



Countrywide Assured plc

Report by the Chief Actuary of Countrywide Assured plc ("CA")

On the proposed transfer of business

from Canada Life Ltd

to Countrywide Assured plc

pursuant to Part VII of the Financial Services and Markets Act 2000

Rob Goodwin FFA C. Act

Chief Actuary, Countrywide Assured plc

2 July 2025

1. Introduction

1.1. Purpose of the Report

Canada Life Limited (CLL) has agreed to sell *a portfolio of policies relating to the UK unit-linked bond and UK unit-linked pension business* to Countrywide Assured plc (“CA”).

The proposed transfer of CLL’s unit linked bonds and legacy pension 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 “Transferring Business”. The purpose of this Report is to advise the CA Board on the Scheme in my capacity of Chief Actuary to 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 policyholders of CA and the transferring policyholders of CLL.

This Report will address the financial implications of the Scheme and its potential impact on both the existing CA policyholders and those transferring from CLL. The Report also considers the fair treatment of CA policyholders and any changes to administration and policyholder benefits affecting CA policyholders.

1.2. Report Structure

The report is structured as follows:

- Section 2 provides an Executive Summary of the report, including the main conclusions.
- Section 3 provides an overview of CA.
- Section 4 provides an overview of the reinsurance of the Transferring Business with CA.
- Section 5 provides an overview of CLL.
- Section 6 provides details of the proposed Transfer.
- Section 7 provides an overview of financial position of CA before and after the Scheme.
- Section 8 provides comments and opinions on the impact of the Scheme on CA policyholders.
- Section 9 presents conclusions.

1.3. Credentials and declaration of interest

I am writing this report in my capacity as the Chief Actuary of CA.

I am a Fellow of the Institute & Faculty of Actuaries (“IFoA”), having qualified in 2014 and I hold a Chief Actuary (Life) Practicing Certificate issued by the IFoA. I

have 19 years of experience in the UK life assurance industry, including 8 years working for Chesnara on the CA business. I became Chief Actuary of CA in 2019.

I am an employee of Chesnara, the holding company for CA, and under my terms of employment with Chesnara, in addition to my regular salary (and related benefits such as pension contributions), I am entitled to a bonus that depends to a certain degree on CA's financial performance and on my own individual performance.

I am not a policyholder of either of the companies involved, namely CA and CLL.

I am not a shareholder of either of the companies involved, namely CA and CLL or the respective parent companies, Chesnara Plc or Great-West Lifeco Inc.

I consider that these aspects do not represent a conflict of interests that would prevent me from assessing the impact of the Scheme on CA policyholders and I confirm that my interests in CA have not influenced me in reaching any of the conclusions in this Report.

1.4. Other advice and opinions

Loic Bellettre of Ernst & Young LLP (EY) has been appointed by Chesnara and CLL in the capacity of Independent Expert (in accordance with the provision of Section 109 of FSMA 2000) and has been approved as such by the PRA in consultation with the FCA. In finalising my report, I have read an advanced draft of his report on the terms of the Scheme and considered its conclusions. A copy of this Chief Actuary report has also been provided to the IE.

I have also read and considered the report of the CLL Chief Actuary assessing the impact of the Scheme on the CLL policyholders (including the transferring policyholders). A copy of this Chief Actuary report has also been provided to the CLL Chief Actuary.

In addition, I have read and considered the report of the CA With-Profits Actuary, assessing the impact of the Scheme on the CA with-profits policyholders. A copy of this Chief Actuary report has also been provided to the CA With-Profits Actuary.

1.5. Compliance with Actuarial Standards

This report is considered to comply with the following Technical Actuarial Standards (TAS) issued by the Financial Reporting Council:

- TAS 100: General Actuarial Standards Version 2.0; and
- TAS 200: Insurance 2.0.

Actuarial Professional Standard (APS) X2, issued by the IFoA, requires Actuaries to consider the appropriate level of review that should be applied to their work.

The report has also been subject to peer review in line with APS L1: Duties and responsibilities of life assurance actuaries, and APS X2: Review of Actuarial Work.

2. Executive Summary

2.1. Background

On 20 December 2024, Canada Life Limited agreed to sell a portfolio of policies relating to the UK unit-linked bond and UK unit-linked pension business to CA. This acquisition from CLL is in line with CA and Chesnara's strategy of acquiring closed books of life policies, providing additional scale to the UK business. It met the four assessment pillars of Chesnara's acquisition strategy namely:

- Cash generation
- Value enhancement
- Customer outcomes
- Risk appetite

The intended legal effective date of the Scheme is 7 December 2025 (the Transfer Date) at which point, and after the Court has given its approval to the Scheme, the Transferring 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 companies, though they would need to reapply to the Court if the new proposed Transfer Date were to be after 7 March 2026. 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 transferring book of business from CLL are treated as becoming effective.

