand that SLAL has liaised with TPR and that TPR is aiming to provide prompt confirmation that the triggering event has been resolved following sanction of the Scheme. I am satisfied that this procedure will not give rise to any adverse impact on any existing members or policyholders who have benefits via these SLAL master trust arrangements.

#### **CONTRACTUAL CONSENTS FOR TRANSFER OF NON-UK CONTRACTS**

- 5.28. As described in paragraph 14.49 of my Main Report, Phoenix is seeking to agree with its relevant counterparties to novate certain contracts to Phoenix. These contracts are those that are held by PLAL, SLAL, or SLPF (not being long term insurance policies) which are not subject to the laws of England and Wales, Scotland, Jersey and Guernsey, and where the sanction of the Scheme by the High Court may not be effective in transferring the contracts to Phoenix.
- 5.29. This exercise remains ongoing. The Scheme contains fallback provisions to transfer the economic benefits and the liabilities of the contracts to Phoenix pending full legal transfer, by way of the Residual Assets and Residual Liabilities facility, should any novation not be complete by the time of the Transfer Date. I understand that this approach is the usual one in such situations, and I am content that there will be no detriment to any policyholders should it be necessary to use the fallback provisions in any particular case.

#### **EXPOSURE TO CREDIT SUISSE**

- 5.30. In relation to the Phoenix Group exposures to Credit Suisse outlined in paragraphs 14.51 and 14.52 of my Main Report, Phoenix is not taking any further action or performing any further analysis in this area. I note that any further progress in obtaining confirmations from Phoenix's major investment managers that their portfolios did not hold the Additional Tier 1 bonds issued by Credit Suisse has not been possible due to a lack of the necessary look-through investment data. However, any material impact should any external funds have held these investments to a material extent will now have been realised and reported via the usual regular market valuations. I understand from Phoenix that there has been no material adverse impact on investment values observed by Phoenix as a result. I am therefore satisfied that the situation in relation to Credit Suisse is not material for the Companies or for any of their policyholders, and I note further that the position in relation to Credit Suisse is effectively the same both pre-Scheme and post-Scheme.

#### **INDEPENDENT EXPERT CERTIFICATE IN RESPECT OF MODIFICATIONS TO THE PHOENIX 2011 SCHEME**

- 5.31. Since the completion of my Main Report, a discrepancy has been identified between the wording of the Phoenix 2011 Scheme modification provisions and the relevant Independent Expert Certificate contained within my Main Report (Appendix C, paragraphs C10 and C11).

- 5.32. The discrepancy related to the inclusion of the word “material” in the Independent Expert Certificate, and this word was not included in the wording of the Phoenix 2011 Scheme modification provisions. The relevant correct wording from the Phoenix 2011 Scheme modification provisions is “I certify that, in my opinion, the proposed amendments to the Phoenix 2011 Scheme will not adversely affect the reasonable expectations of the policyholders of Phoenix, ....”. This does not contain the word “materially”.
- 5.33. A replacement and corrected Independent Expert Certificate in respect of modifications to the Phoenix 2011 Scheme is provided in Appendix B. I do not consider this discrepancy to have been significant or potentially misleading to policyholders. Appendix C to my Main Report explains that some of the required certificates incorporate the word “materially” and some do not, but in any case I have considered all issues in the round when providing the certificates with the required form of words.

#### **THE PROPOSED TRANSFER OF CERTAIN BUSINESS FROM PHOENIX TO ABRDN**

- 5.34. My Main Report considered the proposed future transfer of certain business from Phoenix to abrdn should the Scheme proceed. The relevant sections of my Main Report are those which commence at paragraphs 8.89 and 10.79. The position in relation to this proposed future transfer and the opinions and views which I expressed on it have not changed and remain as set out in my Main Report.

#### **UNIT MATCHING**

- 5.35. My Main Report (commencing at paragraph 8.70) explains the concept of unit matching and explains that the Scheme will provide the necessary clarification to allow Phoenix to carry out unit matching in respect of the unit-linked business allocated to the Heritage WPF. Any such new use of unit matching in respect of that business would be subject to the appropriate governance processes within Phoenix, including approval by the Phoenix Board, with support from the post-Scheme Heritage WPF WPA and the post-Scheme single WPC. As part of these requirements, any decision to implement such unit matching must not negatively impact the policyholders of the Heritage WPF, or (for the avoidance of doubt) any other policyholders.
- 5.36. Although no specific timescale for any actual implementation of unit matching on the unit-linked business allocated to the Heritage WPF was envisaged at the time of finalising my Main Report, Phoenix has now informed me that if the Scheme proceeds then it would expect to implement unit matching on some of this business prior to 31 December 2023, subject to the governance process outlined above. I can confirm that this does not give rise to any concern and that I am satisfied that the governance processes in place in relation to this new unit matching are appropriate. I can confirm further that this has no impact on the conclusions set out in my Main Report.

## 6. Policyholder correspondence, complaints, and objections

### INTRODUCTION

- 6.1. At the Directions Hearing for the Scheme on 5 May 2023, all of the dispensations applied for were granted by the High Court. The relevant communications (as described in my Main Report) were then sent to the various groups of policyholders in accordance with the agreed mailing plans, and the various advertisements in the press were made. All of the various documents were put onto the relevant parts of the Phoenix and Standard Life websites.
- 6.2. All of the relevant policyholder mailings and communications were completed by 18 August 2023, thus ensuring that all of the relevant policyholders have had at least six weeks notification prior to the final Court hearings, in accordance with the FCA’s guidance. For the avoidance of doubt, I confirm that this takes into account the aspects of the mailing and communications exercise that are discussed further below.

### MANAGEMENT OF POLICYHOLDER CORRESPONDENCE

- 6.3. Following the mailings, the Companies have maintained a detailed management information (“MI”) record of all correspondence (including letters, emails, electronic enquiry forms and telephone calls) received from policyholders in relation to the Scheme, and which sets out which of the following categories the correspondence falls into: documentation request, Part VII general enquiry, technical enquiry, complaints, objections, or business as usual (“BAU”) correspondence. Table 6.1 shows a summarised position as at 15 September 2023.

**Table 6.1 – Phoenix policyholder correspondence volumes in relation to the Scheme, as at 15 September 2023**

Document request	Part VII General Enquiry	Technical Enquiry	Complaint *	Objection	BAU Correspondence
236	5,534	207	33	68	36,007

*Source: Phoenix information summarised by Milliman*

\*Note that should a complaint about the transfer be subsequently reclassified as an objection, it is included in both the complaint and the objection count.

- 6.4. As can be seen from the above table, the majority of correspondence cases are BAU related or are general or technical enquiries or requests for documentation. In responding to complaints about the transfer, the Companies ask the customer whether they wish their case to be regarded as an objection, and where this is the case the objection process is then followed. For each of the objections received, the MI provides details on the nature of each individual objection, the relevant entity involved and whether the policyholder has indicated that they will attend the High Court Sanction Hearing and/or the Court of Session hearing. Where possible the MI groups the objections into themes. To put the above volumes into context, the total number of policyholders contacted (via mailings or other means) is approximately 5 million.
- 6.5. The MI also tracks the nature of the general and technical enquiries being raised. The themes of the most common enquiries are:
- Enquiries around the details of the Scheme and which policies are transferring.
  - Enquiries as to whether the customer’s policy will change as a result of the scheme, for example will their benefits be affected, or will their policy terms and conditions change.
  - Enquiries due to a lack of awareness that Standard Life is now part of the Phoenix Group.
  - Enquiries due to a lack of awareness that their policy was part of PLAL.
  - Enquiries on the rationale for the Scheme.
  - For customers holding an annuity, queries as to whether their annuity payments will be affected.
  - Queries as to why the policyholder has not received a letter, despite having a Phoenix policy.
  - Queries as to why an individual has received a letter addressed to a deceased policyholder.
  - Enquiries as to what action the policyholder needs to take.

- Enquiries as to why the policyholder was asked to confirm their address when they didn't believe they had a policy with the Companies.
- Enquiries not directly related to the Scheme, for example a question or complaint about their policy.

6.6. The MI has been updated on a weekly basis since the start of the mailing exercise to reflect the most recent correspondence received, and was provided weekly to the PRA, to the FCA and to me. I have reviewed the MI updates, discussed them regularly with Phoenix, and in particular I have considered the objections raised.

6.7. I note that for approximately 5,000 SLAL policyholders who have opted for paperless communications, a technical issue prevented these policyholders from seeing the relevant notification letter in their online document store. To address this, these policyholders were sent the appropriate mailing pack in paper form, with all of these being dispatched by 18 August 2023.

#### SUMMARY OF POLICYHOLDER OBJECTIONS

6.8. At the time of finalising this Supplementary Report, there have been 68 policyholder objections to the Scheme. Seven of the objecting policyholders have indicated that they may or will appear at the High Court sanction hearing on the 5 October 2023, one policyholder has requested that their objection is presented at the High Court sanction hearing on the 5 October 2023, and no policyholders have indicated that they may or will appear at the Court of Session hearing on 3 October 2023. These numbers include cases which were initially classed as complaints and, following further contact from the policyholder, have been deemed to be an objection as explained above.

#### MY REVIEW OF POLICYHOLDER OBJECTIONS

6.9. For each objection received (including those initially classed as complaints) I have reviewed the full correspondence between the policyholder and the Companies. I have then concluded as to whether the objection is:

- Not relevant to the Scheme and/or its effects; or
- A point which is addressed and covered in my Main Report and where the response given by the Companies to the policyholder also addresses the objection comprehensively, but is of interest and is therefore noted and discussed further below; or
- An objection that is of relevance to the Scheme, not addressed in my Main Report, and thus needs to be addressed in this Supplementary Report.

6.10. At the time of finalising this Supplementary Report, the majority of objections have been of no relevance to the Scheme and/or its effects. These relate for example to matters of business-as-usual (as opposed to the Scheme) or to general complaints (as opposed to anything related to the Scheme).

6.11. There have been no objections of relevance to the Scheme that have not already been addressed in my Main Report.

6.12. There have been 36 objections (arising from 30 policyholders) which have all been addressed in my Main Report and in the responses given by the relevant Companies to the relevant policyholder. For the sake of transparency and completeness, I have noted a summary of my responses to each of these 36 objections in Table 6.2 below.

**Table 6.2 – objections of relevance to the Scheme (addressed and covered in my Main Report), as at 15 September 2023**

Case No.(s)	Summary of objection	Independent Expert response
SLAL 2, PLAL 32, SLAL 151	The definition of “material adverse effect”.	My Main Report covers the concepts of materiality and material adverse effect in paragraphs 3.20 to 3.26. My working definition of and my approach to materiality is consistent with that set out by the Court of Appeal in the Prudential and Rothesay Life case. The correspondence from the Companies to the objecting policyholders also outlines this definition.

