The Proposed Scheme under Part VII of the Financial Services and Markets Act 2000 for a transfer of business to Countrywide Assured PLC

The Report of the Chief Actuary of Canada Life on the Impact of the Scheme

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19 June 2024

Content of this Report

1. Introduction and Purpose of the Report

1.1 The purpose of this Report (the "Report") is to consider the effects of the proposed insurance business transfer scheme (the "Scheme") under Part VII of the Financial Services and Markets Act 2000 ("FSMA"). The purpose of the Scheme is to transfer certain life term insurance business from Canada Life Limited ("CLL") to Countrywide Assured plc ("CA plc").

1.2 The business will be transferred pursuant to the terms of the Scheme. The business to be transferred under the Scheme is referred to as the "Transferred Business".

1.3 The Scheme has been preceded by the Reinsurance Agreement between CLL and CA plc which became effective from 16 May 2023.

1.4 The Scheme shall take effect on 23:59 GMT on 23 February 2025 or such later time and date as CLL and CA plc may agree in in writing, provided that where the Effective Date is to be later than 23.59 on 22 May 2025 the process set out in Paragraph 5.14 will apply.

1.5 This Report is written to advise the Board of Directors of CLL on the Scheme in my capacity as Director of Capital Management and Actuarial Function Head (the holder of the SMF20 accountabilities) of CLL. The 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, and policyholders of CLL and CA plc via their respective websites.

1.6 Under the Actuarial Profession Standard "APS L1: Duties and Responsibilities of Life Assurance Actuaries", when a significant change - such as the Scheme - is planned, the Actuarial Function Holder must take all reasonable steps to ensure that the firm appreciates the implications for fairness and the reasonable expectations of its policyholders which need to be taken into account in assessing the liabilities. This report is intended to satisfy this requirement.

1.7 The Report will address the financial implications of the Scheme and its potential impact on the policyholders of CLL, both those transferred and those remaining with CLL. The Report also considers the fair treatment of policyholders and any changes to policyholder services.

1.8 This Report has been prepared by Mark Pibworth. I have been a Fellow of the Institute and Faculty of Actuaries (IFoA) since 1999 and the Director of Capital Management and Actuarial Function Head of CLL since September 2023.

1.9 I am not a policyholder of either CA plc or CLL. I am an employee of Canada Life. I do not consider myself to have a conflict of interest in reaching the conclusions detailed in this Report.

1.10 This Report has been prepared in accordance with applicable standards, as determined per the actuarial professional standard "APS X1: Applying Standards to Actuarial Work" issued by the Institute and Faculty of Actuaries, and in particular taking into account the Technical Actuarial Standards ("TAS"s) for actuarial work issued by the Financial Reporting Council, namely TAS 100: Principles for Technical Actuarial Work and TAS 200: Insurance. In my opinion there are no material departures from the Technical Actuarial Standards noted above.

1.11 The Report has been subject to appropriate peer review in accordance with the actuarial professional standard "APS X2: Review of Actuarial Work" issued by the Institute and Faculty of Actuaries.

1.12 Mr. Philip Simpson of Milliman LLP has been appointed as the Independent Expert to provide an independent report on the Scheme as required under Section 109 of FSMA. I have read and considered an advanced draft of his report.

Overview of the Purpose of the Scheme

1.13 Following a review, CLL closed its Individual Protection business to new customers. This took effect from 8 November 2022.

1.14 The Scheme will allow CLL to refocus its resource and investment on other areas of its business, including Group Protection.

Report Structure

1.15 Section 2 provides background information on, and an overview of, the business of CLL.

1.16 Section 3 provides background information on, and an overview of, the business of CA plc.

1.17 Section 4 gives background to the interim Reinsurance Agreement in place between CLL and CA plc.

1.18 Section 5 contains an overview of the Scheme including the rationale for the Scheme and a description of the business that is proposed to be transferred to CA plc.

1.19 Section 6 deals with the financial position of CLL before and after the proposed transfer.

1.20 Section 7 deals with the financial position of CA plc before and after the proposed transfer.

1.21 Section 8 deals with the effects of the Scheme on non- transferred CLL policyholders.

1.22 Section 9 deals with the effects of the Scheme on transferred policyholders.

1.23 Section 10 considers other matters in the context of the Scheme.

1.24 Section 11 gives my conclusion from the foregoing analysis that the Scheme will have no material adverse impact on the policyholders of CLL.

1.25 Section 12 lists the reliance that this report has made on other documents.

2. Overview of Canada Life Limited

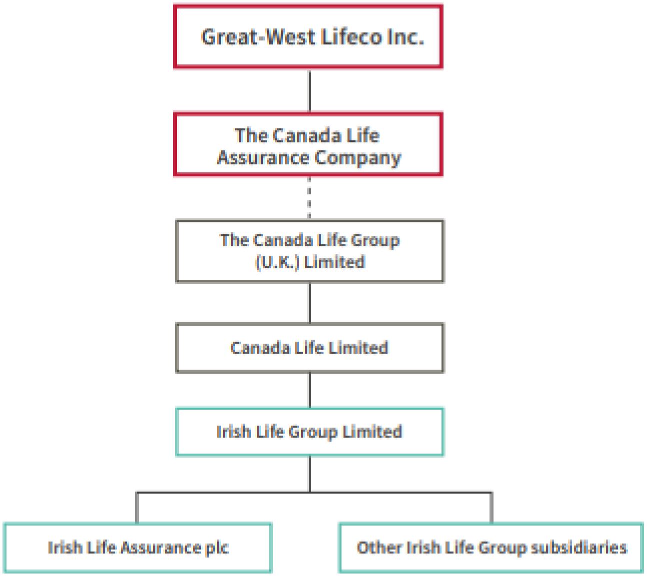
Introduction and Company History

2.1 CLL is indirectly owned by Great-West Lifeco Inc.

2.2 CLL is a wholly owned subsidiary of The Canada Life Group (U.K.) Limited (CLG) (incorporated in England and Wales), which itself is an indirect subsidiary of The Canada Life Assurance Company, a leading Canadian insurer with interests in life insurance, health insurance, investment, retirement savings and reinsurance business, primarily in Canada, the US and Europe, and which itself is an indirect subsidiary of Great-West Lifeco Inc.

2.3 Great-West Lifeco Inc. (GWL) and its subsidiaries, including The Canada Life Assurance Company, have approximately $2.9 trillion Canadian dollars as at 31 December 2023 in consolidated Assets Under Management (AUM) and are members of the Power Financial Corporation Group of companies.

2.4 A simplified organisational structure is as follows:



2.5 CLL has prior experience of Part VII transfers. The two most recent Part VII transfers are as follows:

- Transfer of MGM Advantage Life Limited business into CLL (January 2020).
- Transfer of approximately 700 policies written in Ireland and Germany from CLL to Irish Life Assurance plc (December 2020).

The Business of CLL

2.6 CLL is open to new business and consists of annuity and workplace protection business. The workplace protection business provides life, income protection and critical illness cover to employees covered by the policies.

2.7 CLG is the parent of a sub-group of companies, whose principal activity is the transacting of ordinary long-term life assurance business. As a holding company, CLG does not write insurance or reinsurance business.

2.8 CLL is the largest subsidiary of CLG and provides solutions for UK customers to meet their retirement, investment and protection needs. The main areas of new business for CLL are annuity products (both individual and bulk) and group protection policies offering life and health insurance (workplace protection policies purchased by the employer on a group basis). A breakdown of gross written premiums in 2023 is given as follows.

Product Line	Gross Premium Written (£m)
Annuity	2,325
Group Protection	196
Unit Linked	148
Total	**2,669**

2.9 As at 31 December 2023, the Technical Provisions for CLL by line of business, as determined in accordance with the Solvency II regulations, are detailed below.

