

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

Countrywide Assured plc

Table of Contents

- Section 1 : Introduction 1**
 - Background 1*
 - Report Structure 1*
 - Credentials and declaration of interest..... 1*
 - Reliances and limitations..... 2*
 - Compliance with Actuarial Standards..... 2*
- Section 2 : Summary of proposed Scheme 3**
 - Background 3*
 - Rationale for transfer..... 4*
- Section 3 : The effect of the Scheme on the With-Profits policyholders 5**
 - Security of policyholder benefits..... 5*
 - Policyholder expectations..... 6*
 - Service standards..... 6*
 - Governance..... 6*
 - Policyholder communications..... 7*
- Section 4 : Conclusions 8**
- Section 5 : Reliances and Limitations 9**
 - Distribution and Use 9*
 - Reliances..... 9*
 - Limitations..... 10*
 - Legal jurisdiction..... 10*
- Appendix A : Terms and definitions 11**
 - A.1 Abbreviations 11*

This page is intentionally blank

Section 1: Introduction

Background

- 1.1 Canada Life Limited (“CLL”) has agreed to sell its closed UK individual protection book to Countrywide Assured plc (“CA”).
- 1.2 The proposed transfer of CLL’s individual protection 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”). The business to be transferred under the Scheme is referred to as the “Transferred Business”.
- 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”). The Report will also be made available on the respective websites of CA and CLL.
- 1.4 I have read the reports of the CA Chief Actuary, the CLL 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 in 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 CLL.
- 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: General Actuarial Standards; and
 - TAS 200: Insurance.
- 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 16 May 2023, Canada Life Limited agreed to sell its closed UK individual protection business to Chesnara. This is aligned with Chesnara's acquisition strategy.
- 2.2 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 2023. This business resides in the SPP ring-fenced fund.
 - The SPI business has assets of circa £12m, as at 31 December 2023 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 £32.5m as at 31 December 2023 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).
- 2.3 No changes are proposed to the With-profits business under the transfer.
- 2.4 Under the proposed Scheme, the CLL's UK individual protection business will transfer into the remaining part of CA and the two S&P With-profits funds will remain ring-fenced. The With-profits business within the remaining part of CA will continue to be reinsured to ReAssure Ltd.
- 2.5 The intended transfer date is 23 February 2025 (the Transfer Date) at which point, and after the Court has given its approval to the Scheme, the Transferred Business would legally transfer from CLL to CA and the Scheme will become fully operative. The Transfer Date can be delayed by mutual agreement between the firms and they would need to reapply to the Court if the new proposed Transfer Date were to be after 22 May 2025. 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 the transferred book of business from CLL are treated as becoming effective.
- 2.6 On 16th May 2023, CA entered into a Reinsurance Agreement with CLL relating to the Transferred Business. The agreement transfers the economic risk and reward of the business from CLL to CA with effect from 1 January 2023. The administration of the Transferred Business is currently undertaken by CLL. Before the transfer, and under the terms of the Reinsurance Agreement, the per policy expenses have been agreed. The expenses are fixed provided the transfer occurs before a mutually agreed date after which there is an additional monthly amount to be paid in certain circumstances. On completion of the Part VII the reinsurance terminates as the policies become part of CA, at which point the expense risk from administering the policies will transfer from CLL to CA. Further information can be found in Section 4 of the CA Chief Actuary report and Section 4 of the CLL Chief Actuary report.

Rationale for transfer

- 2.7 The transfer of the business is in line with the strategic aim of the Chesnara Group of acquiring Life and Pensions businesses. The transfer is expected to achieve economies of scale through an ability to spread fixed costs over a greater number of policies.
- 2.8 The transfer to CA is expected to further strengthen its position in the UK consolidation market.
- 2.9 The CA Chief Actuary's report also states that as a consequence of the Scheme there are expected to be some capital diversification benefits.
- 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 2023 shows a solvency ratio of 145%, including the reinsurance of the CLL business and after allowance for foreseeable dividends to Chesnara. The expected combined balance sheet position of CA and the CLL Transferred Business shows a solvency ratio of 145% on the basis that the Scheme had taken place at Q4 2023, after allowance for foreseeable dividends to Chesnara. This is aligned with the CA capital management policy.
- 3.7 In practice, CA is a subsidiary of Chesnara and therefore can utilise support from Chesnara in the event of such support being required.
- 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 the Transferred Business are currently exposed to differ given the nature of the business. No assets will be transferred to CA as part of the Transferred Business as the BEL is less than zero. The Transferred Business carries a significantly lower proportion of market risk due to no assets being transferred with the business but carries a higher proportion of lapse risk and mortality risk as it is all protection business. The

Transferred Business also has a higher exposure to catastrophe risk and slightly higher exposure to expense risk. The Chief Actuary Report states that given the Transferred Business represents a small proportion of CA's business, 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 shared between CA and CLL, with the exception of some costs specific to CA which will be borne by CA. The costs of preparing the Scheme and presenting it to policyholders and to the Court will be met from shareholder resources and will not directly impact the benefits of policyholders. Further detail on the allocation of the costs of transfer are within section 6.7 and section 8.8 of the CA Chief Actuary Report.
- 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 in the process of changing 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 CLL websites along with the other documents relevant to the Scheme 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 policyholders, including its With-profit policyholders, as would be required normally under the regulations applicable to Part VII transfers. 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 CLL 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.

Karen Miller

With-Profits Actuary

19 June 2024

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 (“the Company”). 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 CLL 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 the 14th June 2024:
- DRAFT_CA_ChiefActuary_PartVII_report_240614.docx
 - CLL Chief Actuary Report Draft v2.0.docx
 - Project Vienna Part VII IE report v12.0.docx

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, 19 June 2024, 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
APS	Actuarial Professional Standards. Standards for the actuarial profession produced by the IFoA which all members must adhere to regardless of location or area of practice.
CA	Countrywide Assured plc
Chesnara	Chesnara plc. The UK-listed holding company of the Chesnara Group of which CA is a subsidiary.
CLL	Canada Life Limited. A UK life insurance subsidiary of Canada Life Group (U.K.) Limited, with a business strategy of being a leader in its chosen market of retirement, investments and group protection.
Court	Collectively, the High Court of Justice, Business and Property Courts of England and Wales, the Companies List and the Court of Session.
Court of Session	The supreme civil court in Scotland.
FCA	Financial Conduct Authority
FSMA	Financial Services and Markets Act 2000
IFoA	Institute and Faculty of Actuaries
IE	Independent Expert
Own Funds	The capital resources, calculated in line with the principles of market consistency, available to meet losses that could arise in the future.
Part VII Transfer	The transfer of long-term insurance business under UK law in accordance with Part VII of the FSMA.
PRA	Prudential Regulation Authority
Scheme	The proposed insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 in respect of the Transferred Business.
SCR	Solvency Capital Requirement
Solvency Ratio	The Solvency Ratio, or Solvency Coverage Ratio, is the ratio of the eligible Solvency II Own Funds divided by the Solvency II SCR. It represents the extent to which an insurer covers their SCR and is required to be at least 100%.
SPP	Save & Prosper Pensions
SPI	Save & Prosper Insurance
TAS	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.
Transferred Business	The business being transferred under the Scheme.
WPA	With-profits Actuary
UK	United Kingdom