

Report by the With-Profits  
Actuary of Countrywide Assured  
plc (“CA”) on the proposed  
transfer of business from CASLP  
Ltd to CA pursuant to Part VII of  
the Financial Services and  
Markets Act 2000

Countrywide Assured plc



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# Section 1: Introduction

## Background

- 1.1 In April 2022 Chesnara plc (“Chesnara”) acquired Sanlam Life and Pensions UK Limited (“CASLP”). Chesnara intends to transfer the business of CASLP into its other UK regulated insurance entity, Countrywide Assured plc (“CA”).
- 1.2 The proposed transfer of the CASLP business to CA will be achieved by a Scheme of Transfer (“the Scheme”) under Part VII of the Financial Services and Markets Act 2000 (“FSMA”).
- 1.3 The purpose of this Report is to describe the impact of the aforementioned Part VII transfer on the With-profits policyholders of CA. This Report will also be made available to the High Court of England and Wales (“the Court”), the Prudential Regulation Authority (“PRA”), the Financial Conduct Authority (“FCA”), the Independent Expert (“IE”) and the policyholders of CA and CASLP.
- 1.4 I have read the reports of the CA Chief Actuary, the CASLP Chief Actuary and the Independent Expert report and considered the impact of the Scheme on all of the With-profits policies within CA. This means considering the impact of the Scheme on the CA With-profits policies and the Save & Prosper (S&P) With-profits policies. The CA With-profits business consists of three separate blocks:
  - Save & Prosper pension fund (SPP)
  - Save & Prosper insurance fund (SPI)
  - CA With-profits business that is reinsured to Reassure Ltd (now part of the Phoenix Group)
- 1.5 This Report should be read in conjunction with the Chief Actuary Reports and the Independent Expert Report.

## Report Structure

The report is structured as follows:

- Section 2 provides a summary of the proposed Scheme.
- Section 3 provides comments and opinions on the impact of the Scheme on the CA With-profits policyholders.
- Section 4 sets out conclusions.

## Credentials and declaration of interest

- 1.6 I am writing this report in my capacity as the With-Profits Actuary (“WPA”) of Countrywide Assured plc.
- 1.7 I am a Fellow of the Institute and Faculty of Actuaries (“IFoA”), having qualified in 2008 and I hold a With-Profits Actuary Practising Certificate issued by the IFoA. I have over 18 years of

experience working the UK life insurance industry. I was appointed the With-Profits Actuary for CA in February 2018.

- 1.8 I am an employee of Towers Watson Limited ("WTW") and hold the role of With-Profits Actuary as part of an outsourcing agreement between CA and WTW.
- 1.9 I am not a policyholder of either of the companies involved, namely CA and CASLP.
- 1.10 I consider that these aspects do not represent a conflict of interest in reaching any of the conclusions detailed in this Report.

### Reliances and limitations

- 1.11 For the avoidance of doubt, WTW does not assume any responsibility, nor accept any duty of care or liability to any third party who may obtain access to a copy of this document; any reliance placed by such party is entirely at their own risk.
- 1.12 This report places reliance on the information provided by Countrywide Assured plc. Please see the Reliances and limitations section of this report.

### Compliance with Actuarial Standards

- 1.13 The Financial Reporting Council has published Technical Actuarial Standards ("TASs") for members of the UK Actuarial Profession. This report is subject to and, in my opinion, complies with the following standards:
- TAS 100: Principles for Technical Actuarial Work, which defines high-level standards for the work performed by all actuaries
  - TAS 200: Insurance, which defines additional standards applicable to the work performed by actuaries in producing, inter alia, insurers' prudential regulatory balance sheets and financial statements
- 1.14 The Institute and Faculty of Actuaries sets Actuarial Professional Standards ("APSs") for the members of the UK Actuarial Profession. This report, and the related work carried out to produce it, are subject to and compliant with APS X2 (Review of Actuarial Work).