<p>SLAL 22, SLAL 44, SLAL 74, SLAL 85, SLAL 92, SLAL 102, SLAL 126, SLAL 129, PLAL 57, PLAL 71</p>	<p>The benefit of the Scheme to policyholders.</p>	<p>The Scheme will benefit policyholders indirectly through the long-term operational and capital efficiencies achieved. This benefit is effectively explained in paragraphs 8.1 to 8.4 of my Main Report. However, it is not a requirement of the Part VII Transfer process that the Scheme must benefit policyholders either directly or indirectly. Additionally, my Main Report concludes that I am satisfied that the Scheme will not have a material adverse impact on the reasonable benefit expectations of the policyholders of the Companies, on the security of benefits of the policyholders of the Companies or on the levels of administration and customer service that apply to the policyholders of the Companies.</p>
<p>SLAL 22</p>	<p>The shareholder benefit of reduced administration costs should be passed on to policyholders.</p>	<p>The correspondence from the Companies to the objecting policyholder outlines the reason for the shareholders benefiting directly from any reduced administration costs. In summary, shareholders provide capital to allow the company to operate and therefore take the risk that the company may not be able to repay this capital, for which they receive a return. The Companies hold capital to meet regulatory capital requirements and the relevant company capital policy requirements. Excess capital may be returned to shareholders, and does not reduce policyholder security (as compared with the pre-Scheme position) where it is in excess of the required protections. I am satisfied that the Companies' response addresses this objection fully, and that the explanation is consistent with the contents of my Main Report. <i>Note:</i> This objection was raised by a SLAL policyholder and the reply was framed in terms of Phoenix and SLAL, but is of wider relevance to all the policyholders involved in the Scheme.</p>
<p>SLAL 44</p>	<p>Objection to taking capital out of the Heritage WPF.</p>	<p>There will be no material changes in this area as a result of the Scheme, and the proposed transfer does not result in additional capital being extracted from the Heritage With-Profits Fund. Paragraph 10.64 of my Main Report sets out my view that the changes to the payments out of the Heritage WPF (the Reference Period Transfer Amount (RPTA) and Recourse Cashflow (RCF)) would not be material and would not have any material adverse impact on the reasonable benefit expectations of the with-profits policyholders in the Heritage WPF.</p>
<p>SLAL 62</p>	<p>Objection to removal of various certification requirements.</p>	<p>Paragraph 12.30 of my Main Report sets out and explains my view that the certification process no longer offers any real additional benefit, given the governance and regulatory compliance processes now in place. Additionally, all funds should be operated in accordance with the schemes that apply to them as a matter of law, regardless of whether or not a certificate is required. The removal of the current annual certification requirements would not, in isolation, have any effect on the reasonable benefit expectations of policyholders. My Main Report also sets out that the absence of the certification requirements within the Scheme would not have a material adverse effect on the governance applying to the affected policies.</p>

SLAL 62	Objection based on a perceived lack of scrutiny to the process for making minor or technical amendments to the Scheme.	Minor or technical amendments to the Scheme can only be made without the consent of the High Court if Phoenix has regard to appropriate actuarial advice and if the regulators have been notified. Any proposed amendment will therefore be subject to external scrutiny.
SLAL 85, SLAL 92, SLAL 118, SLAL 110, SLAL 131, SLAL 49, SLAL 157	Objection based on the standards of service post-Scheme as opposed to pre-Scheme.	As outlined in paragraph 12.34 of my Main Report, I am satisfied that the implementation of the Scheme would not have any material adverse impact on the standards of service, administration, management and governance applicable to policyholders of the Companies.
SLAL 88	Asking if the rationale for the Scheme relates to financial difficulty of the Companies.	The correspondence from the Companies to the objecting policyholder confirms that the Companies are not in financial difficulty. As demonstrated in Table 9.5 of my Main Report, the companies hold sufficient capital to cover their regulatory capital requirements and capital management policies, and will continue to do so post-Scheme.
SLAL 88	Impact of reduced overhead expenses on resources, particularly staffing levels.	As outlined in paragraph 12.34 of my Main Report, I am satisfied that the implementation of the Scheme would not have any material adverse impact on the standards of service, administration, management and governance applicable to policyholders of the Companies. The correspondence from the Companies to the objecting policyholder confirms that the Scheme will not result in job losses in Edinburgh.
SLAL 88, SLAL 132	Post-Scheme policy values.	My Main Report concludes that I am satisfied that the Scheme will not have a material adverse impact on the reasonable benefit expectations of the policyholders of the Companies, or on the security of benefits of the policyholders of the Companies.
SLAL 97, SLAL 128, SLAL 148	Impact of the Scheme on cyber security and data privacy.	The correspondence from the Companies to the objecting policyholders confirms that there will be no change of systems on which data is stored, no transfer of data as a result of the Scheme and no change in the teams or processes used in servicing the policies. The Phoenix Group operates a single risk management framework across the Companies; the cyber security and data privacy policies are therefore the same within each company, and will be the same pre and post-Scheme. The Phoenix Group carries out an external cyber audit annually, whilst its information security policy is reviewed annually. My Main Report does not address cyber security and data privacy explicitly, but the issue is covered by paragraph 12.34, in which I state that I am satisfied that the implementation of the Scheme would not have any material adverse impact on the standards of service, administration, management and governance applicable to policyholders of the Companies.

SLAL 95	Object to transfer unless customers resident overseas are provided with the same right to flexible drawdown as UK residents.	The correspondence from the Companies to the objecting policyholder confirms that there will be no changes to the policy terms and conditions and hence to the available options in relation to flexible drawdown. As an overseas resident, the policyholder is currently not able to take flexible drawdown on their policy, and the Scheme does not change this. This is effectively covered in paragraph 10.13 of my Main Report.
Phoenix 26	Impact of the Scheme on the uplift in respect of the estate.	Paragraph 10.13 of my Main Report lists the factors relevant to determining policy benefits (including estate distribution), which will remain the same. Additionally, with-profit funds will continue to be managed in line with their PPFMs.
SLAL 135	Concerns over standards of governance.	In paragraphs 12.15 and 12.16 of my Main Report I highlight that the governance frameworks of the Companies are already harmonised and so there will be no material changes to governance arrangements under the Scheme.
PLAL 32	<p>Concerns covering:</p> <p>a) The definition of policyholder reasonable expectations;</p> <p>b) The Companies' solvency;</p> <p>c) Does the Scheme ensure compliance with Consumer Duty rules;</p> <p>d) Impact of the proposed new insurer resolution regime;</p> <p>e) Interpretation of the phrase within my Main Report <i>'this [IE] report must be considered in its entirety as sections of this report, if considered in isolation, may be misleading'</i>.</p>	<p>My Main Report covers all of these concerns. Specifically:</p> <p>a) Paragraphs 3.11 – 3.13 of my Main Report discuss "Policyholders' reasonable expectations in relation to their benefits".</p> <p>b) The Companies are all solvent. Paragraph 2.1 of my Main Report covers the provision of capital support by PLAL to the SERP WPF, London Life WPF and NPL WPF.</p> <p>c) In paragraph 14.29 of my Main Report I note that any impacts arising from the process to ensure compliance with Consumer Duty will be the same whether or not the Scheme is implemented.</p> <p>d) Paragraph 9.45 of my Main Report states that I am satisfied that the implementation of the Scheme would not have any material adverse impact on the ability of Phoenix Group carry out a resolution process should the need arise.</p> <p>e) This refers to matters of detail within the report and is there to ensure that readers do not overlook the fact that many aspects of the report are inter-connected.</p>
Phoenix 41	Concerns as to whether Phoenix is taking on too much work, by taking on the transfer and therefore the additional policyholders.	<p>In paragraphs 12.11 and 12.12 of my Main Report I state that the Scheme itself would not have any direct effect on the standards and level of service that the companies require and would not have an adverse effect on the standards of service and administration applicable to the policies of the Companies.</p> <p>I also considered any temporary impact of the Scheme on customer service provided to policyholders of the Companies due to increased activity as a result of the transfer, and in 12.6 of my Main Report I conclude that I am satisfied that the provisions in place will minimise the risk of disruptions to customer service over the communication period for the Scheme.</p> <p>Essentially, although Phoenix is taking on additional work, it will have access to additional resources with which to carry out that work.</p>

SLAL 49	Asking whether policies will be governed by English or Scottish law post-Scheme.	In paragraph 10.13 of my Main Report I state that there will be no changes to policy terms and conditions, which will include the law under which the policy is governed and which post-Scheme will remain unchanged.
PLAL 57	Will the excess capital in Phoenix post-Scheme be proportionately more or less than currently in PLAL pre-Scheme?	The proportionate excess capital can be measured using the 'Solvency Coverage Ratio'. In paragraph 2.38 of my Main Report I show the Solvency Coverage Ratios pre-scheme for the Companies and post-scheme for Phoenix as at 31 December 2022. Updated figures as at 30 June 2023 are provided in Table 4.1 of this report. This issue is thus addressed.
PLAL 76	Query in relation to the closure of with-profit funds.	This policyholder raised an objection in relation to the closure of with-profit funds. No with-profit funds will be closed to new business under the Scheme. However, the NPI WPF within Phoenix will be left with no assets and liabilities and will therefore cease to exist post-Scheme. This is because the with-profits investment element of policies in the Phoenix NPF that are currently allocated to the NPI WPF and reinsured on to the Pearl WPF within PLAL will be allocated to the newly created Phoenix Pearl WPF post-Scheme, and thus the reinsurance arrangement currently in place between the NPI WPF and the Pearl WPF, together with the NPI WPF itself, will fall away. For completeness, I note that the Heritage WPF will be closed to new business around the same time that the Scheme is implemented, though not as a result of the Scheme.
PLAL 77	Impact of potential contagion risk.	In paragraph 11.12 to 11.15 of my Main Report I state that I am satisfied that the contagion risk post-Scheme is not materially greater than pre-Scheme within the Companies. This risk will continue to be mitigated through the holding of capital in line with the Solvency II requirements and the Phoenix capital policy going forwards.
PLAL 78	Does Phoenix assume all of the Companies' liabilities post-Scheme, including any in relation to awards by the Financial Ombudsman or liabilities for compensation?	In my Main Report, paragraphs 8.8, and paragraphs 10.1 to 10.22 state that liabilities of all types are transferred under the Scheme. As confirmed by the correspondence from the Companies to the objecting policyholder, this includes the financial consequences of any complaint. Any such liabilities that PLAL, SLAL or SLPF may have will become liabilities of Phoenix post-Scheme.

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6.13. I have received one piece of correspondence directly from a policyholder, who contacted me via the Milliman website to confirm the capacity in which I prepared my Main Report as the Independent Expert in this case. I responded by email to this policyholder that I prepared my Main Report in my capacity as a Principal of Milliman LLP. I also stated in my response that the opinions and conclusions in my Main Report are entirely my own and I noted that my Main Report has been subject to professional peer review as set out in paragraphs 1.41 and 14.2 of my Main Report. I have not (at the time of finalising this Supplementary Report) received any other correspondence directly from any other policyholders or interested parties. However, a SLAL policyholder has copied to me a technical query letter which he has sent to SLAL. I have reviewed the SLAL response to this policyholder and am satisfied that the response to this policyholder is correct and appropriate.

6.14. I am satisfied that the policyholder objections received do not raise any issues that were not considered in the work I have carried out, and I am satisfied that my Main Report deals with the issues raised by these policyholders. I am also satisfied that the Companies have responded to the objections raised fully and in an appropriate manner.

## ADDITIONAL CONSIDERATION ARISING

- 6.15. A PLAL policyholder (whose policy is allocated to a PLAL WPF) has raised a point in relation to benefit expectations arising from the fact that their policy has previously been transferred into PLAL under the PLAL 2015 Scheme. This is PLAL Case No 32 in Table 6.2. The policyholder has raised other points which have been covered by my Main Report and by Phoenix's response, as included where applicable in Table 6.2. The additional point raised which I discuss here is whether more than one Part VII Transfer of the same policy, each subject to an Independent Expert opinion that the transfer in question will have no material adverse effect on policyholders could, taken together, give rise to a material adverse effect on benefit expectations.
- 6.16. Under the Part VII Transfer process, each proposed transfer is considered separately by an Independent Expert, the regulators and the relevant Court(s). The full framework for my work is as set out in paragraphs 3.20 to 3.26 of my Main Report. The Independent Expert needs to be aware of the current pre-transfer position of the companies and/or policies in question, and in many cases that current position will have arisen (fully or partly) from previous Part VII Transfer(s). However, there is no requirement to compare the post-Scheme position with the position prior to any previous Part VII Transfer(s). To seek to do so would be wholly impractical (not least because of the number of prior schemes which can apply to some lines of business and the time which may have elapsed since the prior schemes) and would likely render the Part VII process unworkable, which could be to the ultimate disadvantage of policyholders generally. Further, it is not in practice possible in my view for an Independent Expert to assess and compare the current position with the position had the prior schemes not occurred.
- 6.17. Paragraphs 3.20 to 3.26 (and in particular paragraph 3.24) of my Main Report cover the concept of materiality in relation to Independent Expert opinions for Part VII Transfers. Although the framework set out in those paragraphs has been clarified and stated following the outcome of the Prudential/Rothsay Life case, the fundamental approach used by Independent Experts in relation to the concept of materiality has not, in my opinion, changed over the years that the Part VII Transfer regime (and its various predecessor legislative forms) has been in force.
- 6.18. As the Independent Expert for the Scheme under consideration, it is only possible for me to give my opinion on the effects of the Scheme under consideration, under the framework as referred to above. However, based on my experience of acting as Independent Expert on many occasions over a significant number of years, the likelihood of more than one Part VII Transfer giving rise to a combined material adverse effect on benefit expectations is, in my opinion, remote. I am furthermore aware of no aspect of the current Scheme or its implementation which would be contrary to this.
- 6.19. Additionally, I note that the UK regulatory framework provides significant ongoing protections for policyholders in relation to their benefit expectations, including the FCA COBS rules, the recently introduced and forthcoming FCA Consumer Duty Rules, and (for with-profits policies) the WPC and WPA regimes.