Preceding the transfer of the Scheme is a reinsurance agreement in place between CA and CLL which was signed on 20 December 2024 and which transferred the economic risks associated with the Transferring Business to CA with effect from 1 January 2024.

The administration of the Transferring 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. There is ongoing work to migrate the Transferring Business to CA's outsourced administration platform with SS&C. There is no expected impact on levels of customer service as a result of the transfer.

2.2. Rationale for transfer

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.

The transfer is expected to further strengthen CA's position in the UK consolidation market.

Whilst not the rationale for the transfer, other benefits are expected to arise for CA in respect of capital diversification.

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.

2.3. Key conclusions and opinion

Based on the considerations set out in this report, it is my opinion that:

- The proposed Scheme will not have an adverse impact on the security of benefits of the existing CA policyholders.
- I do not expect the reasonable benefit expectations of CA's policyholders to be adversely affected by the Scheme. It should be noted that this includes the CA with-profit policyholders, as the operation of the ring-fenced arrangements for the two with-profit funds and their associated PPFM's will be unaffected, as will the reinsurance arrangements for the with-profits business reinsured to ReAssure.
- There will be no change to the administration of existing CA policies as a result of the Scheme, and therefore no reason to expect that the service standards for the existing CA policyholders will be adversely affected by the Scheme.
- There are no features of the Scheme that I would expect to prejudice the Court approval of the Scheme.

I also support the application for the communications waivers highlighted in this report.

Based on these considerations, my advice to the Board is therefore that there is no reason why the Scheme should not proceed.

3. Background to CA

3.1. Introduction and company history

CA is one of the UK subsidiaries of Chesnara and its Group.

The principal activity of CA is the servicing of long-term life insurance and pensions business. CA is open to new business on a limited range of products, notably onshore bond business and increments to existing policies.

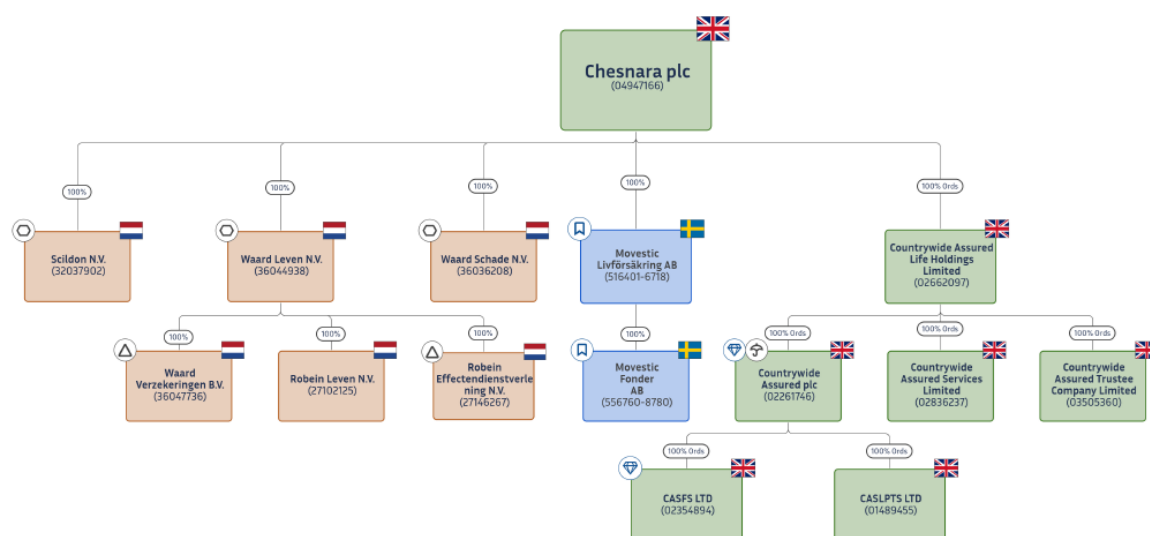
The company's business is comprised of different (but now combined) life and pensions portfolios, as follows:

- 'CA': This represents the original life and pensions business of the company, which was previously part of the Countrywide Assured estate agency group;
- 'CWA': This represents business that was transferred into CA under Part VII of the Financial Services and Markets Act 2000 (FSMA) from City of Westminster Assurance Company Limited, which had been purchased by Chesnara in 2005;
- 'S&P': This represents the 'Save & Prosper' business that was transferred into CA under Part VII of FSMA during 2011 from Save & Prosper Insurance Limited (SPI) and Save & Prosper Pensions Limited (SPP). The two 'S&P' companies were purchased by Chesnara in 2010;
- 'PL': This represents the 'Protection Life' business that was transferred into CA under Part VII of FSMA on 31 December 2014. The company was purchased on 28 November 2013 from Direct Line Insurance Group plc by Chesnara;
- 'CASLP': This represents the UK Life and Pension business that transferred into CA under Part VII of FSMA on 31 December 2023. The company was purchased from Sanlam on the 13 September 2021 by Chesnara; and
- A portfolio of business from CLL comprising the UK individual protection book was transferred into CA under Part VII of FSMA on 23 February 2025. The portfolio was acquired by CA on 16 May 2023 with the economic risks transferred under reinsurance effective from 1 January 2023 up to the point of the Part VII transfer.