# Section 2: Summary of proposed Scheme

## Background

- 2.1 On 13 September 2021, Sanlam agreed to sell its UK Life and Pensions business (“SLP”) to Chesnara. This is aligned with Chesnara’s acquisition strategy.
- 2.2 Under Chesnara the SLP business has been renamed CASLP. It is now proposed by Chesnara to transfer the CASLP business to CA by means of the Scheme.
- 2.3 CASLP is a specialist provider of insurance and long-term savings products. The nature of the business in-force is mainly unit-linked business, with a smaller proportion of non-linked business. CASLP has no With-profits business. CASLP is substantially closed to new business, pending a review towards the end of 2023 on whether to stay open to a few selected products.
- 2.4 The principal activity of CA is the servicing of long-term life insurance and pensions business, which is closed to new business besides increments to existing policies. The CA With-profits business consists of three separate blocks.
  - The largest is the SPP business, which accounts for almost all of the With-profits business, and has assets of circa £198m, as at 31 December 2022. This business resides in the SPP ring-fenced fund.
  - The SPI business has assets of circa £12m, as at 31 December 2022 and resides in a separate ring-fenced fund.
  - The small book of CA With-profits business that is reinsured to Reassure Ltd, amounts to circa £32m as at 31 December 2022 and is not under a ring-fenced arrangement within CA, and resides in the remaining part of CA. This business is 100% reinsured in to the relevant Reassure ring-fenced fund (which is the Guardian Assurance With Profit Fund).
- 2.5 No changes are proposed to the With-profits business under the transfer.
- 2.6 Under the proposed Scheme, the CASLP business will transfer into CA and the two S&P With-profits funds will remain ring-fenced. CASLP has no With-profits business and the With-profits business within the remaining part of CA will continue to be reinsured to ReAssure Ltd.
- 2.7 The intended transfer date is currently intended to be 31 December 2023 (the Transfer Date) at which point, and after the Court has given its approval to the Scheme, the transferring business would legally transfer from CASLP to CA and the Scheme will become fully operative. The Transfer Date must also be approved by both companies, and subject to certain limits, the Transfer Date can be delayed by mutual agreement between the firms and they would need to reapply to the Courts if the proposed Transfer Date were to be after 31 March 2024. The Scheme would take effect between the two firms for accounting purposes on the Transfer Date. This is the date at which any rights and obligations that exist between CA and CASLP are treated as becoming effective.

## Rationale for transfer

- 2.8 A key reason for the business transfer is to rationalise two similar businesses into a single insurance company. The transfer is expected to achieve operational efficiencies and economies of scale through a simpler company structure requiring a single set of financial reports and regulatory returns. The transfer is expected to reduce operational risk, improve management efficiency particularly for the key personnel fulfilling Senior Manager and Certification Regime responsibilities and unify regulatory oversight. The CA Chief Actuary's report also states that as a consequence of the Scheme there are expected to be some capital diversification benefits and tax synergies.
- 2.9 The proposed transfer would combine the businesses of Chesnara's two UK regulated insurance entities, both of which will (by the time of the Transfer) have similar operating models and a broadly common management team. The transfer to CA further strengthens its position in the UK consolidation market.
- 2.10 From a customer perspective, their rights and obligations under the policies will be transferred without alteration. Preserving the security of contractual benefits and rights, benefit expectations and service levels is of paramount importance for both businesses.



## Section 3 : The effect of the Scheme on the With-Profits policyholders

- 3.1 In this section, I consider the impact of the proposed Scheme on all of the With-profits policyholders of CA. This includes the two ring-fenced With-profits funds, SPP and SPI and also the CA With-profits business which is 100% reinsured to ReAssure Ltd.
- 3.2 I have relied on the information provided by the CA Chief Actuary in formulating my opinions below. This report should be read in conjunction with the CA Chief Actuary's report.

### Security of policyholder benefits

- 3.3 A key consideration in assessing the Scheme from my perspective as WPA is whether there is any significant impact on the security of the policyholders benefits as a result of the Scheme.

