



Supplemental Report to the Report of the Independent Actuary

on the proposed Scheme to transfer the insurance business
of
Phoenix Life Assurance Europe Designated Activity Company
to
Standard Life International Designated Activity Company

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1 INTRODUCTION

Purpose of this report

- 1.1 I have previously prepared a report (the "**Independent Actuary's Report**") dated 27 June 2024 on the terms of the proposed transfer of all the insurance business from Phoenix Life Assurance Europe Designated Activity Company ("**PLAE**") to Standard Life International Designated Activity Company ("**SLIntl**") (together "**the Companies**") pursuant to an insurance business scheme of transfer under Section 13 of the Assurance Companies Act 1909 (the "**1909 Act**").
- 1.2 The Independent Actuary's Report summarised the terms of the proposed transfer and set out my conclusions on its likely effects on both the security of benefits and the fair treatment and reasonable benefit expectations of the Companies' policyholders.
- 1.3 Following a Directions Hearing in the High Court of Ireland (the "**Court**") in early July 2024, the Companies have dispatched communication packs to various groups of policyholders and have published Notice of the Sanction Hearing in various newspapers and on the Companies' websites. The Companies have applied to the Court for a Sanction Hearing¹ on 12 November 2024.
- 1.4 This report (the "**Supplemental Report**") provides an update on my conclusions as set out in the Independent Actuary's Report in the light of any further information now available to me.
- 1.5 I understand that a copy of the Supplemental Report will be made available to the Court and will also be made available on the SLIntl websites (www.standardlife.ie; www.standardlife.de; www.standardlife.at) and the PLAE website (www.plae.thephoenixgroup.com/transfer24).

Reliances and limitations

- 1.6 The statements in the Independent Actuary's Report regarding qualifications and disclosures; the parties for whom my report has been prepared; reliances and limitations; and, professional guidance, also apply to this Supplemental Report, except that this Supplemental Report is based on the information available to me at, or prior to, 24 October 2024, and takes no account of developments after that date.
- 1.7 All abbreviations and technical terms used in this report have the same meaning as in the Independent Actuary's Report unless otherwise indicated.
- 1.8 This Supplemental Report should be read in conjunction with the Independent Actuary's Report, as reading this report in isolation may be misleading. Similarly, both reports must be considered in their entirety as individual sections, if considered in isolation, may likewise be misleading.
- 1.9 The Supplemental Report should also be read in conjunction with the other documents that pertain to the proposed Scheme.
- 1.10 In preparing the Supplemental Report, I have had access to certain documentary evidence provided by SLIntl and PLAE, the principal elements of which I list in the Appendix to this report. In addition, I have had access to, and discussions with, the senior management of both SLIntl and PLAE. I have relied on the accuracy of the information which has been provided to me in written or electronic form or verbally. My conclusions depend on the substantial accuracy of this information, and I have relied on this information without independent verification. There are no documents or other information that I have requested and that have not been provided.
- 1.11 Neither the Supplemental Report, nor any extract from it, may be published without my specific written consent having first been given, save that copies of the Supplemental Report may be made available on the Companies' respective websites, and copies may be provided to any person requesting the same in accordance with legal requirements. In the event such consent is provided, the Supplemental Report must be provided in its entirety. In addition, a summary of this report may not be made without my written consent and, in particular, a summary of this report may not be distributed to policyholders without my prior approval.
- 1.12 The Supplemental Report has been prepared within the context of the assessment of the terms of the proposed Scheme and specifically and solely for the purposes of Section 13 of the 1909 Act. No liability will be accepted by Milliman, or me, for any application of the Supplemental Report to a purpose for which it was not intended, nor for the results of any misunderstanding by any user of any aspect of the Supplemental Report (or any summary thereof).

¹ The term "Sanction Hearing" refers to a final hearing at which the Court will be asked to consider the petition (the "Petition") seeking the Court's approval for the proposed Scheme.