3.2. Chesnara group

Chesnara is a holding company that operates as a life and pensions consolidator and is listed on the London Stock Exchange, with operations in the UK, the Netherlands and Sweden. The group structure is shown in the diagram below.

Chesnara plc Group Structure Chart

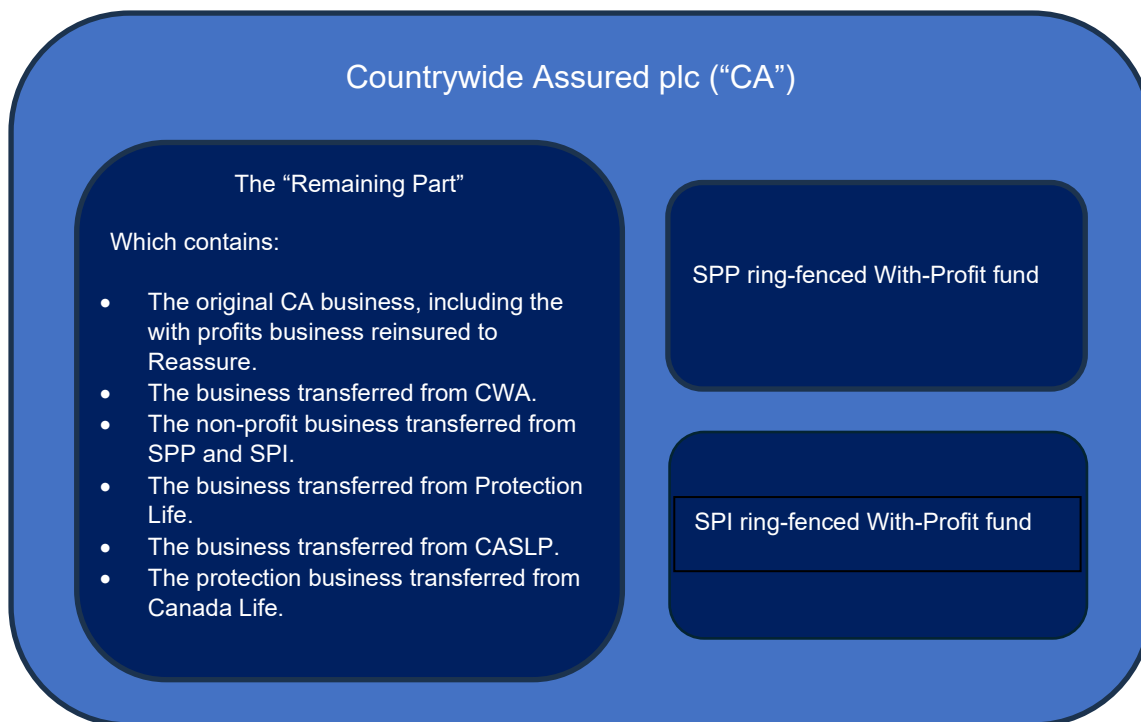


Chesnara administers nearly 1 million policies and £14 billion of assets under management as at 31 December 2024.

In the UK, CA and Chesnara's primary responsibility is the efficient administration of its customers' life and savings policies, ensuring good customer outcomes and providing a secure and compliant environment to protect policyholder interests. Chesnara also adds value by writing profitable new business and by undertaking value-adding acquisitions of either companies or portfolios. Chesnara has a proven track record of acquiring and consolidating life and pension portfolios and businesses.

3.3. Nature of CA business

The CA life insurance business consists of with-profits, unit-linked, other life (legacy business described below) and health business. The structure of the different business within CA is shown in the diagram below. This describes the "Remaining Part" of CA (which can be thought of as the Non-Profit Fund), and which is effectively all the CA business excluding the business that resides in the two ring-fenced with-profit funds (which are described later in this Report).



The table below details the Technical Provisions on a Solvency II basis as applicable in the UK ("SII").