## CLARIFICATION IN RELATION TO THE COURT OF SESSION PROCESS

- 6.20. Policyholders who wish to raise objections with the Court of Session in Scotland have, under the Court's present practice, two possible routes available to them to raise an objection. Although in theory any policyholder of the Companies who has an interest in the existing SLAL schemes could seek to raise an objection with the Court of Session, in practice any such objections are most likely to arise from the policyholders of SLAL, SLPF, or SL Intl, and relate either to the superseding of the two existing SLAL-related schemes by the Scheme, or to the modifications to the SLAL Brexit Scheme. These changes are being considered by the Court of Session prior to the High Court's consideration of the Scheme itself.
- 6.21. The first and most straightforward way for a policyholder to raise an objection with the Court of Session is to notify Phoenix/Standard Life of the objection, in which case Phoenix/Standard Life will pass the objection to the Court of Session. Alternatively, the policyholder could notify the Court directly. As Independent Expert I will also consider the objection, and this Supplementary Report sets out my consideration of the objections received. Policyholders can appear in person at the Court of Session hearing if they so wish. Under this approach no fees are payable by the objecting policyholders, and objections may be raised right up to the day of the Court of Session hearing. Although this way of objecting is in fact less formal, the Court of Session has for many years been prepared to consider such objections to insurance schemes, as does the High Court under its procedure.

6.22. In the Court of Session, the formal way of a policyholder raising an objection is known as the “Answers” process. Under this process, a written objection is submitted directly to the Court of Session and a fee (currently £332) is payable to the Court of Session by the policyholder. Answers are almost always prepared by an appropriately qualified lawyer. If a policyholder objects using the Answers process, then that policyholder becomes, in effect, formally party to the Court of Session legal proceedings. My understanding is that this formal process is primarily intended for and used in relation to contentious or adversarial litigation cases. It is in practice unknown in an insurance transfer scheme for individual policyholders to use this formal process, and instead they use the informal process described above.

6.23. The relevant Scheme Guides and the areas of the Standard Life Part VII Transfer website explain the above two routes for making an objection to the Court of Session. For any policyholders wishing to use the formal “Answers” process, Phoenix/Standard Life recommends that the policyholder obtains legal advice – which of itself provides an indication of the more formal nature of the “Answers” process.

6.24. Objections raised under the “Answers” process needed to have been submitted at the latest by 1 August 2023, this being the agreed 42 days after the last publication date of the Court of Session Notice. However, I understand that the Court of Session would accept formal “Answers” after 1 August in certain circumstances - for example because a customer received their notification pack after 1 July 2023. If the Court of Session did not accept the objection under the formal “Answers” process, a policyholder may still raise their objection under the process described in paragraph 6.21.

6.25. I have considered this question of timescales should any policyholder wish to object to the Court of Session using the “Answers” process, and I have concluded that there is no material issue or detriment to the communication and objection process arising from some policyholders receiving their mailings after (or only a short time before) the relevant “Answers deadline” of 1 August 2023. I have arrived at this conclusion having taken into account the following:

- Given the need for legal advice and the need to pay a not insignificant fee, I believe that it is most unlikely that any policyholder would use the formal process described above.
- Although policyholders raising objections can stipulate whether they wish to object to the Court of Session or the High Court, in practice it is highly likely that they will make no such stipulation and just wish their objection to be considered by the Court process in general. This is the case for the majority of the objections received from policyholders of SLAL.
- Even if “Answers” were submitted to the Court of Session after 1 August 2023, as noted in paragraph 6.24 I understand that in practice the Court of Session would still consider them if the reason for it being submitted after 1 August 2023 was explained.

6.26. In addition to the above, and as the deadline for “Answers” is a fixed period (42 days) after the last publication date of the Court of Session Notice, the Companies have needed to balance:

- Giving SLAL policyholders more time to object under the “Answers” process (which would have implied delaying the publication of the Notice given the necessarily long mailing timescale for the very large number of SLAL policyholders); and
- Giving as much general notice as possible (via the earlier publication of the Notice) of the proposed transfer and changes to the previous SLAL Schemes, which is particularly relevant to those policyholders who may not receive individual notifications or mailings (e.g. goneaway policyholders).

In my opinion, the balance between the above two aspects which the Companies have sought to achieve is a reasonable one.

6.27. I note that the relevant SLAL Scheme Guide (as sent to SLAL policyholders and available on the Standard Life Part VII Transfer website) states:

“The practice of the Court of Session in applications like this is also to take into account all objections or representations which are made to it in writing or in person at the Court hearing, even if they're not formal answers.”

6.28. I note that on 18 July 2023 Phoenix/Standard Life made an update to the relevant section of the Standard Life Part VII Transfer website to provide additional clarity on the “Answers” process and to emphasise that the typical way of objecting will ensure that any objection is fully and properly considered by the Court of Session. The wording added to the SLAL and SL Intl website pages is contained within Appendix C. I note that the update for the SL Intl website was made a few days later on 21 July 2023. I have reviewed these website updates and I am satisfied that they do provide additional clarity to policyholders.

6.29. I also note that at the time of finalising this Supplementary Report, no formal “Answers” have been submitted to the Court of Session.

#### UPDATE ON GONEAWAY CASES

6.30. Paragraphs 15.14 to 15.19 of my Main Report considered the position of goneaway policies. As a result of the mailing exercise carried out, Phoenix has identified some 40 addresses (with five or more industrial branch policies attaching to them) which were previously not classified as goneaway cases but which are now expected to be so classified due to the current occupiers of these addresses having no knowledge of the cases. I am satisfied that this change is not a material one, and the proportion of goneaways for PLAL and Phoenix (excluding the Phoenix Wealth, PCIS and SunLife branded business) remains at approximately 23% as quoted in paragraph 15.16 of my Main Report.

6.31. Paragraph 15.15 of my Main Report described the approach of sending a generic letter (without any policyholder or policy specific information) to addresses which the Companies were reasonably confident were correct but which could not be validated. Paragraph 15.18 of my Main Report referred to additional tracing activity in respect of certain Phoenix Life branded policies. This additional tracing was carried out and resulted in the Companies being able to send generic letters to some additional 10,000 non-industrial branch Phoenix Life cases, which is clearly of material benefit to the policyholders in question. The generic mailing exercise (including these additional cases) was completed by 18 August 2023.

#### MAILING INCIDENTS

6.32. Due to a systems error, mailings were sent to a batch of SLAL annuity policies where they should not have been sent. Phoenix was alerted to this error via calls made to its call centre.

6.33. The number of policyholders incorrectly mailed comprised some 4,400 deceased annuitants, and some 19,200 named spouses with contingent annuity benefits where the primary annuitant is alive (i.e. where annuity benefits would commence if the named spouse was pre-deceased by the primary annuitant).

6.34. Clearly, the deceased annuitants should not have been mailed. For the named spouses, although it was not the intention for these cases to be mailed (because communications are not normally sent to the named spouse), these cases do have a contingent interest in the Scheme and hence arguably the unintentional mailing of these cases is less of a potential concern.

6.35. Phoenix has taken action to ameliorate the effects of these unintentional mailings. Complaints were managed through SLAL’s formal business-as-usual complaints procedure, with input provided by the Part VII Transfer team, and with explanations being provided as necessary as to what has occurred. For the avoidance of doubt, complaints in relation to this mailing incident have been excluded from the MI referred to above.

6.36. It is of course unfortunate that this mailing error occurred, and I note that it could have caused confusion and/or distress to the policyholders in question, and in particular to the relatives of the deceased policyholders. At the same time, I note that the unintentional mailing did not result in any incorrect or inappropriate information being mailed (beyond the fact that it should not actually have been mailed).

6.37. In addition to the above, I note that some mailing packs were sent to Phoenix customers where the relevant policy is no longer in force, and I note that some SLAL non-profit policyholders received the with-profits form of the SLAL mailing pack when they should have received the (narrower) non-profit form (noting also that the scheme guide is the same for both of these SLAL groups).

6.38. I am satisfied that the mailing incidents referred to above will not have any adverse effects on any policyholders in the context of the Scheme. Of greater potential concern is whether any policyholders or groups of policyholders have unintentionally been excluded from the mailing exercise as a result of similar (or other) systems errors to the one in question. I have raised this question with Phoenix, and Phoenix has confirmed to me that (other than the mailing incidents in question), it believes that the mailing and communications programme has progressed (and has now been completed) as planned within the relevant regulatory timescales, and that it sees no reason why any policyholders or groups of policyholders who should have been mailed will not have been. On this basis I am satisfied that the mailing incidents in question are not material to the overall progression of the Scheme and its effects on policyholders.

## CONCLUSIONS

- 6.39. I confirm that I have reviewed the policyholder correspondence MI supplied by the Companies and that I have reviewed each of the policyholder objections and the Companies' responses. I am satisfied that the Companies have responded to the objections raised fully and in an appropriate manner, and I am satisfied that all of the objections raised which are of relevance to the Scheme and its effects relate to areas and aspects which are covered in my Main Report.
- 6.40. I have also considered the issues arising as set out above in relation to the Scottish Court process and in relation to goneaway policies. I confirm that the conclusions which I have reached in my Main Report remain unaltered in the light of these reviews and considerations. I can in particular confirm my view that policyholders who have wished to raise objections have had appropriate and clearly signposted opportunities to do so, both in respect of the various options for the Court of Session and in respect of the High Court and the other courts involved.
- 6.41. I confirm that the mailing incidents (as referred to above) are not material in my opinion to the overall progression of the Scheme and its effects on policyholders. I note that the full mailing and communication exercise was completed by 18 August and thus all policyholders have received the requisite notice of at least six weeks prior to the final Court hearings, in line with FCA guidance.
- 6.42. Any objections regarding the Scheme raised by policyholders before the High Court Sanction Hearing but after this Supplementary Report has been finalised will be provided to the PRA, the FCA and myself, and will also be presented to the High Court Sanction Hearing. For completeness, I note that this will include Phoenix's responses to further submissions from the policyholder referred to above as PLAL Case 32 once those responses have been finalised.

## 7. Other considerations

### UK SOLVENCY II REVIEW

7.1. Paragraphs 14.24 to 14.28 of my Main Report covered the progress made on the UK's review of Solvency II post-Brexit. Solvency UK is the new terminology for this. HMT and PRA have now progressed further and issued new draft statutory instruments and consultation papers, in particular consultation paper CP12/23. The main proposed changes of relevance to the Companies are:

- A significant reduction (of at least one-third) in the Risk Margin, noting that in many cases this will be partly offset by a reduction in TMTP. The cost of capital rate within the Risk Margin is reducing from 6% p.a. to 4% p.a. (which gives rise to a one-third reduction), and the introduction of a tapering factor into the calculation will give rise to a further reduction depending on the outstanding term of the business in question.
- A significant simplification in the way that TMTP is calculated, unless the insurer in question wishes to retain the current more complex approach and can justify this to the PRA.
- Simplification of the approval process for internal models, internal model changes, and capital add-ons.
- Reduced regulatory reporting requirements.