2 ANALYSIS AND CONCLUSIONS

Approach

- 2.1 I have sought and received additional information from the Companies in order to consider if any event or change in circumstances has occurred that would cause me to alter the conclusions expressed in the Independent Actuary's Report.
- 2.2 The information I have requested has been selected based on my knowledge of developments in the insurance industry and from the wider economic environment, and also on company-specific issues that were not fully resolved at the time of writing the Independent Actuary's Report which I consider likely to have a direct or indirect impact on the Companies.
- 2.3 In particular, I have considered developments in the following areas:
- The Directions Hearing in July 2024 and subsequent order of the Court
 - Any changes in the Companies' business
 - Whether the assumptions noted in the Independent Actuary's Report remain valid
 - Current issues in the life insurance industry, including any changes to the regulatory or legal environments
 - Relevant communications received from policyholders relating to the proposed Scheme.
- 2.4 Having received such additional information, I have then considered what impact, if any, this would have on the opinions I expressed in the Independent Actuary's Report.
- 2.5 The main pieces of additional information received are listed in Appendix A.

Developments since the completion of the Independent Actuary's Report

- 2.6 In the following paragraphs, based on the information provided to me by the Companies, I provide a summary of what I consider to be the key developments during the period since the Independent Actuary's Report was issued.

COURT HEARINGS AND DIRECTIONS

- 2.7 On 8 July 2024 the Companies petitioned the Court seeking the sanction by the Court of the proposed Scheme. The proposed Scheme, as set out in that petition, was unchanged from that summarised in the Independent Actuary's Report.
- 2.8 The Court directed that the communications plan, as set out in the petition, be put into effect as proposed and ordered that the petition (together with the other documents specified in the order of the Court) be served on the Central Bank of Ireland.
- 2.9 The Court set the next hearing date ("**Sanction Hearing**") for 12 November 2024.
- 2.10 Based on the information provided to me, I am satisfied that the Companies either have taken or are taking the necessary actions to comply with the Court's directions.

UPDATES ON THE COMPANIES' CIRCUMSTANCES

- 2.11 I have been provided with updates on both Companies' circumstances. Each company's strategy, risk profile and capital management policy remain substantially unchanged from the position as set out in the Independent Actuary's Report. Neither company has engaged in any further acquisitions or disposals of business lines in the period since completion of the Independent Actuary's Report.
- 2.12 Both companies have traded broadly in line with expectations (see below for information on the Companies' updated solvency positions).

ASSUMPTIONS MADE IN THE INDEPENDENT ACTUARY'S REPORT

- 2.13 In the Independent Actuary's Report, I listed a number of key assumptions that I had made when assessing and reaching my conclusions on the proposed Scheme. I also noted that I had discussed my assumptions with the Companies, and they had not raised any objections.

- 2.14 However, I also noted that, if any of those assumptions were incorrect, it was possible that my conclusions on the proposed Scheme could change as a result.
- 2.15 The key assumptions made (as documented in the Independent Actuary's Report) were as follows:
- All the policyholders of PLAE will transfer to SLIntl.
 - All liabilities associated with the Transferring Policies will transfer from PLAE to SLIntl.
 - The assets (or equivalent value of assets represented by reinsurance treaties) supporting the investments in the unit-linked funds by the Transferring Policies will transfer from PLAE to SLIntl (or to such third parties as nominated by SLIntl, in accordance with the proposed Scheme).
 - The assets underlying the with-profits policies of the Transferring Policies are reinsurance treaties, and these will be novated from PLAE to SLIntl.
 - The assets transferred under the Scheme on the Effective Date will have a similar solvency impact on SLIntl as presented in this Report.
 - The day-to-day administration of the Transferring Policies will continue with the same service providers in the same way post-transfer to SLIntl. However SLIntl will replace PLAE as the contracting party.
 - SLIntl will continue to follow the business strategy as articulated in its most recent ORSA.
 - If the Scheme is approved, PLAE will apply for deauthorisation and once revoked it will return its licence to the CBI and liquidate in due course.
- 2.16 I have discussed these assumptions once more with the Companies and they have confirmed that my assumptions remain valid.
- 2.17 Drafts of the transferred reinsurance agreements have been updated to reflect the change in circumstances with SLIntl becoming the cedant – in anticipation of the proposed Scheme being approved. Certain obligations of Phoenix Life Limited under the 2023 Scheme have been incorporated into the with-profits reinsurance agreements to preserve continuity under the proposed Scheme. None of these changes affect the reinsurance provided nor the treatment of Transferring Policyholders. These treaties and the associated novation agreements must be signed by the parties before the effective date as a condition for the Scheme to be implemented.
- 2.18 If the proposed Scheme is approved, PLAE will transfer all policyholder liabilities and associated assets with effect from 1 January 2025. This means PLAE will remain in its current form as an authorised and regulated insurance company on 31 December 2024 and will prepare annual solvency accounts (which are externally audited) and will also prepare Financial Report and Accounts (which are externally audited) as usual. However these accounts, and in particular the technical provisions in the solvency accounts, will be prepared with the certainty of the proposed Scheme being approved as this gives certainty on items such as future expenses required to administer the PLAE policyholder liabilities (see paragraph 2.22 below). If the proposed Scheme is not approved, PLAE will remain in its current form as an authorised and regulated life insurance company in the future and will operate as it has in the past.