CLL Solvency II Technical Provisions 31 December 2023 (£m)	Number of Policies*	Best Estimate Liability (1)	TMTP (2)	Risk Margin (3)	Technical Provisions (4) =(1)+(2)+(3)	Reinsurance Asset (5)	Technical Provisions Net of Reinsurance (4)-(5)
Remaining with CLL							
Annuities	453,074	16,422	330	188	16,280	2,216	14,064
Group Health*	589,247	726	10	24	739	40	699
Group Life*	2,416,900	158	0.3	20	178	3	174
Unit-linked	19,133	2,436	0	2	2,438	0	2,438
Legacy**	n/a	3	0	0	3	0	3
Proposed to Transfer							
Individual Protection	42,024	-29	0	0	-29	-29	0
Total* **							
	3,520,378	19,716	340	234	19,610	2,231	17,379

**In the case of group contracts, policy counts included are number of lives not number of schemes.*
***Reflects reserves held in respect of expense savings being realised in respect of business previously transferred to another provider.*
****Totals presented are sums of individual components. Total amalgamated balance sheet is summarised below.*

2.10 The policies proposed to transfer under the Scheme correspond to the 'Individual Protection' row under the 'Proposed to Transfer' heading. As at 31 December 2023 a negative gross of reinsurance Best Estimate Liability (BEL) of £29m was held in respect of these 42,024 policies.

2.11 In the absence of the Reinsurance Agreement between CLL and CA plc (see Section 4), CLL's Technical Provisions (net of reinsurance) as at 31 December 2023 for the Transferred Business would stand at a negative value of c£19m[1].

2.12 After accounting for the Reinsurance Agreement between CLL and CA plc (see Section 4) immaterial Technical Provisions are held in respect of this business. This is because the Reinsurance Agreement has fully transferred the

[1] Under this scenario, in respect of its Individual Protection business, CLL would continue to hold: a gross liability of -£28.7m; a reinsurance asset of -£9.0m (reflecting arrangements with Pacific Life Re and Swiss Re); and a Risk Margin of £0.5m. This would amount to a net Technical Provision of -£19.2m.

economic interests of the business to CA plc other than in respect of immaterial expense risk associated to policy administration.

2.13 No Risk Margin is shown in respect of the Transferred Business on materiality grounds due to the expectation of the underlying SCRs being zero or immaterial due to the Reinsurance Arrangement between CLL and CA plc.

2.14 Solvency II is a harmonised European Union (EU) wide insurance regulatory regime, setting out prudential and supervisory requirements for insurance and reinsurance companies, which came into force in January 2016.

2.15 The EU's Solvency II regulations were largely replicated in the UK following the UK’s departure from the European Union on 31 January 2020. This replication was mainly achieved through the Solvency 2 Regulations 2015 (as amended and as supplemented by technical standards, regulatory rules and guidance), which apply to CLL. References to Solvency II below are to the UK version of Solvency II, which applies to both CLL and CA plc.

2.16 Technical Provisions under Solvency II are generally calculated as the sum of a Best Estimate Liability (BEL) plus a Risk Margin, although for some lines of business the Technical Provisions are calculated as a whole.

2.17 BEL is calculated on a policy-by-policy basis using the values of future expected cash flows, allowing for premiums, claims, expenses, lapses and tax. The BEL is calculated without allowing for reinsurance.

2.18 Solvency II Long Term Guarantee measures (Volatility Adjustment and Matching Adjustment) give insurers credit for holding certain long-term assets which match the cash flows of a designated portfolio of liabilities. These approvals are beneficial to CLL.

2.19 CLL has received approval from the PRA to apply a Matching Adjustment in respect of certain lines of, annuities in payment business. This enables CLL to determine its Technical Provisions for this business using expected yields on the assets held to support the business, through applying an appropriate adjustment to the risk-free rate determined by the PRA. There are strict conditions which apply to both the assets and liabilities within any matching adjustment fund. These include demonstrating that the expected cash flows from the assets closely match the expected payments to policyholders.

2.20 CLL has received approval from the PRA to apply a Volatility Adjustment in respect of certain lines of business, primarily annuities in payment not included in the Matching Adjustment funds, income protection claims in payment, individual life business and group insurance business. The level of Volatility Adjustment is determined by the Prudential Regulation Authority (“PRA”).

2.21 The Risk Margin is a provision introduced under Solvency II which is intended to reflect the additional compensation, over and above the BEL, that a third party would require to accept the insurance liabilities. The Risk Margin calculation is largely prescribed in the Solvency II rules based on the cost of continuing to hold the non-hedgeable elements of the solvency capital requirements over the remaining life of the policies.

2.22 CLL has also received approval from the PRA to use the Transitional Measure on Technical Provisions (“TMTP”). The TMTP acts to reduce the Technical Provisions under Solvency II enabling a smooth transition from the previous regulatory regime (Solvency I) over a 16-year period.

2.23 If either CLL’s risk profile or market conditions change materially CLL may be required to recalculate its TMTP.

2.24 As denoted in Section 6, CLL’s risk profile will not change materially upon the transfer of the business. Therefore, a TMTP recalculation is not expected because of the Scheme.

2.25 I note that a government consultation is underway on proposals to reform Solvency II regulation in the UK. Among other aspects, this is expected to include changes to the Matching Adjustment and TMTP calculation. Certain aspects of the reform have already become effective (see below).

2.26 Under the UK’s Solvency II reforms, a change to the Risk Margin calculation became effective from 31 December 2023. The impact of the Risk Margin change (which has reduced the amount of Risk Margin that CLL is required to hold) is reflected in the table above (under Paragraph 2.9).

2.27 Furthermore, from Year End 2023, regulations also changed such that the PRA has discretion to not limit a firm's TMTP even when a firm's Financial Resource Requirement (FRR) is higher under Solvency I than under Solvency II. Following this change, CLL applied to the PRA for permission to remove its FRR cap from its TMTP calculation, of which was approved on 2 February 2024. The impact of removing the FRR cap is reflected in the analysis above.

2.28 The exact details of further Solvency II reforms are currently under development and consideration of current details in their potential application in the context of the Scheme is discussed in Section 10 of this Report.

2.29 Further details of CLL's business can be found in CLL's Solvency and Financial Condition Report ("SFCR") published on its website[2].

Risk Management Framework

2.30 CLL's risk management system is articulated through its Enterprise Risk Management framework which is approved by the CLL Board. The framework allows the Board and management to:

- establish their strategy regarding risk;
- communicate and monitor adherence to the appetite for risks through the use of risk limits and risk indicators; and
- identify, measure, monitor, manage and report on risks.

2.31 CLL has a risk governance structure based on a three lines of defence model which is widely used within the financial services industry. This model separates ownership and management of risk from oversight and independent assurance.

2.32 The Own Risk and Solvency Assessment ("ORSA") is a key process within the Enterprise Risk Management Framework and provides an ongoing, forward-looking solvency assessment and CLL's own view of its solvency (distinct from the prescribed regulatory rules), given its business plan, and taking into account its available capital resources.

Risk Profile Summary

2.33 CLL's objective in the management of risk is to operate within the risk limits it sets itself. This supports the controlled delivery of its business objectives, in line with its risk strategy, ensuring a balanced approach to risk and reward.

2.34 CLL was granted approval from the PRA to use a Partial Internal Model (PIM) in respect of Longevity, Credit and Catastrophe risks in November 2019. The use of a PIM facilitates CLL calculating its Solvency Capital Requirement (SCR) in a manner which more appropriately reflects the risk profile of the business than the approach under the Standard Formula. The SCR is designed to ensure that the company can withstand an extreme adverse event, or combination of events, equivalent to one which might occur only once in every 200 years.