7.2. The proposed reduction in the Risk Margin will be beneficial in terms of reduced technical provisions held under Solvency UK, and this change is due to come into effect by 31 December 2023. The other changes, which are more focussed on simplifications rather than major changes to numerical outcomes, are due to be effective by 31 December 2024. The Companies (which will just be Phoenix if the Scheme proceeds) will need to evaluate the changes and decide on the options they will take where such options are available. As with other companies in the industry, it will likely take some time for the effects of some of the changes to flow through into actual practice. It should also be noted that at this stage these other changes are consultation proposals and are not yet confirmed.

7.3. I am satisfied that these changes, if and when implemented, will not have any effect on the conclusions which I reached in my Main Report and which I have reconfirmed in this Supplementary Report. This is on the basis that I am content that the Scheme has no material adverse effects on policyholder benefits or policyholder security based on the current regulatory regime, and thus I can remain content based on a regulatory regime which has the above proposed reduction in Risk Margin and simplifications. The reduction in the Risk Margin will result in a reduction in technical provisions, but it has been recognised for some time now within the UK life insurance industry (and acknowledged by the PRA) that the current Risk Margin is unduly onerous (particularly in low interest rate conditions) and the proposed change addresses this.

7.4. I note that the PRA is due to issue a further consultation later in September 2023 which is expected to focus on certain aspects related to the Matching Adjustment. Based on HMT and PRA announcements to date, it is not currently expected that this will involve any fundamental changes to the current approach, and the changes are expected to be mainly a number of refinements to the current approach, together with the introduction of a new process whereby a senior role-holder within an insurer has to provide an attestation to the PRA related to the Matching Adjustment. In the event that the further consultation gives rise to anything that would call into question the conclusions which I have reached in relation to the effects of the Scheme, then I will make appropriate arrangements via Phoenix to inform the Court.

### INSURANCE CAPITAL STANDARDS

7.5. Paragraph 9.47 of my Main Report explained (in the context of Resolution Plans) that Phoenix Group is an IAIG as defined by the IAIS and the PRA. During June 2023, the IAIS issued a public consultation document setting out the next stage of its development of an Insurance Capital Standard ("ICS") which would apply to insurance groups worldwide designated as an IAIG. It is currently intended that ICS will come into force in December 2024 (subject to the outcome of the consultation) and will exist as an additional set of requirements alongside the relevant local requirements for IAIG insurance groups. However, it should be noted that the ICS is solely a group capital standard and it will not have any application to any of the insurance entities within a group. Based on current information, it is expected that on coming into force the ICS would apply to Phoenix Group at the PGH level only. The general approaches to the assessment of solvency and capital requirements for long term and life assurance business are mostly broadly similar under the proposed ICS to the current approaches under Solvency II in the UK and in the EU, but there are differences in some key areas.

7.6. The Scheme in question transfers PLAL, SLAL, and SLPF into Phoenix and thus constitutes an intra-group scheme. Phoenix Group also has within it a number of other insurance entities (as covered in my Main Report) which are not impacted by the Scheme. As the ICS is currently still under development and subject to consultation, it is not currently known what (if any) the capital impact on PGH would be and how this would compare to the PRA group capital requirements which PGH is currently subject to. However, it is clear from the group-only scope of the ICS that, by definition, implementation of the Scheme would not have any impact on the final ICS position whatever that turns out to be. It is also relevant to note (as covered and assessed in my Main Report and as updated in this Supplementary Report) that although some additional security is provided by the Phoenix Group, the primary security of policyholder benefits derives from the applicable solvency and capital requirements, and the applicable capital management policies, of the insurance entities themselves.

7.7. I can thus conclude that the implementation of the Scheme would not have any impact on the outcomes of ICS assessments under the ICS approach currently under consideration.

#### **FCA CONSUMER DUTY**

7.8. Further to paragraph 14.29 of my Main Report, the FCA Consumer Duty rules came into force on 31 July 2023 in respect of new and existing products or services which are open to new business. The Companies have confirmed to me that they believe they are now complying with the new rules in respect of these products and services, and that their project in respect of the closed products and services (for which the new FCA Consumer Duty rules come into force on 31 July 2024) is continuing as planned. In relation to that part of the FCA Consumer Duty rules which came into force on 31 July 2023, the Companies have provided me with a copy of the relevant Board paper dated July 2023 which confirms this compliance.

#### **INSURER RESOLUTION REGIME**

7.9. Paragraph 9.47 of my Main Report noted that HMT was carrying out a consultation exercise in relation to the next stage of the development of the UK resolution framework for financial services firms. In August 2023 HMT published the outcome of the consultation in relation to insurers, comprising a summary of the consultation responses received and how HMT intends to take forward the various aspects of the new regime. HMT stated that it plans to legislate when parliamentary time allows and that it will set out further information on its plans in due course. No specific changes are thus imminent, and the position in relation to resolution plans for the Companies remains as set out from paragraph 9.43 in my Main Report.

#### **DEAUTHORISATION OF PHOENIX IRISH BRANCH**

7.10. Paragraph 5.10 of my Main Report explained that on 1 January 2023 the EEA business of Phoenix was transferred to PLAE (an Irish life company) under the Phoenix Brexit Scheme. As a result, the Irish branch of Phoenix no longer contains any long term insurance business and Phoenix has thus applied to the CBI to have this branch deauthorised. The CBI provided its consent to the deauthorisation on 31 August 2023.

## 8. Conclusions

### MY CONCLUSIONS IN RESPECT OF THE SCHEME

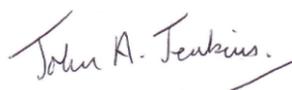
- 8.1. In this Supplementary Report, I have updated my financial analyses based on the latest financial positions of the Companies, and I have provided updates on the various matters which were identified for updates in my Main Report. I have further considered various matters which have arisen since finalising my Main Report.
- 8.2. I have considered the policyholder correspondence MI provided by the Companies over the period since the policyholder mailings and communications took place, and I have in particular considered all the objections raised by policyholders. I am satisfied that the policyholder objections received do not raise any issues that were not considered in the work I have carried out, and I am satisfied that my Main Report deals with the issues raised by these policyholders. I am also satisfied that the Companies have responded to the objections raised fully and in an appropriate manner.
- 8.3. The conclusions which I reached in my Main Report remain unchanged. Hence, in my opinion, the implementation of the Scheme will not have any material adverse effect on any of the following:
- The reasonable benefit expectations of the policyholders of Phoenix, PLAL, SLAL, and SLPF.
  - The security of the benefits of the policyholders of Phoenix, PLAL, SLAL, and SLPF.
  - The levels of administration and customer service that apply to the policyholders of Phoenix, PLAL, SLAL, and SLPF.
- 8.4. In addition to the above conclusions, I can also confirm that, as stated in paragraph 12.34 of my Main Report, the implementation of the Scheme will not in my opinion have any material adverse effect on the standards of governance applicable to policyholders of the Companies.
- 8.5. Considerations of fairness and equity to all of the policyholders of the Companies as a result of the implementation of the Scheme are effectively set out in various parts of my Main Report, and in particular in Section 10 which covers the effects of the Scheme on the reasonable benefit expectations of policyholders. For the avoidance of doubt, I can confirm that in my opinion the Scheme is equitable to all classes and generations of policyholders within Phoenix, PLAL, SLAL, and SLPF.
- 8.6. I have provided in Appendix B a corrected certificate in relation to the modification of the Phoenix 2011 Scheme.

### MY CONCLUSIONS IN RESPECT OF SL INTL

- 8.7. In this Supplementary Report I have updated my financial analyses in respect of SL Intl. The conclusions which I reached in respect of SL Intl in my Main Report remain unchanged. Hence, in my opinion, the amendments to the SLAL Brexit Scheme will not have any material adverse effect on the reasonable benefit expectations or the security of the benefits of any of the policyholders of SL Intl.

### FUTURE EVENTS OR ISSUES

- 8.8. Should any material events or issues of relevance to the Scheme and its effects arise between finalising this Supplementary Report and the dates of the final Court hearings, I will make arrangements via Phoenix to inform the Court accordingly of my views and opinions.



**John A Jenkins**

Fellow of the Institute and Faculty of Actuaries

Principal, Milliman LLP

20 September 2023

## Appendix A Documents and data relied on

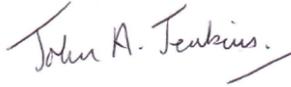
A.1 In addition to discussions (comprising face-to-face meetings, video and telephone calls, and emails) with the staff of the Companies, I have relied upon the information shown in the list below in formulating my conclusions described in this Supplementary Report. The list below (which is in addition to the list within Appendix E of my Main Report) comprises the main items of information and is not a complete list of all items.

- Scheme document – v18.0;
- 2023 Capital Policy Refresh – vAprBoard;
- 2023 Capital Policy Refresh – vJunBoard;
- Post-Scheme Capital Policy Board paper – visssued;
- 2023 Life Co Capital Risk Appetite Framework review - vlssued;
- 2023 Q1 Solvency II Results Board Paper – v1 13;
- 2023 Q2 Solvency II Results Board Paper – v1 1;
- Financial results spreadsheets and an accompanying note, the latest being as at 30 June 2023, including the split of the SCR pre and post-Scheme and explanation of the sources of diversification benefit arising under the Scheme;
- Phoenix Group Holdings plc half-year 2023 results presentation;
- Solvency II Pillar 1 results reports as at 31 March 2023 for each entity;
- Solvency II Pillar 1 results reports as at 30 June 2023 for each entity;
- Chief Actuary Supplementary Reports for Phoenix, PLAL, and SLAL/SLPF;
- Second Witness statement of Brid Mary Meaney as at 19 September 2023;
- Witness statement of Liam Webster as at 18 September 2023;
- Operational readiness report for September 2023;
- Annual Refresh of LifeCo Liquidity Framework – vBoard;
- Committed Liquid facilities - GWPF Liquidity Facility from SLAL (Board paper - Final);
- Committed Liquid facilities - New Liquidity Facility from PGH (PGH Board paper –v2.1);
- Committed Liquid facilities - Allocation of new Liquidity Facility from PGH (Board paper – 17<sup>th</sup> July 2023)
- Committed Facility Agreement between PGH and Phoenix;
- Board paper on proposed cash remittances from the Life Companies to the Group for H1 (July 2023);
- HMRC tax clearance letter as at 23<sup>rd</sup> June 2023;
- Update on enhancements made as a result of events during September / October 2022 – dated 13-07-2023 V1.0 (1B slides);
- Excluded policies reinsurance agreement draft dated 17<sup>th</sup> August 2023;
- Explanatory note accompanying the Excluded policies reinsurance agreement (v1.0);
- Board paper to approve the TMTP recalculation for Phoenix under the Scheme dated 1 August 2023;
- Board paper to approve Phoenix’s Statement of Compliance with the FCA’s Consumer Duty rules dated July 2023;
- Note covering current position of Solvency II approvals v03 (final);
- PRA conditional approval notice in relation to the post-Scheme recalculation of TMTP;
- Written notice from the PRA to vary the permissions of Phoenix under the FSMA (required for the SIPP business);
- Updated sensitivity results as at Q2 2023;
- Solvency monitoring MI results as at end July 2023 and as at end August 2023.