THE TRANSFERRING POLICIES

- 2.19 I have enquired about any unexpected movements in the number of the Transferring Policies since the date of the Independent Actuary's Report. This information has not highlighted any unexpected movements in either the number or the total value of the policies in question.

THE COMPANIES' SOLVENCY POSITIONS

- 2.20 In terms of financial performance and movement in solvency position, both Companies have performed broadly as expected over 2024 to date.
- 2.21 The solvency ratio of SLIntl was 194% at end 2023 and was 183% (based on management accounts) at end June 2024. Own Funds increased over the period (by €12m) but the capital requirement (SCR) increased by €30m, leading to the reduction in the solvency ratio of SLIntl (which is calculated as the ratio of Own funds and SCR, in percentage terms).
- 2.22 For its 30 June 2024 valuation, the PLAE Board approved a change to the best estimate maintenance expense assumption to allow for the lower future management expenses that would apply to PLAE, should the proposed

Scheme be approved. The solvency ratio of PLAE was 195% at end 2023 and was 226% (based on management accounts) at end June 2024. Own Funds increased over the period (by €18m) and the capital requirement (SCR) was unchanged, leading to the increase in the solvency ratio of PLAE.

- 2.23 In summary, the solvency positions of both SLIntl and PLAE are broadly in line with their previously projected solvency positions, with the reasons for variation being well-understood and not presenting any cause for concern. Both companies' solvency coverage ratios remain comfortably in excess of their target levels and regulatory minimum requirements.
- 2.24 In addition, the risk profile of both companies has remained stable.
- 2.25 The Independent Actuary's Report included an assessment of the financial impact of the proposed Scheme on the Companies (and in particular on SLIntl as the continuing authorised and regulated life company).
- 2.26 The Companies have reassessed the position assuming the Scheme occurred at 30 June 2024 (the latest financial position available). This latest assessment showed that the solvency ratio of SLIntl would change from 183% to 177% (assessed at 30 June 2024) if the Scheme is approved. The assessment in the Independent Actuary's Report showed that the solvency ratio of SLIntl would change from 194% to 184% (assessed at 31 December 2023). This shows a slightly lower adverse financial impact based on latest financial information. In any case, the solvency coverage ratios remain comfortably in excess of their target levels and regulatory minimum requirements.
- 2.27 Based on management accounts at 30 June 2024, the solvency ratio of PLAE was 226%, and if the Scheme was approved on that date, the solvency ratio in SLIntl immediately after the proposed transfer would have been 177%. While in percentage terms this is a significant reduction in solvency ratio, it is not fully representative of the impact of the proposed Scheme for the following reasons:
- The solvency ratio of PLAE on 30 June 2024 benefits from the lower future management expenses assumed within technical provisions on an assumption of the proposed Scheme being approved. If the proposed Scheme was not approved, the technical provisions would have to increase to reflect the cost inefficiencies in running PLAE in effectively run-off with economies of scale from a larger company – with a resultant lower solvency ratio.
 - The solvency ratio of PLAE is above the levels set by PLAE's risk appetite and target level of solvency coverage, so if it was to persist for a period of time the shareholder could seek dividend payments to reduce the solvency coverage of PLAE.
 - The relative size of PLAE is materially smaller than SLIntl so a comparison simply in percentage terms does not reflect the monetary amount of the solvency buffers held in each company.