### *Solvency position*

- 3.4 The SPP and the SPI fund are ring-fenced and so there is no impact on the balance sheet of either of these funds. Capital can only be taken out of these funds following appropriate governance arrangements, including the approval of the WPA. If capital support were required for these two With-profits funds then it would be expected in the first instance that it would come from the remainder of CA.
- 3.5 The CA With-profits business will remain 100% reinsured to ReAssure and will be unaffected by the transfer. If any capital support was required for this business then it would in the first instance come from CA.
- 3.6 The CA balance sheet pre-transfer, as at 31 December 2022 shows a solvency ratio of 134%, after the payment of dividends to Chesnara. The expected combined balance sheet position of CA and CASLP shows a solvency ratio of 138% on the basis that the Scheme had taken place at Q4 2022, after the payment of dividends to Chesnara. This is aligned with the capital management policies of both CA and CASLP.
- 3.7 In practice, both CA and CASLP businesses, are subsidiaries of Chesnara and therefore can utilise support from Chesnara in the event of such situations arising. The combination of the businesses under the Scheme does not change this position, whereby the combined business remains a subsidiary of Chesnara.
- 3.8 The results of a number of sensitivities to both changes in market conditions and demographic assumptions have been shared. The Chief Actuary has confirmed that the solvency position remains robust to a range of adverse scenarios, with CA continuing to cover the Solvency Capital Requirement ("SCR").

### *Risk profile*

- 3.9 The risks to which each of CA and CASLP are currently exposed to are broadly similar. The Chief Actuary Report states that the transfer is not expected to materially change the risk profile of CA from a risk capital perspective, or in terms of the underlying risk exposure.

- 3.10** Based on all the above information, I conclude that there is not expected to be any material adverse impact on the security of benefits of the With-profits policyholders of CA, as a result of the Scheme.

### Policyholder expectations

- 3.11 No changes will occur as a result of the Scheme to the investment strategy or the capital management policy. There will be no change to the Principles and Practices of Financial Management for any of the With-profits business, as a result of the Scheme.
- 3.12 There will be no change to the capital support arrangements as a result of the Scheme.
- 3.13 There will be no change to any policyholder terms and conditions and no changes to the expenses or charges, under the Scheme.
- 3.14 The costs associated with the Scheme will be met by Chesnara Group and will not directly impact the benefits of the policyholders.
- 3.15 It is not expected that there will be any adverse tax consequences for policyholders as a result of implementing the Scheme.
- 3.16 I therefore conclude that there will be no material changes to the benefit expectations of the existing With-profits policyholders of CA, as a result of the Scheme.

### Service standards

- 3.17 There will be no impact on the services provided to the With-profits policyholders as a result of the Scheme. There will also be no change to the reinsurance arrangements for the With-profits policyholders as part of the Scheme.
- 3.18 There will also be no change to the administration arrangements for the With-profits policyholders as part of the Scheme. I am aware that CA are expecting to change the existing outsourcing arrangements however this is independent of the Scheme and will occur even if the Scheme does not go ahead.
- 3.19 I therefore conclude that there is no reason to expect any change in the standard of service provided to With-profits policyholders as a consequence of the Scheme.

### Governance

- 3.20 There will be no change to the governance arrangements for the With-profits funds under the Scheme.

### Policyholder communications

- 3.21 Full versions of the Scheme document and the full IE report will be available on the CA and CASLP websites and paper copies will be provided without charge upon request.
- 3.22 CA plans to seek a waiver from communicating directly with all of its existing policies. The rationale for the waiver is two-fold, namely:

- a. the Transfer is not expected to have any impact on these policyholders (as described in this report and the CA Chief Actuary report, the CASLP Chief Actuary Report and the IE Report) and;
  - b. it estimates the cost of the notification to be disproportionate, having regard to the expected limited utility in notifying policyholders.
- 3.23 Based on the above information provided by CA and within the IE report, I consider the waiver application is reasonable.

## Section 4: Conclusions

4.1 Based on the information provided, it is my opinion that:

- The security of benefits for the With-profits policyholders in CA is not materially affected as a result of the Scheme.
- The Scheme does not result in adverse changes to the benefit expectations of the With-profits policyholders.
- There are no changes to the capital management and investment policies of the With-profits business, as a result of the Scheme.
- There are no changes to the principles and practices of financial management by which the With-profits funds are managed as a result of the Scheme.
- The administration and management of the With-profits policies and the treatment of the With-profits policyholders are unchanged as a result of the Scheme.

4.2 Therefore it is my opinion that the With-profits policyholders of CA will not be materially adversely affected by the implementation of the proposed Scheme.