## Appendix B      Corrected certificate

### PHOENIX 2011 SCHEME – CORRECTED CERTIFICATE

- B.1 I certify that, in my opinion, the proposed amendments to the Phoenix 2011 Scheme will not adversely affect the reasonable expectations of the policyholders of Phoenix, including those whose policies transferred from Phoenix & London Assurance Limited under the Phoenix 2011 Scheme.
- B.2 Accordingly, this certificate complies with paragraph 32.2(B) of the Phoenix 2011 Scheme.



**John A Jenkins**

Fellow of the Institute and Faculty of Actuaries

Principal, Milliman LLP

20 September 2023

## Appendix C      Answers process wording on the SLAL and SL Intl websites

### SLAL WEBSITE

C.1      The following was added at to the SLAL website on 18<sup>th</sup> July 2023.

#### WEBSITE BANNER AT [HTTPS://WWW.STANDARDLIFE.CO.UK/BUSINESSTRANSFER/COURTS](https://www.standardlife.co.uk/businesstransfer/courts)

If you have concerns about the transfer or the changes to the three existing Standard Life Assurance Limited (SLAL) transfer schemes and believe you may be adversely affected you have the right to raise an objection. The process for objections is detailed below and includes the process for the High Court and the Court of Session in Scotland as well as Jersey and Guernsey. Different processes exist for the different courts and we explain this in more detail below.

#### “WHAT TO DO IF YOU WANT TO OBJECT” AT [HTTPS://WWW.STANDARDLIFE.CO.UK/BUSINESSTRANSFER/COURTS](https://www.standardlife.co.uk/businesstransfer/courts)

##### **Court of Session in Scotland**

Please note that there are two routes for objections to the Court of Session. One route is similar to the High Court process for objections and is almost always used by a customer or other interested party for this type of process. The other is the formal route that requires written “answers” to be submitted to the Court. It requires a Court fee of (we understand) £332 to be paid and we also recommend you take independent legal advice from a solicitor qualified in Scots law. We explain both routes below.

##### **Objection route 1**

If you have concerns and believe you may be adversely affected by the changes to the three existing SLAL transfer schemes you can raise an objection, which will be presented to the Court of Session. The Court of Session will consider all objections made when reaching its decision. You can raise any objections in the following ways:

- By calling our dedicated helpline on 0808 196 6804  
If you live outside the UK please call; +44 (0)1234 298 298 (there will be a charge for this number). All lines are open 9am to 5pm (UK time) Monday to Friday, excluding bank holidays. This helpline will close at 5pm on 4 October.
- Via our website by submitting an enquiry form
- By writing to us quoting reference FM23. Our address can be found on our Get in touch page
- By presenting your objection in person at the Court of Session hearing. Please note that presentation of your objection in person is subject to the agreement of the Judge.

If you intend to come to the Court of Session final hearing it would be helpful (but is not necessary) to give five working days’ written notice of your intention to attend and the reasons for any objection to the Changes to the Existing Schemes. You should send this notice to Standard Life’s solicitors in Scotland, Burness Paull LLP at 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, quoting reference PM/STA3038/00011 ideally before 8 September.

## Objection route 2

There is an alternative, formal route to object under the procedure of the Court of Session which the Court requires us to explain. You are entitled to submit directly to the Court of Session what are called formal written “answers” to SLAL’s applications to the Court. The answers follow the Rules of the Court.

### What do I need to know if I want to submit formal ‘answers’?

If you would like to submit answers, you must do this before 1 August. Any formal written answers must be submitted within 42 days of the last publication of the applications notice in the press (which took place on 20 June). If you wish to submit written answers after that date, for example because you received the guide after 1 July, then our understanding is that the Court of Session would allow this.

If you want to submit answers, we recommend that you take independent legal advice from a solicitor qualified in Scots law. They’ll also be able to tell you about the Court fee payable which we understand is £332. The applications that you would ‘answer’ are included in the table of Important Documents (under Legal Documents). Answers are formal legal responses to each numbered statement contained in the applications. In practice answers are written by lawyers who are qualified in the Court of Session.

Anyone who has submitted answers has the right to attend the hearing at the Court of Session at Parliament House, Parliament Square, Edinburgh, EH1 1RQ to object to the changes to the three existing SLAL transfer schemes. You can also ask your legal representative to attend on your behalf.

We expect the final hearing at the Court of Session will take place on 3 October. If this date changes, we’ll post the new date on this website.

## SL INTL WEBSITE

C.2 The following was added at to the SL Intl website on 21st July 2023. Below I reference the Irish SL Intl website, however there are in total three websites for SL Intl, covering Ireland, Germany and Austria.

“WHERE CAN I FIND MORE INFORMATION?” AT  
[HTTPS://WWW.STANDARDLIFE.IE/UKBUSINESSTRANSFER](https://www.standardlife.ie/ukbusinesstransfer)

\*If you have concerns about the changes to the 2019 Scheme, also known as the Brexit Scheme, and believe you may be adversely affected you have the right to raise an objection. The process for objections is detailed in the Q&A guide, which you can download below.

WORDING FOR QUESTION 7 OF THE SL INTL GUIDE AT  
[HTTPS://WWW.STANDARDLIFE.IE/DAM/GLOBAL-BLUEPRINT/GEO-IE/STANDARDLIFE\\_IE/IE-PDFS/NILE-SLINTL-GUIDE-P7T23-G-SLINTL.PDF](https://www.standardlife.ie/dam/global-blueprint/gEO-IE/STANDARDLIFE_IE/IE-PDFS/NILE-SLINTL-GUIDE-P7T23-G-SLINTL.PDF)

### What if I wish to object to the Proposed Variation to the 2019 Scheme?

There are two routes for objections to the Court of Session. One route is almost always used by a customer or other interested party for this type of process. The other is the formal route that requires written “answers” to be submitted to the Court of Session. It requires a court fee of (we understand) £332 to be paid and we also recommend you take independent legal advice from a solicitor qualified in Scots law. We explain both routes below.

## Objection route 1

If you have concerns and believe you may be adversely affected by the Proposed Variation to the 2019 Scheme you can raise an objection, which will be presented to the Court of Session. The Court of Session will consider all objections made when reaching its decision. You can raise any objections in the following ways:

- By calling or writing to us using the contact details set out at question 11 below.
- By presenting your objection in person at the Court of Session hearing. Please note that presentation of your objection in person is subject to the agreement of the Judge.

If you intend to come to the Court of Session final hearing it would be helpful (but is not necessary) to give five working days' written notice of your intention to attend and the reasons for any objection to the Proposed Variation to the 2019 Scheme. You should send this notice to Standard Life's solicitors in Scotland, Burness Paull LLP at 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, quoting reference PM/STA3038/00011 ideally before 8 September 2023.

## Objection route 2

There is an alternative, formal route to object under the procedure of the Court of Session which the court requires us to explain. You are entitled to submit directly to the Court of Session what are called formal written "answers" to the Proposed Variation to the 2019 Scheme. The answers follow the Rules of the Court.

### What do I need to know if I want to submit formal 'answers'?

If you would like to submit answers, you must do this before 1 August. Any formal written answers must be submitted within 42 days of the last publication of the applications notice in the press (which took place on 20 June). If you wish to submit written answers after that date, for example because you received the guide after 1 July, then our understanding is that the Court of Session would allow this.

If you want to submit answers, we recommend that you take independent legal advice from a solicitor qualified in Scots law. They'll also be able to tell you about the court fee payable which we understand is £332. The applications that you would 'answer' are included in the list of Important Documents (under the Legal Documents heading) on our websites at [standardlife.ie/businesstransfer](http://standardlife.ie/businesstransfer), [standardlife.de/businesstransfer](http://standardlife.de/businesstransfer) and [standardlife.au/businesstransfer](http://standardlife.au/businesstransfer). Answers are formal legal responses to each numbered statement contained in the applications. In practice answers are written by lawyers who are qualified in the Court of Session.

Anyone who has submitted answers has the right to attend the hearing at the Court of Session at Parliament House, Parliament Square, Edinburgh, EH1 1RQ to object to the Proposed Variation to the 2019 Scheme. You can also ask your legal representative to attend on your behalf.

We expect the final hearing at the Court of Session will take place on 3 October 2023. If this date changes, we'll post the new date on this website.

## Appendix D Glossary

D.1 A glossary of the abbreviations used throughout my Main Report and this Supplementary Report is set out below. This is the same as the glossary within Appendix D of my Main Report, with the addition of new abbreviations used in this Supplementary Report.

<b>100% WPF</b>	The 100% With-Profits Fund. A Phoenix ring-fenced with-profits fund, established under the Phoenix 2005 Scheme and containing business transferred from Phoenix Assurance Limited, Bradford Insurance Company Limited, and Swiss Life (UK) plc.
<b>90% WPF</b>	The 90% With-Profits Fund. A Phoenix ring-fenced with-profits fund, established under the Phoenix 2005 Scheme and containing business transferred from by Swiss Life (UK) plc and Britannic Unit-Linked Assurance Limited, which were policies originally sold by Allianz Cornhill.
<b>A</b>	
<b>ABBAY LIFE</b>	Abbey Life Assurance Company Limited. A company acquired by the Phoenix Group in 2016.
<b>ABRDN</b>	abrdn plc and its subsidiaries (previously known as Standard Life Aberdeen plc and rebranded in 2021).
<b>ABRDN TRANSFER</b>	A scheme that proposes to transfer long-term insurance business from SLAL (which will effectively be Phoenix post-Scheme) to ALPL, following completion of this Scheme through a separate Part VII Transfer process.
<b>ABRDN TRANSFER POLICIES</b>	Policies that would be transferred under the abrdn Transfer.
<b>ALBA WPF</b>	The Alba With-Profits Fund. A Phoenix ring-fenced with-profits fund, established under the Phoenix 2006 Scheme and containing fully participating and smoothed business transferred from Alba Life Limited.
<b>ALPL</b>	abrdn Life and Pensions Limited, a company and subsidiary of abrdn.
<b>AMCS</b>	Annual management charges. These are fees charged by the company to the policyholders annually in proportion to the level of funds invested.
<b>AMP</b>	AMP Limited. An Australian company that acquired Pearl Assurance Limited in 1990.
<b>APE</b>	Annual premium equivalent. A measure of new business sales, equal to total regular premiums written during the year, plus 10% of single premiums written during the year.
<b>APPOINTED REPRESENTATIVE</b>	Under the UK Financial Services legislation, an insurer may appoint an individual or a company as an Appointed Representative in order to provide it with certain services and/or to distribute its policies.
<b>B</b>	
<b>BEL</b>	Best Estimate Liabilities. One of the components of the Technical Provisions under Solvency II (including UK Solvency II). The BEL is calculated by projecting the expected future obligations of the insurer over the lifetime of the insurance contracts using the most up-to-date financial information and best-estimate actuarial assumptions. The BEL represents the present value of those projected cashflows.
<b>BIB WPF</b>	The Britannic Industrial Branch With-Profits Fund. A Phoenix ring-fenced with-profits fund, containing industrial branch endowments and whole of life assurance policies originally sold by Britannic Assurance plc.