OTHER ISSUES

- 2.28 The Companies have confirmed that they are both on track to achieve operational readiness and establish appropriate management services agreements by the Effective Date of the proposed transfer.
- 2.29 SLIntl and PLAE have agreed the terms of their respective MSAs with PGMS (Irish Branch) that will apply following the proposed transfer. In the case of PLAE, the MSA will cover such support services as the business still requires from PGMSIB, excluding policy administration services which will have transferred to SLIntl. The revised SLIntl MSAs make no changes to the current administration services, and therefore there continues to be no reason to expect any change to the standards of servicing for the Transferring Policies.
- 2.30 The Companies confirmed that there are no changes expected to the tax status of transferring policyholders, and clearances and confirmations were sought out from the Irish tax authorities. These tax clearances have now been granted.
- 2.31 SLIntl is reviewing its governance structure to accommodate the transferring business. I have been informed this is ongoing and no material differences have emerged from the work done to date. The relevant SLIntl Committees will be asked to approve any changes required to their respective terms of reference, and this will be tracked through an operational readiness work stream on the project.
- 2.32 PLAE is on track to prepare for deauthorisation in 2025 and has discussed the process with the CBI. PLAE will submit the formal application for deauthorisation in 2025.

OBJECTIONS AND COMPLAINTS

- 2.33 In accordance with the directions of the Court, a copy of the petition together with supporting documentation (including the Independent Actuary's Report) has been made available on the Companies' websites and for inspection at the Companies' registered offices.
- 2.34 In addition, the Companies' plans to communicate with the holders of the Transferring Policies (as summarised in the Independent Actuary's Report) were approved by the Court and have been put into effect.
- 2.35 I have been informed that, following the Directions Hearing, 16,966 PLAE policyholders and 1,061 financial advisers were written to about the proposed transfer. The proposed transfer was also published on the Companies' websites and in press notices.
- 2.36 I have been informed that, as at 24 October, 2024 there have been 670 responses to the communication from PLAE policyholders. No enquiries have been received from existing SLIntl policyholders. Of the PLAE responses, 317 were categorised as business-as-usual administration enquiries, 110 were general enquiries about the proposed transfer, two requests for copies of documentation about the proposed transfer, one technical question about the transfer, and one objection to the proposed transfer. There was also 239 new gone-aways identified as a result of the mailing.
- 2.37 There has been one written objection received from one PLAE policyholder. The policyholder gave no reason for their objection. PLAE has written to the policyholder to seek additional information on the grounds for their objection. At the time of writing, no reply was received. The policyholder has one PLAE policy – a critical illness policy issued in Germany². The product is a renewable 10-year term non-linked regular premium contract that pays a lump sum should the insured suffer from any of a range of defined critical illnesses and also provides guaranteed insurability options.
- 2.38 I assessed the impact of the proposed Scheme on all PLAE policies in the Independent Actuary's Report. I have listed below the consequences for this particular policy:
- The policy conditions are unchanged by the proposed Scheme – the terms of cover, premiums payable, and the cover provided are unchanged.
 - Under the proposed Scheme the life insurance company issuing the policy will change from PLAE (an Irish authorised and regulated life company) to SLIntl (another Irish authorised and regulated life company). There will be no change to the regulatory environment of the issuing life company.
 - The financial security of the benefits provided by the policy are dependent on the financial security of SLIntl relative to PLAE. I assessed this in the Independent Actuary's Report, and have reassessed this in this Supplemental Report and concluded that the financial security for policyholders will not be materially adversely impacted.
 - The policy will continue to be administered in the same way by the same internal services company within the Phoenix Group. The regular premiums will continue to be collected in the same way, and the premium amount will be unchanged from the levels that would have been collected by PLAE. The policyholder will see a change in the SEPA creditor ID and reference name appearing on their bank account (reflecting the change from PLAE to SLIntl).
- 2.39 Having examined the details provided to me in relation to the recorded objection, I do not believe that the single objection indicates that there is any reason for me to amend or qualify any of the conclusions set out in the Independent Actuary's Report.
- 2.40 Of the queries received that were not deemed to be "objections", these generally related to one or more of the following categories: explanation of policy details, clarification of various aspects of the policyholder communications received as part of the proposed transfer, queries about how they might be impacted by the proposed transfer going forward, confirmation of what is proposed to change as a result of the proposed transfer and whether or not the proposed transfer will impact any payments, benefits or guarantees.