[2] https://www.canadalife.co.uk/our-company/about-us/solvency-ii/

2.35 The SCR as at 31 December 2023 is split by risk category in the following table.

As at 31 December 2023	(£m)
Standard Formula Risks	
Market	990
Counterparty default	62
Life underwriting	116
Health underwriting	141
Internal Model Risks	
Credit	979
Longevity	646
Catastrophe	448
Total Undiversified Components	**3382**
Diversification	-1198
Adjustment due to aggregation	0
Other Adjustments	
Operational risk	134
Loss-absorbing capacity of deferred tax	-114
Solvency Capital Requirement	2204

2.36 CLL is primarily exposed to market, credit, and longevity risk through its annuity exposure. Market risk also comes from CLL's strategic participation in the Irish Life Group (ILG). CLL also sees exposure to catastrophe risk, which mainly comes from its Group Protection business.

2.37 CLL mitigates its exposure to longevity, mortality and catastrophe risk through diversification, product design, reinsurance, and, underwriting and claims processes. Reinsurer default risk is managed through use of collateral agreements, credit rating monitoring and by limiting its exposure to given reinsurers.

2.38 Operational risk has a relatively low level of capital held against it. However, it is treated as a material exposure to CLL due to the potential financial and/or reputational consequences, and increased potential for customer harm. Management of operational risk involves risk assessments carried out for each business line, project oversight by the Risk function, Key Risk Indicator monitoring and analysis of risk events.

Capital Management Policy

2.39 In broad terms, CLL's Own Funds are the excess of the value of its assets over the value of its liabilities (though certain subordinated liabilities are treated differently, as shown below). As at 31 December 2023, CLL's Own Funds consisted of:

As at 31 December 2023	(£m)
Tier 1 - unrestricted	
Issued share capital	342
Share premium account	812
Initial funds	397
Reconciliation reserve	1,394
Tier 2	
Subordinated liabilities	341
Ancillary Own Funds	200
Tier 3	
Tier 3 assets	81
Own Funds	**3,567**

2.40 Own Funds are divided into three tiers based on their permanence and ability to absorb losses with Tier 1 being the highest quality.

2.41 CLL aims to manage its Own Funds so that its solvency position stays above a Capital Operating Target specified in the Capital Management Operating Policy. The Capital Operating Target is determined to ensure sufficient coverage above the SCR to enable CLL to meet its financial liabilities and have sufficient headroom to continue to operate its strategic plans following severe stress.

2.42 CLL has a solvency monitoring framework that provides proactive escalation and reporting to the Board in the event that the solvency ratio begins to deteriorate. Falling below the Capital Operating Target would prompt the consideration of planned capital management activities that aim to move the ratio back above that level.

2.43 CLL's Capital Management Operating Policy is supported by its Capital Management Plan. The Capital Management Plan is produced annually and forecasts CLL's solvency position. This plan also includes any additional capital requirements (e.g., arising from writing planned new business) and dividend payments expected to be made in the three-year forecast.

2.44 CLL's reported solvency ratio as at 31 December 2023 was 162% as shown below.

Solvency II (£m) as at 31 December 2023	CLL
Own Funds	3,567
Solvency Capital Requirement (SCR)	2,204
Excess Own Funds over SCR	1,363
Solvency Ratio	**162%**

3. Overview of Countrywide Assured plc

Introduction and Company History

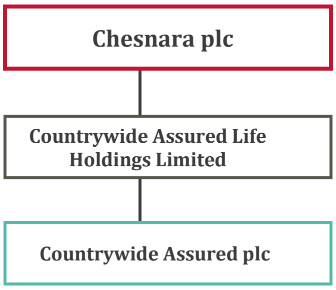
3.1 CA plc is a UK based life insurance company, regulated by the PRA and the FCA, and is one of four subsidiaries owned by the holding company, Chesnara plc group.

3.2 Chesnara plc and its subsidiaries, including CA plc administers over £11 billion of Assets Under Management as at 31 December 2023.

3.3 Some of Chesnara plc's other subsidiaries do sell new business where there is value in doing so.

3.4 The proposed transfer of CLL's Individual Protection business under the Scheme is in line with CA plc's focus.

3.5 The organisation structure of the business is as follows:



3.6 CA plc has prior experience of acquiring business via Part VII transfers. CA plc's three most recent Part VII transfers are as follows:

- Save & Prosper Insurance Limited (2011), comprised of with-profits, index-linked & unit-linked insurance contracts. CA plc acquired the company.
- Direct Line Insurance Group (2014) comprised of "other" life insurance contracts.
- CASLP Ltd (2023), comprising of UK life and pension business.

The Business of CA plc

3.7 CA plc is substantially closed to new business and its focus is on the efficient run-off of existing portfolios of policies that it acquires from other companies.

3.8 Chesnara plc is the parent of a group of companies and is a listed life insurance and pension consolidator holding company that does not write insurance or reinsurance business.

3.9 CA plc is a UK subsidiary of Chesnara plc and the business that it holds consists of both participating (also called "with profits") policies and non-participating policies. The majority of the with profits business resides in two ring-fenced funds and the remainder of the business (including a small amount of with profits business) sits in another fund (denoted "Non-Profit Fund" below).

3.10 As at 31 December 2023, the Technical Provisions for CA plc by line of business, as determined in accordance with the Solvency II regulations, are detailed below.

CA plc Solvency II Technical Provisions (£m) 31 December 2023	Technical Provisions Net of Reinsurance
Life Insurance	
With Profits	198
Index-linked and Unit-linked	3,613
Other (including accepted reinsurance)	81
Sub-total	**3,892**
Health Insurance	**68**
Total	**3,960**

3.11 It is noted that CA plc does not apply a Matching Adjustment measure. However, CA plc has received approval to apply a Volatility Adjustment and does this for liabilities in respect of its non-linked, non-profit contracts and contracts of its Save & Prosper Pension with-profits fund.

3.12 CA plc does not apply a TMTP to its Technical Provisions.

3.13 Further details of CA plc's business can be found in CA plc's Solvency and Financial Condition Report ("SFCR") published on its website[3].

Risk Management System

3.14 CA plc has an established Risk Management System, which incorporates an overall strategy and risk management policies, as well as processes and reporting. CA plc has a defined categorisation of risks that are relevant to its business model and strategic focus. The company recognises that risks within each of these categories need to be identified, measured, monitored, managed, and reported upon on a continuous basis. This approach determines what business activity it is appropriate for CA plc to take.

3.15 CA plc has a Board-approved Risk Appetite Statement and Risk Tolerance Limit for each of the categories of risk. This provides guidance to enable management to take on appropriate risks, and the appropriate amount of risk.

3.16 CA plc has an established internal control system to support the achievement of CA plc's objectives in terms of operational effectiveness, reliable financial reporting, and compliance with laws, regulations and policies. CA plc (consistent with CLL) operates a three lines of defence model for the management of risks and internal control.

3.17 The CA plc Board is responsible for the adequacy of the design of the Risk Management System and ensuring it is consistent with the practices defined by the company. All significant decisions for the development of the Risk Management System are the board's responsibility. This includes developments in risk strategy, developments in risk management policies, and development in risk management tools, methodologies and processes.

3.18 CA plc also produces an ORSA, which forms part of its Risk Management System, providing an ongoing, forward-looking solvency assessment and CLL's own view of its solvency (distinct from the prescribed regulatory rules), given its business plan, and taking into account its available capital resources.

3.19 The Chief Risk Officer is responsible for providing management information to the board regarding the effectiveness of the Risk Management System and reporting to the board regarding the risk profile of CA plc. The CRO has direct access to the board.

[3] https://www.countrywideassured.co.uk/our-governance/reports/

Risk Profile Summary

3.20 The objective of CA plc's Risk Management System is to maintain solvency and liquidity of CA plc whilst delivering continuity of business services; fair customer outcomes; and a regulatory compliant service to customers and making dividend payments to Chesnara in line with expectations.