<b>BPA</b>	Bulk Purchase Annuity. A method of de-risking pension plans. Either an insurance policy is purchased by pension scheme trustees to secure all or part of all future pensions and benefits due to be paid to members (buy-in) or an insurance company buys all the liabilities from a pension scheme thus removing all risk for the scheme and employer (buy-out).
<b>BRITANNIC WPF</b>	The Britannic With-Profits Fund. A Phoenix ring-fenced with-profits fund, established under the Phoenix 2006 Scheme and containing Ordinary Branch business originally sold by Britannic Assurance Plc, as well as former Century Life policies originally sold by National Employers Life, Sentinel Life and Prosperity Life.
<b>BUFFER RESERVE</b>	This specific term is used to refer to the BIB WPF IB Buffer Reserve Account and Britannic WPF's equivalent WP Buffer Reserve Account. These accounts are held as a result of previous schemes which apply to these with-profits funds.
<b>BUFFER</b>	This general term refers to an amount of capital held in addition to the regulatory capital requirements. The purpose of this additional capital is to seek to ensure that regulatory capital requirements can still be met after an adverse event.
<b>BURNES PAULL</b>	Legal adviser, Burnes Paul LLP.
<b>C</b>	
<b>CAPITA</b>	Capita Life & Pensions Regulated Services Limited. A pension fund administrator company.
<b>CAPITAL EVENT</b>	This relates to a particular aspect of the SLAC Demutualisation Scheme which is being incorporated into the Scheme applying to the whole of Phoenix post-Scheme.
<b>CAPITAL POLICY TARGET RATIO</b>	The minimum level of the Shareholder Solvency Coverage Ratio for the capital policy to be met.
<b>CBI</b>	The Central Bank of Ireland, responsible for central banking and financial regulation in Ireland.
<b>COBS</b>	The Financial Conduct Authority's Conduct of Business Sourcebook, which applies to firms with respect to designated investment business and long-term insurance business carried out in the United Kingdom.
<b>COBS 20</b>	Section 20 of COBS that covers the management of with-profits business.
<b>COMPANIES</b>	Phoenix, PLAL, SLAL and SLPF collectively.
<b>CORE PRINCIPLES</b>	Core principles setting out how SLAL board should manage the Heritage WPF business as defined by the SLAC Demutualisation scheme. The principles include its investment and bonus policy, the role of asset shares in the management of the fund and the role of the estate and criteria for distribution of residual estate.
<b>COURT OF SESSION</b>	The supreme civil court in Scotland.
<b>CURRENTLY APPLICABLE SCHEMES</b>	The in-force schemes that would be superseded and disapplied by the Scheme that is the subject of this Supplementary Report if it is implemented. The schemes are the Phoenix 2009 Scheme, the Phoenix 2011 Scheme, the Phoenix 2012 Scheme, the Phoenix 2017 Scheme, the Phoenix 2018 Scheme, the PLAL 2012 Scheme, the PLAL 2015 Scheme, the SLAC Demutualisation Scheme and the SLAL 2011 Scheme.

<b>CWP</b>	Conventional With-Profits. CWP business typically refers to policies where policyholders' premiums are fixed, and they have a benefit that is guaranteed at the outset in monetary terms if the policy is held to maturity. This benefit can subsequently be increased by annual bonuses that are awarded at the discretion of the insurer, depending upon the amount of surplus emerging in the insurance fund in which the policies are invested. Once they have been awarded, bonuses are typically guaranteed, and the insurer is not able to take them away. A final bonus may also be awarded at the time of claim.
<b>D</b>	
<b>DILIGENTA</b>	Diligenta Limited. A UK based FCA regulated entity that specialises in the provision of business process services for the Life and Pensions Industry.
<b>DIRECTIONS HEARING</b>	An initial court hearing at which the Companies' plans for notifying policyholders are considered.
<b>E</b>	
<b>EEA</b>	The European Economic Area. An international agreement which enables the extension of the European Union's single market to member states of the European Free Trade Association. The EEA comprises the EU together with Iceland, Liechtenstein and Norway.
<b>EFFECTIVE DATE</b>	The date from which the Scheme will be effective for the purposes of financial and regulatory reporting. Expected to be 30 September 2023. See also Transfer Date.
<b>EFL</b>	External fund link. An arrangement (normally via reinsurance) which allows the policyholders in the company in question to invest in the linked funds of an external company.
<b>EIOPA</b>	The European Insurance and Occupational Pensions Authority.
<b>EU</b>	The European Union.
<b>EXCLUDED POLICIES</b>	Policies which for any reason cannot be transferred under a Part VII Transfer and which are thus instead fully reinsured to the receiving company in order that the Part VII Transfer can take place in all material respects as if the policies had been transferred. There is normally provision for such policies to be formally transferred as and when the impediment falls away.
<b>EXCLUDED POLICIES REINSURANCE AGREEMENT</b>	An agreement whereby excluded policies /plans are fully reinsured to the receiving company (i.e. Phoenix) in order that the Part VII Transfer can take place in all material respects as if the policies had been transferred. A reinsurance premium is paid equal to the assets which would have otherwise been transferred (and hence making the total assets transferred under the Scheme the same as if these policies/plans had been transferred).
<b>F</b>	
<b>FCA</b>	Financial Conduct Authority. A financial regulatory body in the United Kingdom, but operates independently of the UK Government, and is financed by charging fees to members of the financial services industry.
<b>FCA CONSUMER DUTY RULES</b>	New FCA rules which come into force from 31 July 2023 and 31 July 2024 and which require financial firms to seek good outcomes for their customers.
<b>FCA FINAL GUIDANCE</b>	Guidance provided by the FCA, FG22/1: The FCA's approach to the review of Part VII insurance business transfers.

<b>FSAVC</b>	Free standing additional voluntary contributions business. Formally a Swiss Life block of business, which was transferred to the 90% WPF.
<b>FSCS</b>	Financial Services Compensation Scheme. A Scheme which provides compensation to holders of long-term insurance policies in the event of the insolvency of a UK or an EEA or other overseas insurer in respect of its UK customers.
<b>FSMA</b>	Financial Services and Markets Act 2000. An Act that makes provision about the regulation of financial services and markets, provides for the transfer of certain statutory functions relating to building societies, friendly societies, industrial and provident societies and certain other mutual societies.
<b>G</b>	
<b>GERMAN SMOOTHED MANAGED WPF</b>	The German Smoothed Managed With-Profits Fund. A SLAL ring-fenced with-profits fund, containing the with-profits investment element of the SLAL euro-denominated policies written post-demutualisation, that are reinsured from the SL Intl German Smoothed Managed WPF.
<b>GERMAN WPF</b>	The German With-Profits Fund. A SLAL ring-fenced with-profits fund, containing the with-profits investment element of the SLAL euro-denominated policies written post-demutualisation, that are reinsured from the SL Intl German WPF.
<b>GUERNSEY SCHEME</b>	The Guernsey court-approved Scheme process that, together with the Scheme, will affect the transfer of certain policies issued to residents of the Bailiwick of Guernsey.
<b>H</b>	
<b>HERITAGE WPF</b>	The Heritage With-Profits Fund. A SLAL ring-fenced with-profits fund, established under the SLAC Demutualisation Scheme, which contains all of the UK with-profits, unit-linked and non-profit business written by SLAC before it demutualised, with the exception of certain non-with-profits business held in the SLAL PBF.
<b>HERITAGE WPF PPFM</b>	The PPFM for the Heritage WPF.
<b>HERITAGE WPF UNIT-LINKED BUSINESS</b>	Unit-linked business allocated to the Heritage WPF.
<b>HERITAGE WPF WPOP</b>	A separate WPOP for the SL Intl Heritage WPF. It largely reflects the principles and practices in the Heritage WPF PPFM.
<b>HIGH COURT</b>	The High Court of Justice of England and Wales.
<b>HMRC</b>	His Majesty's Revenue & Customs (HMRC) is the national taxing authority of the United Kingdom that collects all direct and indirect taxes and administers benefits and tax credit payments to residents.
<b>HMT</b>	HM Treasury is the government's economic and finance ministry, maintaining control over public spending, setting the direction of the UK's economic policy and working to achieve strong and sustainable economic growth.
<b>I</b>	
<b>IAIG</b>	Internationally Active Insurance Group, as defined by the IAIS.
<b>IAIS</b>	International Association of Insurance Supervisors.
<b>IFOA</b>	Institute and Faculty of Actuaries, the UK chartered professional body which is responsible for regulating actuaries.

IFRS 17	IFRS 17 is an International Financial Reporting Standard that was issued by the International Accounting Standards Board in May 2017. It replaces IFRS 4 on accounting for insurance contracts and has an effective date of 1 January 2023.
INSTRUCTING PARTIES AGENT	A role which SLPF undertakes in relation to SLAL's property linked reassurances. See paragraph 7.64 of the Main Report.
INSURANCE CAPITAL STANDARD	The Insurance Capital Standard (ICS) is a consolidated group-wide capital standard that applies to internationally active insurance groups (IAIGs). It will apply minimum capital standards to all IAIGs.
INTERNAL MODEL	An approach to calculating the SCR under Solvency II or UK Solvency II where the Standard Formula is not used. Use of and the nature of an Internal Model must be approved by the appropriate regulator.
IPPFM	Internal PPFM. An internal document outlining how a with-profits fund is managed.
IRELAND	The Republic of Ireland.
<b>J</b>	
JERSEY SCHEME	The Jersey court-approved scheme document for the transfer of any business carried on by PLAL and SLAL in or from within Jersey.
<b>L</b>	
LACDT	Loss absorbing capacity of deferred tax. A balance sheet item under UK Solvency II that represents to the fact that, in a stressed situation, a deferred tax asset would arise, and therefore the Own Funds are increased.
LIFE COMPANY BOARD	The Boards of Phoenix, PLAL and SLAL.
LINKED FUND(S)	These are funds of assets maintained separately within a life company, with the value of these funds being used to determine the benefits under unit-linked policies.
LINKLATERS	Legal adviser, Linklaters LLP.
LLP	Limited Liability Partnership.
LONDON LIFE	London Life Limited. A subsidiary of AMP, to which the London Life sub-funds of AMP were transferred.
LONDON LIFE WPF	The London Life With-Profits Fund. A PLAL ring-fenced with-profits fund established by the PLAL 2012 Scheme, which contains a range of CWP and UWP policies that were originally written by London Life and AMP.
LTF	Long-term insurance fund. Prior to the implementation of Solvency II, proprietary firms in the UK writing long-term insurance business were required to identify the assets attributable to their long-term insurance business and keep those assets separate from shareholder funds in what was referred to as a long-term insurance fund.
<b>M</b>	
MAIN REPORT	A report, dated 18 April 2023, produced by the Independent Expert in relation to this proposed transfer of long-term business.
MARKET VALUE ADJUSTMENT	A deduction that may be made to a withdrawal of certain types from a unitised with-profits policy when market conditions are unfavourable, designed to protect the interests of remaining policyholders.

<b>MATCHING ADJUSTMENT OR MA</b>	The Matching Adjustment or MA is an upwards adjustment to the risk-free rate sometimes used to discount long-term liabilities, where those liabilities are well-matched by long-term assets and the intention is to hold those assets to maturity. Its effect is to reduce the market value of the assets that must be held by an insurer to cover the relevant BEL. MA is a more extensive form of the Volatility Adjustment with consequently more onerous requirements.
<b>MCR</b>	Minimum Capital Requirement. The MCR is lower than the SCR, and defines the point of intensive regulatory intervention. The MCR calculation is simpler, more formulaic and less risk-sensitive than the SCR calculation.
<b>METRIC 1</b>	An internal metric used by the Companies to assess the quantity of capital. This metric looks at the company's ability to comply with the matching adjustment criteria over a 1 in 10-year event, taking into account how long a 1 in 10-year event would take to arise.
<b>METRIC 2</b>	An internal metric used by the Companies to assess the quantity of capital. This metric looks at the level of tangible assets required to meet a 1-in-200-year event, taking into account how long a 1-in-200-year event would take to arise.
<b>MI</b>	Management Information
<b>MILLIMAN</b>	Milliman Limited Liability Partnership registered in England and Wales.
<b>MOEX</b>	Moscow Stock Exchange
<b>N</b>	
<b>NOTIONAL COMPANY</b>	A hypothetical company to compare against as if the Heritage WPF itself was a stand-alone company with some specified additional capital.
<b>NPI WPF</b>	The NPI With-Profits Fund. A with-profits fund established under the Phoenix 2012 Scheme in order to hold the with-profits element of the policies transferred from NPI Limited.
<b>NPI LIMITED</b>	A company that wrote capital accounts, socially responsible bonds and pensions, UWP bonds and UWP individual and group pensions policies. The policies were transferred to Phoenix under the Phoenix 2012 Scheme.
<b>NPL WPF</b>	The National Provident Life With-Profits Fund. A PLAL ring-fenced with-profits fund established under the PLAL 2015 Scheme, contains the long-term business of NPLL that was transferred to PLAL.
<b>NPLL</b>	National Provident Life Limited. A company created to receive the business of National Provident Institution when it demutualised, which occurred during its acquisition by AMP.
<b>O</b>	
<b>ORSA</b>	Own Risk and Solvency Assessment. A requirement under UK Solvency II whereby insurers must regularly undertake a forward-looking assessment of risks, solvency needs and adequacy of their capital resources.
<b>OTHER LIABILITIES</b>	These are liabilities under Solvency II (and UK Solvency II) other than Technical Provisions which need to be added to the Technical Provisions in arriving at the total liabilities. For example, accounting liabilities such as tax due.
<b>OWN FUNDS</b>	The excess of an insurer's assets over its liabilities on a UK Solvency II basis.