REGULATORY AND OTHER MATTERS

- 2.41 I have been informed that the Central Bank of Ireland has not raised any objections to date with either PLAE or SLIntl in relation to the proposed transfer. Ahead of the Sanction Hearing and in accordance with the Solvency II Regulations, the Central Bank of Ireland will need to (a) confirm that it has consulted with the regulatory authorities in Germany, Iceland, Sweden and Norway in relation to the proposed transfer and that their consent, or deemed consent, has been

² The German business transferred under the 2022 Scheme from PLL is a single life, premium paying, accelerated critical illness product sold between 2001 and 2004 which has a reviewable premium and is denominated in Euro.

obtained in relation to the proposed transfer; and (b) as the supervisory authority of SLIntl, certify that, after taking the proposed transfer into account, SLIntl possesses the necessary eligible own funds to cover the solvency capital requirement referred to in the Solvency II Regulations.

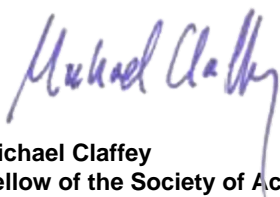
2.42 I am not aware of any new regulatory, or other similar, matters impacting on either of the Companies in the period since the completion of the Independent Actuary's Report.

Conclusion

2.43 Having taken account of the updated information as set out in this Supplemental Report, I believe there is no reason for me to amend or qualify any of the conclusions set out in the Independent Actuary's Report.

2.44 For reference, my conclusions in the Independent Actuary's Report were that I am satisfied that the implementation of the proposed Scheme would not have a material adverse effect on:

- the security of benefits under the policies of SLIntl's existing policyholders and PLAE's transferring policyholders;
- the reasonable expectations of SLIntl's existing policyholders and PLAE's transferring policyholders with respect to their benefits; and
- the standards of administration, service, management and governance that apply to SLIntl's existing policies and PLAE's transferring policies.



Michael Claffey
Fellow of the Society of Actuaries in Ireland

29 October 2024

3 APPENDIX A – LIST OF PRINCIPAL ADDITIONAL DATA SOURCES

3.1 In carrying out my work and producing this report, reliance has been placed upon documents and information provided to me. All items have been provided directly to me by either SLIntl or PLAE unless otherwise noted.

3.2 In addition to those listed in the Independent Actuary's Report, these included, but were not limited to, the following:

PLAE

- Solvency II balance sheet and SCR as at 30 June 2024, as included in the quarterly reporting pack submitted to the Central Bank
- Updated details on the Transferring Policies as at 30 June 2024
- Confirmation of Revenue treatment of the transferring policies
- Verbal update on the CBI meeting on 16 September, 2024 with the joint SLIntl and PLAE management team on the proposed Scheme.
- Supplementary Report by the Head of Actuarial Function of PLAE

SLIntl

- Solvency II balance sheet and SCR as at 30 June 2024, as included in the quarterly reporting pack submitted to the Central Bank
- Supplementary Report by the Head of Actuarial Function of SLIntl

Other

- Court Order following the Directions Hearing on 8 July 2024
- Updates on the actions taken by the Companies to comply with the various requirements imposed in the Court Order
- Details of any policyholder complaints and objections received by SLIntl and PLAE