3.21 CA plc holds capital in respect of the risks it is exposed to and assesses its capital requirements (i.e., its SCR) using the Standard Formula established in the Solvency II regulations.

3.22 The SCR as at 31 December 2023 is split by risk category in the following table.

As at 31 December 2023 (£m)	(£m)
Standard Formula Risks	
Market	64.0
Counterparty Default	4.3
Life Underwriting	56.2
Health Underwriting	3.60
Diversification	28.1
Other Adjustments	
Operational Risk	6.1
Loss Absorbing Capacity of Deferred Taxes (LACDT)	(4.7)
Solvency Capital Requirement	**101.4**

3.23 CA plc is exposed to mortality and morbidity risk, although much of this is mitigated through the use of reinsurance. CA plc is less exposed to anti-selection risk arising from writing new policies, given that CA plc is closed to new business and existing business has been in force for a significant period.

3.24 Mortality risk is further mitigated to some extent as CA plc is able to increase mortality charges on some in-force contracts. CA plc is subject to longevity risk through deferred annuities and annuities in payment, although the majority of this is mitigated through a reinsurance arrangement set up during 2021.

3.25 CA plc's lapse risk arises mainly on unit-linked business due to the loss of future charge income if lapses are higher than expected. Given that business has been in-force for a significant period, lapse experience tends to be relatively stable over time. In addition, as the CA plc book has a large proportion of pensions business, where policies under the age of 55 can only be transferred and not surrendered, it is less exposed to mass lapse type events.

3.26 The reinsurance arrangements in place create some counterparty default exposure. This is mitigated by legal charges and collateral arrangements. A control process limits the level of exposure to any single counterparty and imposes limits on exposure by credit rating.

3.27 Market risk emerges in different ways through each of the different funds:

- For the with profits funds, it arises from a combination of the mismatch between assets and liabilities caused by the guaranteed benefits provided and the way in which funds are invested.
- For the Non-Profit fund, the principal cause of market risk results from the indirect impact on unit-linked funds where future charge income is dependent on the investment performance of the underlying assets.
- Other minor causes of market risk in the main fund result from small asset/liability mismatches on the non-linked business and the investment policy adopted for surplus assets.
- There is currently no material direct exposure to assets denominated in foreign currencies.
- Various risk mitigation techniques are employed, such as investing in a wide range of funds, with fund mandates to diversify risk, as well as matching assets and liabilities to avoid interest rate risk.

3.28 The CA plc operating model is to outsource support activities to specialist service providers typically covering IT, legal and compliance, policy administration, claims management, complaints management, finance and accounting, actuarial, investment operations and fund management. Consequently, much of the operational risk within CA plc arises within its outsourced providers, and therefore operational risk management is heavily focused on the review, oversight and monitoring performed by the Corporate Governance team within CA plc. Mitigants include:

- Monitoring of key performance indicators and comprehensive management information flows under its contractual arrangements.
- Effective governance of outsourced service providers including regular financial assessments, risk management oversight and internal audits.
- Under the terms of the contractual arrangements the company may impose penalties and/or exercise step-in rights in the event of specified adverse circumstances

Capital Management Policy

3.29 CA plc's Own Funds are composed of the excess of its assets over its liabilities. As at 31 December 2023, the Own Funds consisted of:

As at 31 December 2023 (£m)	CA plc
Tier 1 - unrestricted	
Issued share capital	40.0
Reconciliation reserve	142.0
Less Foreseeable dividends	35.0
Less Ring-fenced funds	.5
Tier 2	
Subordinated liabilities	0
Ancillary Own Funds	0
Tier 3	
Tier 3 assets	0
Own Funds	**146.5**

3.30 Own Funds are divided into three tiers based on their permanence and ability to absorb losses with Tier 1 being the highest quality.

3.31 Central to managing the Own Funds of CA plc is the application of the company's Capital Management Policy (CMP). The policy is reviewed and approved by the CA plc Board at least once per year, and, is designed to achieve the objectives around the appropriate management of its Own Funds, outlined as follows:

- to hold sufficient levels of capital to safeguard the interests of policyholders;
- to hold appropriate levels of capital
- to have a policy in place that describes the parameters that are considered in the context of dividend distributions;
- to strike a balance between holding too much capital and too little capital when optimising the balance sheet;
- to provide a good foundation for further UK acquisitions;
- to establish a policy that reflects the board's risk appetite with regards to the level of Own Funds held; and

- to set tolerance levels associated with the board's risk appetite regarding Own Funds and ensure that these are monitored.

3.32 CA plc aims to maintain a capital buffer above the regulatory capital requirements. The adequacy of the capital buffer is reviewed and tested as part of the ORSA each year by running a range of stresses and scenarios.

3.33 CA plc's Capital Management Policy sets out anticipated management actions if Own Funds deteriorate below defined proportions of SCR. The management actions include an initial suspension of dividend payments and additional remediation with further deterioration of solvency coverage.

3.34 CA plc's reported solvency ratio as at 31 December 2023 was 145% as shown below.

Solvency II (£m) as at 31 December 2023	CA plc
Own Funds	146.5
Solvency Capital Requirement (SCR)	101.4
Excess Own Funds over SCR	45.1
Solvency Ratio	**145%**

4. Reinsurance Agreement Preceding the Scheme

4.1 On 16 May 2023 CA plc and CLL entered into a reinsurance agreement (the "Reinsurance Agreement") that effectively transferred the economic interests of the Transferred Business to CA plc pending the business being transferred to CA plc pursuant to the Scheme

4.2 The Reinsurance Agreement took effect from 1 January 2023 (the "Reinsurance Effective Date") with CA plc paying a reinsurance premium of £9m to CLL in exchange for CA plc fully reinsuring the liabilities of the Transferred Business.

4.3 Automatic termination of the Reinsurance Agreement will happen upon the effective time of the Scheme, this will also happen if the transfer does not proceed or if the Scheme is not sanctioned. CA plc and CLL can also terminate the Reinsurance Agreement upon payment default or fraud.

4.4 While the Reinsurance Agreement remains effective CLL will continue to administer the policies of the Transferred Business.

5. Summary of the Scheme

Rationale for the Scheme

5.1 Following a review, CLL closed its Individual Protection business to new customers with effect from 8 November 2022.

5.2 The Scheme will allow CLL to refocus its resources and investment in other areas, including Group Protection, Bulk Annuities and Individual Annuities.

Summary of the Scheme

5.3 CLL is proposing to transfer a closed booked of insurance business of approximately 44,000 Individual Protection policies to CA plc.

5.4 The Transferred Business is comprised of conventional life insurance policies, some of which were sold with a critical illness benefit. The policies are on one of the following bases: level term; level term with an inflation linked option; or, decreasing term.

5.5 The effect of the Scheme is to transfer to CA plc the policies which are in scope and remain in force as at the Scheme Effective Date, without affecting the contractual policy benefits.

5.6 The average insured term remaining of the Transferred Business is c20 years. As such, the transferred policyholders should expect to be with CA plc for c20 years following successful sanction of the Scheme.

5.7 On the Scheme Effective Date:

- CA plc will become responsible for all liabilities and risks arising under the policies in the Transferred Business.
- The Reinsurance Agreement between CLL and CA plc in place (see Section 4), which has transferred the economic risk and reward of the business from CLL to CA plc, will cease.
- All other existing reinsurance agreements in respect of the Transferred Business (of which there are two in total) will transfer to CA plc under the terms of the Scheme.

Transferred Business

5.8 As at 31 December 2023, the Transferred Business represents a small proportion of CLL's Technical Provisions (see table below Paragraph 2.9) and will also represent a small proportion for those of CA plc.

5.9 The Transferred Business is CLL's closed book of Individual Protection business.

5.10 There is an additional policy, held by a policyholder resident in Guernsey, which will not be subject to this transfer. An update on this matter will be provided in my Supplementary Report.