P

PART VII TRANSFER	The transfer of long-term insurance business under UK law in accordance with Part VII of the FSMA.
PCP	The Phoenix Capital Policy. This is Phoenix's own capital policy and can be seen as the company's view of the capital it will aim to hold so that all funds have sufficient assets to cover their SCR.
PEARL ASSURANCE	Pearl Assurance Limited. A subsidiary company of Pearl Group Limited that was acquired by PGH in 2009 and renamed PLAL in 2012.
PEARL WPF	The Pearl With-Profits Fund. A PLAL ring-fenced with-profits fund, originally named the 90:10 With-Profits Fund and renamed under the PLAL 2012 Scheme.
PEER REVIEWER	A senior consultant at Milliman who has independently reviewed this Supplementary Report.
PGMS	Phoenix Group Management Services Limited. PGMS provides administration services to the Phoenix With-Profits Funds (excluding the NPI WPF). PGMS was called Pearl Group Management Services Limited prior to January 2023.
PGS	Pearl Group Services Limited. A management services company that provides administration services to the NPI WPF.
PHOENIX	Phoenix Life Limited. A life insurance subsidiary of PGH that was renamed from Royal & Sun Alliance Linked Insurances Limited in 2005.
PHOENIX 2005 SCHEME	A scheme that transferred long-term insurance business from Phoenix Assurance Limited, Bradford Insurance Company Limited and Swiss Life (UK) plc into Phoenix in 2005 via a Part VII Transfer.
PHOENIX 2006 SCHEME	A scheme that transferred long-term insurance business from Alba Life Limited, Britannic Assurance plc, Britannic Retirement Solutions Limited, Britannic Unit Linked Assurance Limited, Century Life plc and Phoenix Life & Pensions Limited into Phoenix in 2006 via a Part VII Transfer.
PHOENIX 2009 SCHEME	A scheme that transferred long-term insurance from SMA and SPL to Phoenix in 2009 via a Part VII Transfer.
PHOENIX 2011 SCHEME	A scheme that transferred long-term insurance business from Phoenix & London Assurance Limited to Phoenix in 2011 via a Part VII Transfer.
PHOENIX 2012 SCHEME	A scheme that transferred long-term insurance business from NPI Limited and certain long-term insurance business of NPLL to Phoenix in 2012 via a Part VII Transfer.
PHOENIX 2017 SCHEME	A scheme that transferred long-term insurance business from AXA Wealth Limited to Phoenix in 2017 via a Part VII Transfer.
PHOENIX 2018 SCHEME	A scheme that transferred long-term insurance business from Abbey Life to Phoenix in 2018 via a Part VII Transfer.
PHOENIX BREXIT SCHEME	A scheme that transferred particular blocks of long-term insurance business from Phoenix and RLL to PLAE in 2023 via a Part VII Transfer.
PHOENIX GROUP	PGH along with all of its subsidiaries.
PGH	Phoenix Group Holdings plc. A UK holding company and the ultimate parent undertaking of the companies within the Phoenix Group.
PHOENIX NPF	The Phoenix Non-Profit Fund. This comprises all assets and liabilities attributed to the non-profit business of Phoenix.
PHOENIX PPFM	Phoenix's PPFM. This covers all ten of Phoenix's ring-fenced with-profits funds (the Phoenix With-Profits Funds).

PHOENIX SHF	The Phoenix Shareholder Fund. This comprises all assets and liabilities not attributed to long-term insurance business of Phoenix.
PHOENIX WPC	The Phoenix With-Profits Committee. Responsible for advising the Phoenix Board on with-profits related matters.
PHOENIX WPF	The Phoenix With-Profits Fund. A with-profits fund established under the Phoenix 2006 Scheme that comprises the business that was transferred into Phoenix from the long-term business fund of Phoenix Life & Pensions Limited.
PHOENIX WITH-PROFITS FUNDS	The collective name for Phoenix's ten ring-fenced with-profits funds (the 100% WPF, the 90% WPF, the Alba WPF, the BIB WPF, the Britannic WPF, the Phoenix WPF, the SAL WPF, the Scottish Mutual WPF, the SPI WPF and the NPI WPF).
PIM	Partial Internal Model. A combination of an internal model and the EIOPA-prescribed Standard Formula method for calculating the SCR that requires approval from the relevant regulator (the PRA in the UK).
PLAE	Phoenix Life Assurance Europe DAC. An insurance holding company and subsidiary of ReAssure.
PLAL	Phoenix Life Assurance Limited. A life insurance subsidiary of PGH that was renamed from Pearl Assurance in 2012.
PLAL 2010 SCHEME	A scheme that transferred the SERP business from NPLL to PLAL in 2010 via a Part VII Transfer. This was superseded and replaced by the PLAL 2012 Scheme.
PLAL 2012 SCHEME	A scheme that transferred the entire long-term insurance business of London Life to PLAL in 2012 via a Part VII Transfer.
PLAL 2015 SCHEME	A scheme that transferred the entire long-term insurance business of NPLL to PLAL in 2015 via a Part VII Transfer.
PLAL CP	PLAL capital policy. This is PLAL's own capital policy and can be seen as the company's view of the capital it will aim to hold so that all funds have sufficient assets to cover their SCR.
PLAL PPFM	PLAL's PPFM. This covers all four of PLAL's ring-fenced with-profits funds (the PLAL With-Profits Funds).
PLAL NPF	The PLAL Non-Profit Fund. This comprises all assets and liabilities attributed to the non-profit business of PLAL.
PLAL SHF	The PLAL Shareholder Fund. This comprises all assets and liabilities not attributed to long-term insurance business of PLAL.
PLAL WITH-PROFITS FUNDS	The collective name for PLAL's four ring-fenced with-profits funds (the Pearl WPF, the SERP WPF, the London Life WPF and the NPL WPF).
PLAL WPC	The PLAL With-Profits Committee. Responsible for advising the PLAL Board on with-profits related matters.
PRA	Prudential Regulation Authority. Responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms in the UK.
PRA STATEMENT OF POLICY	"The Prudential Regulation Authority's approach to insurance business transfers", dated January 2022, updating the April 2015 version.
PROPERTY-LINKED FLOATING CHARGE	A charge over the assets of SLAL that ensures policyholders reinsured through external property-linked reinsurance rank equally with SLAL's direct unit-linked policyholders in case of default or wind-up of SLAL.
PPFM	Principles and Practices of Financial Management. A public document outlining how a with-profits fund is managed.

## R

RCF	Recourse cashflow. One of the components of the RPTA. It is calculated broadly as the cashflows arising on the business from all sources except investment return, over a particular Reference Valuation Period.
REASSURE	ReAssure Limited. A life insurance subsidiary of PGH that was acquired from Swiss Re in 2020.
RESOLUTION PLAN	A plan which sets out how the insurance company or group would run off and ultimately close itself down (this being referred to as “resolution”) in as orderly a manner as possible and with the minimum adverse impact on policyholders should extreme events make it impossible for the company or group to carry on as normal.
RFF RESTRICTION	Ring-fenced Fund Restriction. The restriction on the use of capital allocated to each with-profits fund within the Phoenix Group.
RISK MARGIN	The amount held under Solvency II as part of Technical Provisions which is based on the cost of holding capital in relation to the non-hedgeable components of the SCR.
RLL	ReAssure Life Limited. A life insurance subsidiary of PGH that was acquired from Swiss Re in 2020.
RPTA	Reference Period Transfer Amount. The means by which surpluses can be distributed to shareholder and non-profit funds under the SLAC Demutualisation Scheme.

## S

SAL WPF	The SAL With-Profits Fund. A with-profits fund established under the Phoenix 2011 Scheme that comprises the business that was transferred into Phoenix from the long-term business fund of Phoenix & London Assurance Limited.
SANCTION HEARING	A hearing of the High Court to approve the terms of the Scheme prior to the Transfer Date of the Scheme.
SCHEME	The Scheme and all proposals included in the Scheme, including any documents referred to in the Scheme relating to its proposed implementation and operation.
SCHEME REPORT	A report on the terms of the Scheme by an Independent Expert.
SCOTTISH MUTUAL WPF	The Scottish Mutual With-Profits Fund. A with-profits fund established under the Phoenix 2009 Scheme that comprises the business that was transferred to Phoenix from the With-Profits Sub-Fund of SMA and the Smoothed Investment Fund business that was transferred to the Phoenix NPF under the Phoenix 2009 Scheme and then reassured to the Scottish Mutual WPF.
SCR	Solvency Capital Requirement. One of the regulatory capital requirements under Solvency II (and UK Solvency II). Intended to represent the amount required to ensure that an insurer’s assets continue to exceed its liabilities over a one-year time frame with a probability of 99.5%.
SECURITY TRUSTEE	Law Debenture Trust Corporation plc. The entity holding the various security interests created on trust for the various parties in relation to the Property-Linked Floating Charge.
SERP	Self-Employed Retirement Plan. This comprises the business of NPLL that was transferred to Pearl Assurance into the Pearl SERP Fund.

SERP WPF	The SERP With-Profits Fund. A PLAL ring-fenced with-profits fund previously named the Pearl SERP Fund. This comprises SERP business originally written by NPI and subsequently managed by NPLL.
SIPP	In the UK, a Self-Invested Personal Pension is a pension plan that enables the holder to choose and manage the investments made.
SLAC	The Standard Life Assurance Company. A life insurance entity, now a subsidiary of SLAL, that demutualised in July 2006 and transferred its long-term insurance business to SLAL under a Part VII Transfer.
SLAC DEMUTUALISATION SCHEME	A scheme that transferred the long-term insurance business of SLAC to SLAL via a Part VII Transfer in 2006.
SLAESL	Standard Life Assets and Employee Services Limited. A management services company and subsidiary of SLAL that carries out administrative and servicing on SLAL and SLPF policies.
SLAL	Standard Life Assurance Limited. A life insurance subsidiary of PGH that was founded to facilitate the demutualisation of SLAC.
SLAL 2011 SCHEME	A scheme that transferred the business of SLIF to SLAL in 2011 via a Part VII Transfer.
SLAL BREXIT SCHEME	A scheme in 2019 where the euro-denominated business of SLAL, which was originally sold in Ireland, Germany and Austria, was transferred to SL Intl, a Phoenix Group company based in Ireland, by means of a Part VII Transfer.
SLAL CP	The SLAL Capital Policy. This is SLAL's own capital policy and can be seen as the company's view of the capital it will aim to hold so that all funds have sufficient assets to cover their SCR.
SLAL PBF	The SLAL Proprietary Business Fund. This comprises all assets and liabilities attributed to the non-profit business of SLAL.
SLAL SHF	The SLAL Shareholder Fund. This comprises all assets and liabilities not attributed to long-term insurance business of SLAL.
SLAL WITH-PROFITS FUNDS	The collective name for SLAL's four ring-fenced with-profits funds (the Heritage WPF, the UKSMWPF, the German WPF and the German Smoothed Managed WPF).
SLAL WPC	The SLAL With-Profits Committee. Responsible for advising the SLAL Board on with-profits related matters.
SLIF	Standard Life Investment Funds Limited. A wholly owned subsidiary of SLAL whose long-term business was transferred to SLAL in 2011 under a Part VII Transfer.
SL INTL	Standard Life International DAC. A life insurance subsidiary of PGH based in Ireland.
SL INTL GERMAN WPF	The Standard Life International German With-Profits Fund. Following the SLAL Brexit Scheme, versions of the SLAL funds were established within SL Intl. The SL Intl German WPF was created in respect of the German WPF business transferred from SLAL.
SL INTL GERMAN SMOOTHED MANAGED WPF	The Standard Life International German Smoothed Managed With-Profits Fund. Following the SLAL Brexit Scheme, versions of the SLAL funds were established within SL Intl. The SL Intl German Smoothed Managed WPF was created in respect of the German Smoothed Managed WPF business transferred from SLAL.
SL INTL HERITAGE WPF	The Standard Life International Heritage With-Profits Fund. Following the SLAL Brexit Scheme, versions of the SLAL funds were established within SL Intl. The SL Intl Heritage WPF was created in respect of the Heritage WPF business transferred from SLAL.