# Section 5: Reliances and Limitations

## Distribution and Use

- 5.1 The Report has been prepared by Towers Watson Limited (“WTW”) on an agreed basis to for the sole and exclusive use of Countrywide Assured plc. It was not prepared for use by any other party and may not address their needs, concerns or objectives. We do not assume any responsibility, or accept any duty of care or liability, to any third party who may obtain a copy of this document and any reliance placed by such party on it is entirely at their own risk.
- 5.2 We understand that the Company may wish to provide copies of this report to the High Court of England and Wales (“the Court”), the Prudential Regulation Authority (“PRA”), the Financial Conduct Authority (“FCA”) and the Independent Expert (“IE”) (“the Recipients”) in the course of the Recipients’ standard duties. Permission is hereby granted for such distribution on the conditions that:
- The report is distributed in its entirety.
  - Each Recipient recognizes that WTW is available, at the expense of Countrywide Assured plc and with its prior consent, to answer any questions concerning the report.
  - Each Recipient recognizes that the furnishing of this report is not a substitute for its own due diligence and agrees to place no reliance on this report or the data contained herein that would result in the creation of any duty or liability by WTW to such party.
  - In the event that the Recipient is required by order of a court of competent jurisdiction, administrative agency or governmental body, or by any law, rule, regulation, subpoena, or any other administrative or legal process to disclose this report, the Recipient may disclose this report, provided that the Recipient gives WTW prompt notice of any such requirement and, at our discretion, either (1) cooperates with us, at our expense, to prohibit such disclosure, or (2) uses all reasonable efforts to obtain confidential treatment of this report under a protective order or other appropriate mechanism.
  - Each Recipient understands that such RECIPIENT IS DEEMED TO HAVE ACCEPTED THESE TERMS AND CONDITIONS by retaining a copy of this report.
- 5.3 We understand that the Company intends to make copies of this report available to the policyholders of CA and CASLP via publication on a webpage for information purposes. The attention of such recipients or any third party recipients is drawn to the paragraph 5.1 above.

## Reliances

- 5.4 In preparing this report, I have relied on information supplied by Countrywide Assured plc without independent verification. Reliance has been placed upon, but not limited to, the following data items received on 17<sup>th</sup> July 2023:
- CA\_ChiefActuary\_PartVII\_Report\_Final\_dated.doc
  - CASLP\_ChiefActuary\_PartVII\_Report\_Final\_dated.doc
  - The Independent Expert Report dated 14<sup>th</sup> July 2023

## Limitations

- 5.5 The Report has been prepared by WTW on an agreed basis to meet the specific purposes of Countrywide Assured plc, and must not be relied upon for any other purpose. The Report has been prepared for use by persons technically competent in the areas covered. Except with the written consent of WTW, the Report and any written or oral information or advice provided by WTW must not be reproduced, distributed or communicated in whole or in part to any other person, or be relied upon by any other person. Any reference to WTW in any report, accounts or other published documents is not authorised without our prior written consent.
- 5.6 The Report must be considered in its entirety as individual sections, if considered in isolation, may be misleading. Draft versions of the Report must not be relied upon by any person for any purpose. No reliance should be placed on any advice not given in writing. If reliance is placed contrary to the guidelines set out above, WTW disclaim any and all liability which may arise.
- 5.7 This Report was based on data available to WTW at, or prior to, 17 July 2023, and takes no account of developments after that date. WTW is under no obligation to update or correct inaccuracies which may become apparent in the Report.
- 5.8 This report is subject to the terms and limitations, including limitation of liability, set out in our engagement letter of 11 December 2017.

## Legal jurisdiction

- 5.9 This report will be governed by and construed in accordance with English law and the parties submit to the exclusive jurisdiction of the English courts in connection with all disputes and differences arising out of, under or in connection with this report. If any part of a provision of this report is held invalid, illegal, or unenforceable then the remainder of such provision shall remain valid and enforceable to the fullest extent permitted by law.



# Appendix A: Terms and definitions

## A.1 Abbreviations

Abbreviation	Description
CA	Countrywide Assured plc
CASLP	CASLP Ltd
Chesnara	Chesnara plc
Court	Collectively, The High Court of Justice in England and Wales
FCA	Financial Conduct Authority
FSMA	Financial Services and Markets Act 2000
IFoA	Institute and Faculty of Actuaries
IE	Independent Expert
PRA	Prudential Regulation Authority
Scheme	The proposed scheme of transfer
SCR	Solvency Capital Requirement
SPP	Save & Prosper Pensions
SPI	Save & Prosper Insurance
WPA	With-profits Actuary
UK	United Kingdom