Operational Considerations

5.11 The policies of the Transferred Business are currently administered by CLL.

5.12 From the Scheme Effective Date the administration of these policies is anticipated to transfer to CA plc, who will outsource this to a third party, SS&C Technologies, a provider of technology and administration services. Commentary around the level of service between CLL and CA plc in respect of the transferred policyholders is outlined within Section 9.

5.13 CLL and CA plc are closely monitoring, and intend to continue to monitor, the progress of the migration to SS&C's policy administration platform, and expect the technical requirements to effect the migration in relation to the Transferred Business to be in place by the time of the Scheme Effective Date (23 February 2025).

5.14 If the Transferor and the Transferee agree that the Effective Date should occur after 23.59 on 22 May 2025, CLL and CA plc must apply to the Court for a further order permitting such Effective Date, provided that in any such case:

- the UK Insurance Regulators shall be notified in advance and as soon as reasonably practicable of, and shall have the right to be heard at, any hearing of the Court at which such application is considered;
- such application shall be accompanied by a supplementary report from Philip Simpson, FIA of Milliman LLP or any other independent expert approved pursuant to section 109(2)(b) of FSMA to the effect that in their opinion the proposed amendment will not materially adversely affect the holders of Transferred Policies or Residual Policies or Excluded Policies or policies of the Transferee (including the security or reasonable expectations of such policyholders); and
- a notice of the making of such order is published on the websites of CLL and CA plc within 5 days of the making of such further order.

5.15 After any revised Scheme Effective Date, the administration would transfer to CA plc.

5.16 Save where otherwise agreed, CLL will meet all of its own costs and expenses incurred in connection with the Scheme. Certain costs, for example, of the Independent Expert and of the Counsel jointly appointed by the parties in connection with the Scheme, will be borne 50% by CLL and 50% by CA plc. Each party will meet any costs of communicating with its own policyholders (where applicable), save that the cost of notifying the policyholders with Transferred Policies (and other interested third parties, such as reinsurers and distributors) will be shared by the parties.

6. Financial Position of CLL Before and After the Scheme

Impact of the Scheme

6.1 Under the terms of the Scheme CA plc will adopt the liabilities of the Transferred Business.

Balance Sheet Impact

6.2 The following table shows CLL's reported Solvency II balance sheet as at 31 December 2023 (see second column).

6.3 Furthermore, the table shows the balance sheet as at the same date assuming that the Scheme had taken place as at 31 December 2023 (see third column).

6.4 The table also shows the balance sheet as at the same date assuming that the Scheme is not sanctioned (see final column). This scenario reflects the following:

- Termination of the Reinsurance Agreement (see Section 4) between CLL and CA plc. This results in CLL holding Technical Provisions of negative c£19m in respect of the Transferred Business.
- Estimates that CLL's deferred tax asset would increase by c£2m.
- Assumes that the full costs of the transfer are still incurred.
- Assumes return of the £9m reinsurance premium received in respect of the business is returned to CA plc. In addition, pursuant to the Reinsurance Agreement, payments made between CA plc and CLL would be returned, amounting to a payment of £8.6m to CLL. These two payments would be netted off each other, with CLL making a payment of £0.4m to CA plc.
- The summation of the items above corresponds to the estimated £16m increase in CLL's Own Funds between the "Post-Scheme" and "Position if Scheme not Sanctioned" columns.
- The SCR is estimated to increase by c£2m.

CLL Solvency II Balance Sheet as at 31 December 2023	CLL (£m)	CLL Post-Scheme (£m)	CLL if Scheme not Sanctioned (£m)
Own Funds	3,567	3,567	3,588
Solvency Capital Requirement (SCR)	2,204	2,204	2,206
Excess Own Funds over SCR	1,363	1,363	1,382
Solvency Ratio	162%	162%	163%

6.5 As can be seen, CLL's position compared to the post-Scheme position (second compared to third column) are unchanged since the interim Reinsurance Agreement between CLL and CA plc has already transferred the economic effect of the business from CLL to CA plc.

6.6 The exception to the above is an immaterial reduction in the SCR owing to residual expense risk. This has been ignored in the table on materiality grounds. In addition, there would be no change in Counterparty SCR post-Scheme in relation to CLL's exposure to CA plc (through the Reinsurance Agreement), however, none is held since the reserves ceded are negative.

6.7 The above is based on market conditions and the business that CLL had in force as at 31 December 2023. Market movements and changes to CLL's composition of business up to the Scheme Effective Date are not expected to materially change the impact outlined above.

Risk Profile

6.8 As demonstrated earlier the Transferred Business represents a small proportion of CLL’s business in terms of Technical Provisions. Therefore, the Scheme will not have a material impact on the overall risk profile of CLL. This view is supported by the minimal change to CLL’s SCR, as outlined above.

7. Financial Position of CA plc Before and After the Scheme

Balance Sheet Impact

7.1 The following table shows CA plc's reported Solvency II balance sheet as at 31 December 2023. It also shows the balance sheet at the same date assuming that the Scheme had taken place on the same date.

CA plc Solvency II Balance Sheet as at 31 December 2023	Actual Published (£m)	Post-Scheme (£m)
Own Funds	146.6	146.6
Solvency Capital Requirement (SCR)	101.4	101.4
Excess Own Funds over SCR	45.1	45.2
Solvency Ratio	**145%**	**145%**

7.2 As can be seen, the Solvency Ratio of the table does not change post-Scheme due to the Reinsurance Agreement currently in place between CLL and CA plc, which has transferred the economic effect of the business from CLL to CA plc. The solvency ratio is estimated to change slightly due to the impact of diversification within the SCR and Risk Margin, however, this cannot be seen in the table due to rounding.

7.3 The above is based on market conditions and the business that CA plc had in force as at 31 December 2023. Market movements and changes to CA plc's composition of business to the Scheme Effective Date are not expected to materially change the impact of the Scheme outlined above.

Risk Profile

7.4 The Scheme will not materially impact the overall risk profile of CA plc noting the lack of moving figures highlighted above.

8. Effect of the Scheme on Non-Transferred CLL Policyholders

Introduction

8.1 In this section I consider the impact of the Scheme on non-transferred CLL Policyholders, in particular, considering the security of policy benefits, their benefit expectations and policy administration.

Security

8.2 Protection of CLL policyholder benefits is afforded by the assets that CLL holds to cover its Solvency II capital requirements and by the additional requirements of CLL's Capital Management Operating Policy.

8.3 The Scheme is not expected to materially impact on CLL's ratio of Own Funds to its Solvency Capital Requirements, as demonstrated in Section 6.

8.4 The Capital Operating Target for CLL's solvency ratio will be unaffected by the Scheme and the movement of the ratio due to the Scheme, as outlined in Section 6, represents an immaterial impact on the security of policyholder benefits.

8.5 It is my view that the protection of benefits for those policyholders who are not transferred will not be materially adversely affected by the Scheme.

Policyholder Benefit Expectations

8.6 The Scheme does not introduce any changes to the contractual terms of policies not being transferred. Non-transferred policyholders will continue to receive the same benefits after the Scheme becomes effective.

Administration

8.7 No changes will occur for the administration of non-transferred CLL policies as a result of the Scheme.

8.8 I believe there is no reason to believe that service standards for the non-transferred CLL policyholders will be materially adversely affected.

Policyholder Communications

8.9 The FSMA regulations applicable to Part VII transfers of insurance business require appropriate notice to be sent to all policyholders of the parties involved in a business transfer.

8.10 A waiver is being sought such that (among other matters) notification will not be sent to non-transferred CLL policyholders, on the grounds that the existing CLL policyholders will not be materially impacted by the Scheme and contacting those policyholders would represent a disproportionate cost (the cost of mailing all CLL policyholders is estimated at £3.9 million, as compared with c£64,000 to mail only policyholders of the Transferred Policies). Hence, individual notifications can be expected to be of limited benefit to non-transferred CLL policyholders whilst giving rise to not inconsiderable cost for CLL's shareholders.