<b>SL INTL PBF</b>	The Standard Life International Proprietary Business Fund. Following the SLAL Brexit Scheme, versions of the SLAL funds were established within SL Intl. The SL Intl PBF was created in respect of the SLAL PBF business transferred from SLAL.
<b>SLOC</b>	Sun Life Assurance Company of Canada (U.K.) Limited. The Phoenix Group acquired SLOC in April 2023.
<b>SLPF</b>	Standard Life Pension Funds Limited. A wholly owned life insurance subsidiary of SLAL.
<b>SM&amp;CR</b>	Senior Managers and Certification Regime. This is the FCA UK governance regime that replaced the Approved Persons Regime. It aims to reduce harm to customers and strengthen market integrity by making individuals working within the financial services industry accountable for their conduct and competence.
<b>SMA</b>	Scottish Mutual Assurance Limited. A life insurance company that received the business of Scottish Mutual when it demutualised in 1992. Under the Phoenix 2009 Scheme, business was transferred to Phoenix from the With-Profits Sub-Fund of SMA.
<b>SMF</b>	Senior Management Function. A component of the SM&CR that allocates specific responsibilities to Senior Managers for key conduct and prudential risks.
<b>SOLVENCY II</b>	The regulatory solvency framework for the European Economic Area insurance and reinsurance industry. See also UK Solvency II.
<b>SOLVENCY UK</b>	UK's review of Solvency II post-Brexit. The new UK prudential regime for insurers will eventually be known as 'Solvency UK'.
<b>SPI WPF</b>	The SPI With-Profits Fund. A with-profits fund established under the Phoenix 2009 Scheme that comprises the business that was transferred to Phoenix from the SPI Fund and the Special Fund of SPL.
<b>SPL</b>	Scottish Provident Limited. A life insurance company within PGH. Under the Phoenix 2009 Scheme, business was transferred to Phoenix from the with-profits fund, non-profit fund and special fund of SPL.
<b>STANDARD FORMULA</b>	EIOPA's or the PRA's (according to context) prescribed method for calculating the SCR where an approved Internal Model is not used. Insurers are required to calculate their SCR using either the Standard Formula or an approved Internal Model.
<b>STANDARD LIFE LIFETIME MORTGAGES LIMITED</b>	A subsidiary of SLAL.
<b>SUP</b>	The Supervision Manual contained in the FCA Handbook. This addresses the day-to-day relationship between the FCA, authorised persons (firms), key individuals within them, their appointed representatives and tied agents, and those who own or control them.
<b>SUP 18</b>	Chapter 18 of SUP, covering transfers of business.
<b>SUPPLEMENTARY REPORT</b>	A further report produced prior to the Sanction Hearing to provide an update for the High Court on the Independent Expert's conclusions in the light of any significant events subsequent to the date of the finalisation of this Supplementary Report.
<b>T</b>	
<b>TAS</b>	Technical Actuarial Standards. The TASs are standards issued by the Financial Reporting Council which apply to work in the UK involving the use of actuarial principles and/or techniques and the exercise of judgement. Compliance with the TASs for work in their scope is required for members of the IFoA.

<b>TAS 200: INSURANCE</b>	The Technical Actuarial Standards applicable to Insurance transformations (such as the Scheme that is the subject of this Supplementary Report), issued by the Financial Reporting Council.
<b>TECHNICAL PROVISIONS</b>	The value of the technical insurance liabilities of an insurer, as determined for regulatory purposes. Under Solvency II (and UK Solvency II), the Technical Provisions comprise the BEL and the Risk Margin. There are also Other Liabilities which need to be added to the Technical Provisions in arriving at the total liabilities.
<b>TMTP</b>	Transitional Measure on Technical Provisions. The TMTP is intended to phase in (over 16 years) any increase in reserves that must be held for business written prior to 2016 arising from the introduction of the Solvency II regime on 1 January 2016. Insurers must apply to the regulator (the PRA in the UK) to use a TMTP.
<b>TPR</b>	The Pensions Regulator, which regulates certain pension schemes in the UK.
<b>TRANSFER DATE</b>	The date from which the Scheme if sanctioned will be implemented and will become operational. Expected to be 27 October 2023. See also Effective Date.
<b>U</b>	
<b>UK OFFICE OF FINANCIAL SANCTIONS IMPLEMENTATION</b>	A government office, part of HM Treasury, that helps ensure financial sanctions are properly understood, implemented and enforced in the United Kingdom.
<b>UK SOLVENCY II</b>	The regulatory solvency framework for insurance and reinsurance companies in the UK since 1 January 2021 when Brexit became fully effective.
<b>UKSMWPF</b>	The UK Smoothed Managed With-Profits Fund. A SLAL ring-fenced with-profits fund, containing the with-profits investment element of all new Stakeholder pension plans written in the UK by SLAL post-demutualisation.
<b>UKSMWPF PPFM</b>	The PPFM for the UKSMWPF.
<b>UNIT MATCHING</b>	A practice by unit-linked providers, whereby some unit-linked assets are encashed upfront that would otherwise be encashed when AMCs are charged to the Linked Funds. The Companies are therefore choosing to receive some of the value of future AMCs immediately rather than waiting for these to be paid over time.
<b>UWP</b>	Unitised With-Profits. UWP business typically refers to policies where policyholders' premiums are used to buy units whose value is then increased through bonuses that are awarded at the discretion of the insurer, depending on the surplus emerging in the relevant insurance fund. At maturity, policyholders typically receive the value of their units, which may be adjusted by a final bonus amount.
<b>V</b>	
<b>VOLATILITY ADJUSTMENT</b>	An increase to the discount rate sometimes used in the calculation of the BEL (other than for liabilities that are subject to the Matching Adjustment) based on the rationale of avoiding forced sales of assets in the event of extreme bond spread movements. Its effect is to reduce the market value of the assets that must be held by an insurer to cover the relevant BEL.

**W**

**WITH-PROFITS AND SPI WPF  
SUPERVISORY COMMITTEE**

The former name for the Phoenix WPC.

**WPA**

With-Profits Actuary. The person or persons fulfilling the With-Profits Actuary function. A regulated role in the UK with a responsibility for advising a firm's Board on the key areas of discretion exercised in managing its with-profits business.

**WPC**

With-Profits Committee. A committee that provides oversight of the management of a with-profits fund. The role of the WPC is to act in an advisory capacity to a firm's Board on decisions affecting with-profits policyholders, to ensure the interests of with-profits policyholders are appropriately considered within the firm's governance structures.

**WPOP**

With-Profits Operating Principles. A document setting out the principles and enduring standards adopted in all aspects of the management of a company's with-profits funds. It is a requirement for all insurance companies supervised by the Central Bank of Ireland.

## Appendix E Shareholder Solvency Coverage Ratios

E.1 This appendix sets out further detail in relation to the determination of the Solvency Coverage Ratio – Shareholder (Actual, Adjusted for Comparison with Capital Policy Target) as shown in Table 4.1 and Table 4.2. Tables E1 and Table E2 below show the relevant numerators and denominators which give rise to these coverage ratios, and for ease of reference the relevant definitions are also repeated below.

**Table E.1 – Derivation of the “Solvency Coverage Ratio – Shareholder (Actual, Adjusted for Comparison with Capital Policy Target)” as at 30 June 2023 as shown in Table 4.1**

£m	Pre-Scheme				Post-Scheme	Difference
	Phoenix	PLAL	SLAL	Total	Phoenix	
Own Funds net of RFF Restriction (£m) (A-B)	3,012	748	2,084	5,844	5,826	(18)
SCR (£m) (C)*	1,717	325	1,281	3,323	2,772	(551)
Excess Own Funds (D=A-B-C)	1,295	422	803	2,521	3,053	532
<b>Solvency Coverage Ratio – Shareholder (Actual, Adjusted for Comparison with Capital Policy Target) (A-B)/C</b>						
	<b>175%</b>	<b>230%</b>	<b>163%</b>	<b>N/A</b>	<b>210%</b>	<b>N/A</b>

\* The SCRs for PLAL pre-scheme, SLAL pre-scheme and Phoenix post-scheme incorporate an amount included for the loans in lieu of dividends. The inclusion of these amounts within the SCRs ensures that the Excess Own Funds are the same as if equivalent dividends had been paid.

E.2 “Solvency Coverage Ratio – (Actual, Adjusted for Comparison with Capital Policy Target)” as at 30 June 2023 is calculated as the ratio of Total Own Funds to Total SCR as follows (this being as set out in my Main Report with the addition of the final point below):

- For the non-profit funds, the value of Own Funds is included in the Total Own Funds and the value of the SCR is included in the Total SCR.
- For the With-Profits Funds with Excess Own Funds less than zero prior to any support loans (i.e. the Supported Funds), the value of Own Funds is included in the Total Own Funds and the value of the SCR is included in the Total SCR.
- For the With-Profits Funds with Excess Own Funds greater than or equal to zero (i.e., the Unsupported Funds), the value of Excess Own Funds is included in the Total Own Funds, nothing is included in the Total SCR.
- The Group Loan capital which exists in SLAL pre-Scheme and, as a result, in Phoenix post-Scheme, is also deducted from the Total Own Funds. The Capital Policy Target ratios are considered excluding the Group Loan capital.
- The loans in lieu of dividends are deducted from both the Total Own Funds and the Total SCR.

**Table E.2 – Derivation of the Solvency Coverage Ratio – Shareholder (Actual, Adjusted for Comparison with Capital Policy Target) as at 31 December 2022 as shown in Table 4.2**

£m	Pre-Scheme				Post-Scheme	Difference
	Phoenix	PLAL	SLAL	Total	Phoenix	
Own Funds net of RFF restriction (£m) (A-B)	3,090	899	2,133	6,122	6,085	(37)
SCR (£m) (C)	1,788	352	1,268	3,408	2,837	(571)
Excess Own Funds (D = A – B - C)	1,302	547	865	2,714	3,248	534
<b>Solvency Coverage Ratio – Shareholder (Actual, Adjusted for Comparison with Capital Policy Target) (A- B)/C</b>						
	<b>173%</b>	<b>255%</b>	<b>168%</b>	<b>N/A</b>	<b>215%</b>	<b>N/A</b>

E.3 “Solvency Coverage Ratio – (Actual, Adjusted for Comparison with Capital Policy Target)” as at 31 December 2022 is calculated as per the equivalent ratio at 30 June 2023, but for the ratios as at 31 December 2022 there were no loans in lieu of dividends.