8.11 In light of the above, I believe that the proposal to not communicate with non-transferred policyholders is appropriate for this Scheme. Details relating to communications with transferred policyholders, and other notifications that will be made, are included in Section 9.

9. Effect of the Scheme on Transferred CLL Policyholders

Introduction

9.1 In this section I consider the impact of the Scheme on transferred CLL policyholders, in particular the security of policy benefits, their benefit expectations and policy administration.

9.2 The Transferred Business is comprised of conventional life insurance policies, which were either sold with or without a critical illness benefit. The policies are on one of the following bases: level term; level term with an inflation linked option; or, decreasing term.

Security

9.3 CA plc will become liable for the benefits of the transferred policies following implementation of the Scheme.

9.4 The reported Own Funds and solvency ratios for CLL and CA plc were £3,567m and 162%, and £146m and 145% respectively as at 31 December 2023.

9.5 As noted in Section 6, CLL expects to see minimal change to its financial strength following the Part VII transfer. Furthermore, as outlined in Section 7, it is expected that CA plc will not see a material change to its financial strength following the transfer.

9.6 The security of benefits for the transferred policyholders will be provided by the assets held to cover the Solvency II capital requirements and the additional requirements of CA plc’s risk appetite. The capital requirement under Solvency II is assessed by considering the loss that might be incurred in an adverse scenario of such severity that it is expected to occur only once in every 200 years.

9.7 Owing to the Reinsurance Agreement in place between CLL and CA plc (see Section 4) there will be no significant change in CA plc's capital requirements as a result of the Scheme taking effect.

9.8 In the absence of the Reinsurance Agreement the capital requirements of the Transferred Business would be similar between CA plc and CLL. As at 31 December 2023 an estimated c£0.5m difference in the Catastrophe SCR between CA plc and CLL would be inherent in respect of the Transferred Business due to the entities applying Standard Formula and Partial Internal Model for this risk respectively. This difference represents c0.5% of CA plc’s overall SCR as at 31 December 2023.

9.9 Transferred policyholders will continue to have access to the UK Financial Services Compensation Scheme (“FSCS”). The FSCS would provide protection for 100% of the claim payments if CA plc was unable to make payments to policyholders, which is the same protection that is provided while they are policyholders of CLL.

9.10 CA plc holds Own Funds that adequately exceeds its capital requirements in respect of the risk profile above, which is expected to continue to be the case following the transfer. As such, I do not believe that the security of policyholders’ benefits will be materially impacted owing to the difference in risk profile between CLL and CA plc.

9.11 I note that CLL and CA plc are different in terms of the composition of risks to which these entities are exposed. CLL is most exposed to credit, market and longevity risk, which stems from its large block of annuity business. CA plc is most exposed to market and lapse risk arising from its life and pension and unit-linked business. There is no concern arising from this difference in risk exposure.

9.12 The above demonstrates that transferred policyholders will continue to be policyholders of an insurer that offers an adequate level of protection to their policyholders.

Policyholder Benefit Expectations

9.13 There will be no changes to the contractual terms of any policies under the terms of the Scheme, other than the change of insurer. For example, there are no changes to the definition of critical illnesses as set out in the policy provisions and would continue to be driven by the minimum Association of British Insurers standard that all UK companies must meet.

9.14 The transferred policyholders of CLL currently benefit from additional non-contractual services (run by third parties) including The Canada Life App (a mobile phone application offering discounts on everyday purchases) along with a number of support services such as PersonalCare (a round the clock service that provides access to professional support, including counselling, advice and family support). Further services available to policyholders are: bereavement counselling; a probate helpline; access to a nurse for emotional and practical support; and a second medical opinion service. These are described on the 'Individual Protection Support Services' webpage[4].

9.15 It is noted that, despite those services being non-contractual, CA plc will continue offering the additional benefits noted above whereby the corresponding third parties and CA plc will enter a new contract. This activity is such that transferred policyholders will be able to continue accessing the additional benefits from the Scheme Effective Date, when the administration of the Transferred Business moves to CA plc. The difference will be in the branding of these additional services, which will move to become associated with CA plc, and the services will continue to be accessible through a mobile phone application.

9.16 As these additional benefits are non-contractual, they could (both now and after the Scheme Effective Date) be altered or withdrawn at any time. These additional benefits would continue to be non-contractual before and after implementation of the Scheme.

Administration

9.17 The policies of the Transferred Business are currently administered by CLL.

9.18 From the Scheme Effective Date the administration of these policies is anticipated to transfer to CA plc who will outsource administration to SS&C Technologies.

9.19 A comparison of the Service Level Agreement (SLA) and corresponding metrics between CLL and CA plc has been conducted and summarized by the two tables to follow.

9.20 The following table shows a comparison of CLL's and CA plc's SLAs.

Service Level Agreement	Canada Life	CA plc
Claim Processing	3 days	5 days
Monies In/Direct Debit Mandate	2 days	3 days
Monies out	4 days	2 days
Policy Maintenance	4 days	5 days
Quote/Illustration	n/a	3 days
Commission Queries	5 days	5 days
Contact Centre	85% accessibility	80% in 10 secs
Abandon Rate[5]	5%	3%
Complaints	5 days	10 days
Document Dispatch	3 days	1 day
Unit Pricing/Switch	1 day	1 day
Reconciliations	Daily	Daily

9.21 The comparison above shows that the CLL and CA plc SLAs are broadly in line.

[4] https://www.canadalife.co.uk/individual-protection/support-services/

[5] Percentage of calls received where customer aborts call before Customer Service team answer.

9.22 The following table shows a comparison of CLL's and CA plc's RAG thresholds.

RAG Thresholds	Canada Life	CA plc
Green	95%+	98%+
Amber	70-95%	95-98%
Red	<70%	<95%

9.23 The table above shows that the CLL and CA plc thresholds for measuring 'Red', 'Amber' and 'Green' ("RAG") levels of service are higher for CA plc than CLL.

9.24 Based on the comparison above, CLL's Head of Customer Services (Protection and Retirement) has deduced that the expected service provided for our customers should not be compromised when the business transfers.

9.25 Further to the above, CLL will continue to offer post-migration support to CA plc for the remainder of 2025 following the anticipated Scheme Effective Date.

9.26 We also note that CA plc has an existing agreement with SS&C Technologies under which there is a governance model in place between the two entities to monitor service. The model in place includes both weekly service issue log meetings and monthly service reviews. At the review meetings, SS&C Technologies report their RAG rating performance versus the key performance indicators that have been put in place as part of the agreement.

9.27 The Transferred Policies currently have access to the services of the UK Financial Ombudsman Service ("FOS") to help resolve any disputes or complaints they may have with their insurance company, in this case, CLL. After the Scheme, policyholders will continue to have access to this service since CA plc is a UK based company.

9.28 Noting the points above I believe there is no reason to expect that the Scheme will have a material impact on the quality of service standards for the transferred policyholders.

Policyholder Communications

9.29 The FSMA regulations applicable to Part VII transfers of insurance business require appropriate notice to be sent to all policyholders of the parties involved in a business transfer. However, waivers will be sought from the Court as detailed below and taking into consideration the principles governing the application of waivers.

9.30 It is intended that the transferred policyholders will be notified of the Scheme. Notices will also be published in London, Edinburgh and Belfast Gazettes. Notices will also be placed in two national newspapers of the UK (namely The Times and the Daily Mail).

9.31 The following is proposed to be sent to the transferred policyholders in the form of a policyholder pack (the "CLL Policyholder Pack"):

- A covering letter;
- A detailed guide to the Scheme, which includes: a statement setting out the terms of the Scheme and a summary of the Independent Expert's Report; the Notice; and a section with commonly asked questions and answers.

9.32 The CLL Policyholder Pack will also explain the sources from which the transferred policyholders can obtain further information about the Scheme, this will include:

- Details of the information available from Canada Life by written request;
- Telephone number(s) and email address(es) which policyholders can use in order to contact a trained call centre dealing with queries relating to the Scheme; and
- The information available from Canada Life's website.

9.33 CLL expects that the precise form of the CLL Policyholder Pack will be tailored having regard to the information requirements of different policyholder groups.

9.34 CLL will also make the following available on its website:

- CLL Policyholder Pack (including sample copies of each variation of the covering letter);
- A copy of the Scheme;
- A copy of the Independent Expert's Report;
- A copy of the CLL and CA plc Chief Actuary reports; and
- Updates (such as the outcome of the Final Hearing and confirmation that the Scheme Effective Date has occurred), together with any additional documents produced after the mailing of the CLL Policyholder Pack, such as supplementary reports produced by CLL's Chief Actuary and the Independent Expert.

9.35 CLL intends to seek an additional waiver from the Court permitting it not to send the notification to certain transferred policyholders or individuals otherwise connected to Transferred Policies in the following circumstances:

- Policyholders that CLL have been unable to trace, i.e., those who have "goneaways";
- Personal representatives or executors of deceased policyholders;
- Trustees in bankruptcy where the legal title of a policy has passed to such individuals;
- Beneficiaries of a policy that may be held in trust ;
- Any contingent beneficiaries under a policy; and
- Persons other than the legal policyholder who are due to be paid some or all of the policy benefits pursuant to a court order.

9.36 Policyholders are entitled to register their objections to the Scheme and appear in Court in person. Help desk arrangements will be put in place to answer policyholder questions received by phone or by mail (including email). A summary of calls and correspondence will be provided to the Court along with an outline of the substance of any objections raised by policyholders.

9.37 In my opinion the communication strategy is appropriate on the basis that the transferred CLL policyholders are not likely to be materially adversely affected by the Scheme.

10. Other Matters

Potential Implications of the Solvency II Reform in the United Kingdom

10.1 The Prudential Regulation Authority has consulted on a number of reforms to the Solvency II regulation in the UK.

10.2 The government objectives of the reform are as follows:

- to spur a vibrant, innovative, and internationally competitive insurance sector;
- to protect policyholders and ensure the safety and soundness of firms; and
- to support insurance firms to provide long-term capital to support growth.

10.3 I note that both CLL and CA plc will be impacted by this reform since both entities are subject to the existing Solvency II regulation.

10.4 The main changes expected (subject to parliamentary approval) and those now effective, are listed as follows:

- With effect from Year-End 2023, there has been a reduction to the amount of Risk Margin that insurers are required to hold in respect of their liabilities (this is reflected within this report's analysis).
- In relation to the Matching Adjustment (expected to take effect from Year End 2024):
    - Allowing more types of assets and liabilities to be eligible for Matching Adjustment treatment;
    - Increasing the risk sensitivity of the current Fundamental Spread approach to allow different notched allowances to be made within major credit ratings; and
    - Removing the unduly adverse treatment of assets in Matching Adjustment portfolios whose ratings are below investment grade.
- At Year End 2023, there were changes to CLL's TMTP calculation and other changes to the TMTP calculation are anticipated from Year End 2024. Details of both changes are listed as follows:
    - From Year End 2023 the PRA allowed firms, following discussion with their supervisor, to remove the FRR cap for Year End 2023 reporting. This of which was granted for CLL and is reflected in the figures of this report;
    - Streamline of the process for firms to recalculate their TMTP (expected from 1st January 2025), including a simplified new default method for its calculation, but allowing firms to retain their existing approach where the new method would be inappropriate;
    - CLL anticipates performing a final calculation under its current TMTP method as at 31 December 2024 before moving to the new method noted above. This change is not expected to materially impact the security of the Transferred Policies' benefits relative to that of CA plc (which has no TMTP). This is because the TMTP in CLL is a small part of its overall Technical Provisions and limited in duration. Therefore, there is no material change in security of the transferred policyholder benefits.
- Restatement of assimilated law from Year End 2024 (under CP5/24[6]). This element of the reform aims to finalise PRA rules and other policy materials that will replace Solvency II assimilated law being revoked by the government. The impact of this consultation paper is not expected to materially impact the security of the transferred policyholder benefits .

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[6] https://www.bankofengland.co.uk/prudential-regulation/publication/2024/april/review-of-solvency-ii-consultation-paper

- In aggregate, the Solvency UK Reforms give the PRA additional powers to ensure that the regime remains prudentially sound and protects policyholders. These changes are not expected to materially impact the security of transferred policyholder benefits.

10.5 I note that the reform to the Matching Adjustment will not directly impact on the capital required to be held in respect the Transferred Business. Term insurance liabilities are currently ineligible for the Matching Adjustment and this is expected to remain the case post-reform.

10.6 Changes to the Matching Adjustment could reduce the overall Best Estimate Liability of CLL, particularly driven by its annuity business in being able to potentially discount corresponding liabilities at a higher rate (by investing in higher yielding assets that were previously Matching Adjustment ineligible).

10.7 With the Matching Adjustment reform CLL may also see changes to its asset risk from adjusting its investment strategy in response to the changes. Asset risk would continue to be monitored through CLL's use of risk limits and indicators.

10.8 In my opinion, the introduction of Solvency II reform in the UK does not materially adversely affect the Scheme with respect to the security of policyholder benefits.

11. Conclusions

11.1 In my opinion, the Scheme will not have a material impact on the solvency of CLL. I therefore consider that the security of benefits and expectation of benefits of the non-transferred CLL policyholders will not be materially adversely affected by the Scheme.

11.2 CA plc is an adequately capitalised company and supported by an adequately capitalised parent company, Chesnara plc. As such, I do not consider that there will be a material adverse impact on the security of benefits for the transferred policyholders.

11.3 There will be no changes to the contractual terms of any Transferred Policies under the terms of the Scheme, other than the change of insurer.

11.4 The administration of the Transferred Business is expected to move to CA plc's outsourcer, SS&C Technologies, upon implementation of the Scheme. Based on the analysis conducted, as set out in this report, I believe that the expected service provided for customers should not be compromised when the book migrates.

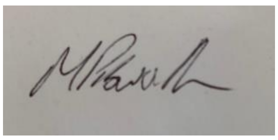
11.5 No changes will occur for the administration of the non-transferred CLL policies as a result of the Scheme.

11.6 I believe there is no reason to believe that service standards for the non-transferred CLL policyholders will be adversely affected.

11.7 I am conscious of the developing Solvency II reform in the UK. Based on the current information available, I do not believe that the reform will materially impact on the transferred policyholders regardless of whether they are with CLL or CA plc. The Solvency II reforms will continue to be monitored, and, if there are materially adverse developments, I will provide an update on the situation in my Supplementary Report.

11.8 In conclusion, it is my opinion that, under the implementation of the Scheme, all groups of CLL policyholders are treated equitably and fairly, and:

- the security and reasonable benefit expectations of remaining CLL policyholders will not be materially adversely affected;
- the security and reasonable benefit expectations of the transferred CLL policyholders will not be materially adversely affected;
- there is no reason to believe that service standards for the transferred CLL policyholders will be materially adversely affected; and
- there is no reason to believe that service standards for the non-transferred CLL policyholders will be adversely affected.



Mark Pibworth
Director of Capital Management and Actuarial Function Head
19 June 2024

12. Reliances

In addition to various sources prepared internally within CLL, I have considered the following key documents and data in the preparation of the Report.

Item	Description
The Proposed Scheme	Scheme for the transfer of the insurance business of Canada Life Limited to Countrywide Assured plc. under Part VII of the Financial Services and Markets Act 2000.
The Countrywide Assured plc Chief Actuary Report	The Report of the Chief Actuary on the impact of the Scheme on Policyholders of Countrywide Assured plc.
The Countrywide Assured plc With Profits Actuary Report	The Report of CA plc's With Profits Actuary which considers the effect of the Scheme on CA plc's with-profits policyholders.
The Countrywide Assured plc First Witness Statement	The First Witness Statement to the court sets out the corporate history of CA plc and provides background to the business transfer.
Countrywide Assured plc Year-End 2022 SFCR	Countrywide Assured plc Solvency and Financial Condition Report December 2022 for the year ended 31 December 2022.

Appendix 1: Glossary of Defined Terms and Abbreviations

Term	Definition
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.
AUM	Assets Under Management. The total market value of assets managed by a company.
BEL	Best Estimate Liability.
Buffer	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.
CA plc	Countrywide Assured plc. A UK life insurance subsidiary of the Chesnara Group focused on growing its position with the UK consolidation market.
Catastrophe risk	Catastrophe risk, or life catastrophe risk, is the risk of adverse change in the value of insurance liabilities resulting from the significant uncertainty of pricing and reserving assumptions related to extreme or irregular events.
CASLP Ltd	CASLP is one of the UK subsidiaries of Chesnara and its Group. The company previously operated with a trading name of "Sanlam Investments and Pensions" prior to its acquisition by Chesnara.
Chesnara	Chesnara plc. The UK-listed holding company of the Chesnara Group of which CA plc is a subsidiary.
CLG	The Canada Life Group (U.K.) Limited. CLG is an indirect subsidiary of GWL and is the parent company of the sub-group of companies of which CLL is a part.
CLL	Canada Life Limited. A UK life insurance subsidiary of CLG with a business strategy of being a leader in its chosen market of retirement, investments and protection.
CLL Policyholder Pack	An information pack distributed to policyholders setting out the details of the Scheme. This includes a cover letter and the Customer Guide which will contain details on how policyholders can raise responses, enquiries and objections in respect of the Scheme.
Counterparty default risk	Counterparty default risk reflects possible losses due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors of insurance and reinsurance undertakings over the following 12 months, taking appropriate account of collateral and the risks associated therewith.
CMP	Capital Management Policy. The policy by which a firm sets outs its controls, processes reporting and responsibilities in relation to capital management.
Credit risk	Credit risk, or spread risk, is the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

Term	Definition
Court	Collectively, the High Court of Justice, Business and Property Courts of England and Wales, the Companies List, and the Court of Session (The supreme civil court in Scotland).
EU	The European Union.
Expense risk	Expense risk, or life expense risk, is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of the expenses incurred in servicing insurance or reinsurance contracts.
FCA	Financial Conduct Authority. Responsible for regulating the conduct of financial services firms in the UK. Its roles include protecting consumers, supporting a stable financial sector and promoting healthy competition between financial service providers.
FSCS	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.
FSMA	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.
FOS	Financial Ombudsman Service. A service in the UK which settles claims between consumers and businesses that provide financial services.
Goneaways	Policies where the company does not have a valid address for the policyholder, and subsequent reasonable attempts to trace the policyholder have been unsuccessful.
GWL	Great-West Lifeco Inc., the ultimate parent company of The Canada Life Assurance Company and consequently of CLG, CLL and others.
Health underwriting risk	Health underwriting risk refers to the risk arising from health insurance obligations, comprising at least mortality risk, longevity risk, morbidity risk, expense risk, revision risk, lapse risk and catastrophe risk.
IFoA	Institute and Faculty of Actuaries, the UK chartered professional body which is responsible for regulating actuaries.
ILG	Irish Life Group Limited, an Irish insurance group which is a subsidiary of CLL.
Interest Rate Risk	Interest rate risks is the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates.
LACDT	Loss absorbing capacity of deferred tax. A balance sheet item under 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.
Lapse risk	Lapse risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level or volatility of the rates of policy lapses, terminations, renewals and surrenders.

Term	Definition
Life underwriting risk	Life underwriting risk refers to the risk arising from life insurance obligations, comprising at least mortality risk, longevity risk, morbidity risk, expense risk, revision risk, lapse risk and catastrophe.
Longevity risk	Longevity risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance liabilities.
Market risk	Market risk reflect the risk arising from the level or volatility of market prices of financial instruments which have an impact upon the value of the assets and liabilities, comprising at least interest rate risk, equity risk, property risk, credit risk, currency risk and market concentration risk.
Matching Adjustment	The Matching Adjustment or MA is an upwards adjustment to the risk-free rate sometimes used under Solvency II or Solvency UK 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.
Milliman	Milliman Limited Liability Partnership registered in England and Wales.
Morbidity risk	Morbidity risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of disability, sickness and morbidity rates.
Mortality risk	Mortality risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance liabilities.
MGM	MGM Advantage. The business of MGM Advantage Life Limited which was transferred into CLL by a previous Part VII Transfer.
Non-Profit Fund	The main fund of CA is referred to in this Report as the Non-Proft Fund to distinguish it from the two ring-fenced with-profits funds.
Operational risk	Operational risk refers to those operational risks to the extent they are not already reflected in the life underwriting risk, health underwriting risk, market risk and counterparty default risk.
ORSA	Own Risk and Solvency Assessment. A requirement under Solvency II whereby insurers must regularly undertake a forward-looking assessment of risks, solvency needs and adequacy of their capital resources.
Other liabilities	These are liabilities under 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.
Own Funds	The excess of an insurer's assets over its liabilities on a Solvency II basis.
Part VII Transfer	The transfer of long-term insurance business under UK law in accordance with Part VII of the FSMA.
PIM	Partial Internal Model. An approach to calculating the SCR under Solvency II where the Standard Formula is not used. Use of and the

Term	Definition
	nature of a Partial Internal Model must be approved by the appropriate regulator.
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.
Report	The report of the Canada Life Limited Chief Actuary on the impact of the Scheme.
Reinsurance Agreement	An agreement that in effect transfers the economic interests of the Transferred Business to CA plc.
Reinsurance Effective Date	Date at which the Reinsurance Agreement took effect.
Risk Margin	The amount held under Solvency II or Solvency UK as part of Technical Provisions which is based on the cost of holding capital in relation to the non-hedgeable components of the SCR.
Scheme	The proposed insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 in respect of the Transferred Business.
Scheme Effective Date	Date at which the Scheme is expected to take effect (if sanctioned).
SCR	Solvency Capital Requirement. One of the regulatory capital requirements under 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 period with a probability of 99.5%.
SFCR	Solvency and Financial Condition Report. A public report which firms must complete under the requirements of Solvency II.
SLA	Service Level Agreement. A target set of metrics for the performance of specific customer services provided.
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%.
SS&C	SS&C Technologies. A third-party outsourcing company, specialising in insurance policy administration, used by CA to administer certain blocks of business, including ultimately the Transferred Business.
Standard Formula	The prescribed method for calculating the SCR where an approved Internal Model (or Partial Internal Model) is not used. Insurers are required to calculate their SCR using either the Standard Formula or an approved Internal Model.
Supplementary Report	A further report produced prior to the Sanction Hearing to provide an update for the Court on the Chief Actuary's conclusions in the light of any significant events subsequent to the date of the finalisation of this Report.
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.

Term	Definition
Technical Provisions	The value of the technical insurance liabilities of an insurer, as determined for regulatory purposes. Under 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.
TMTP	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.
Transferred Business	The business being transferred under the Scheme.
Transferred Policies	The policies being transferred to CA plc under the Scheme.
Unit-Linked Funds	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.
Volatility Adjustment	An increase to the discount rate sometimes used under Solvency II or Solvency UK 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.