.CA: Technical Provisions (net of reinsurance) £m			
Line of business	31/12/24	31/12/23	31/12/22
Life Insurance			
With-Profits	183.5	197.7	198.4
Index-linked and unit-linked	3,652.5	3,599.7	1,254.0
Other life	80.2	92.5	41.5
Accepted reinsurance	(7.2)	1.8	-
Sub-total	3,909.1	3,891.7	1,493.8
Health Insurance	36.4	68.1	104.8
Total	3,945.5	3,959.7	1,598.6

Insurance with profit participation: Most of the with-profits business resides in the two ring-fenced with-profits funds – SPI WP and SPP WP. There are death and maturity guarantees on this business, either guaranteed minimum pensions or guaranteed minimum fund values. There is also some with-profits business in the Remaining Part, which is 100% re-insured with ReAssure Limited (now part of the Phoenix Group).

Index-linked and unit-linked insurance: This makes up the majority of life insurance business managed by CA and encompasses products held in the original CA, CWA, CASLP and S&P books of business. Approximately two thirds of this is pensions business primarily made up of individual contracts, with some group money purchase schemes. The life business mostly consists of whole life

assurance contracts and single premium bonds with a smaller number of endowment contracts.

Other life insurance: This primarily relates to the original CA, CWA, CASLP and PL books of business and mainly includes a mixture of term assurance, annuity, endowment and whole life assurance contracts. In respect of the annuity business, during 2021 CA entered into an arrangement to reinsure the majority of its annuity liabilities.

Health insurance: The vast majority of health insurance business sits in the original CA book of business and covers contracts for which the future benefits are primarily or wholly relating to health. Product types include critical illness and income protection contracts with most of these being index-linked in nature.

The table below provides a description of the reinsurance arrangements held by CA (at YE2024).

Reinsurers (31/12/24)	BEL Impact £m	Credit Rating	Description
ReAssure	72.0	AA-	From the early days of CA reflecting the joint venture nature of the company at the time. Two main tranches: 1) 50% quota share of unit-linked business; 2) 100% reinsurance of original CA With-Profit business (i.e. not the two ring-fenced ex-S&P WP funds) into GAWPF - predominantly Unitised With-Profit with small volume of Conventional With-Profit remaining. ReAssure is responsible for bonus setting etc. CA has a legal charge over assets so that CA policyholders rank equally with ReAssure policyholders in the event of insolvency.
Monument Re	39.0	NR	100% Quota Share "QS" reinsurance of claim payments on immediate annuities in the ex-Premium Life and ex-CWA books of business. Excludes annuities that were in suspension around treaty commencement. A funds-withheld arrangement is in place so that counterparty risk is reduced as CA hold the assets.
Swiss Re	30.4	AA-	The largest treaty (c.£26.5m) covers term assurance in the ex-Protection Life book on a 90% QS arrangement. The remaining amount is made up of various smaller treaties covering smaller portfolios of protection business, generally on a QS arrangement.
Munich Re	8.8	AA-	Mostly 50% QS life cover on endowment and term assurance policies in the ex-Protection Life book and some QS cover on personal pension policies in the ex-CASLP book.
Phoenix	5.7	AA-	100% cover on selected UL endowments in ex-S&P book.
RGA	1.3	AA-	QS life cover on endowments and term assurance policies in ex-Protection Life book (% cover varies by treaty).
Friends Provident	(1.4)	AA-	Original terms cover on selected protection products in original CA book.
Misc	2.1	AA-	Small legacy treaties that aren't split out separately due to materiality. E.g. with Hannover Re and SCOR.
Total reinsurance recoverables	157.7		
CLL – individual protection	4.6		Note that as at 31 December 2024 the CLL individual protection business was reinsured from CLL to CA, subsequent to the PVII completing on 23 rd February 2025. On completion of the PVII, the underlying reinsurance associated with this portfolio also transferring to CA, comprising arrangements with Swiss Re and Pacific Life Re.
CL – Transferring Business	3.4		The reinsurance of the economic risks associated with the Transferring Business from CLL to CA.
Total reinsurance accepted	8.0		

The exposure to Friends Provident is negative as the expected value of future reinsurance premiums is higher than the expected value of future claim recoveries.

The table below shows a split of the CA assets (for Solvency II reporting).

CA: Assets (Solvency II) £m			
Asset	31/12/24	31/12/23	31/12/22
Property	0	0	0
Holdings in related undertakings, including participations	2	0	0
Government bonds	125	149	110
Corporate bonds	93	99	28
Collateralised securities	0	0	0
Collective investments undertakings	224	240	298
Derivatives	0	0	0
Deposits (other than cash equivalents)	0	0	1
Assets held for index-linked and unit-linked contracts	3,783	3,755	1,396
Loans on policies	0	0	0
Insurance and intermediaries receivables	15	4	2
Reinsurance receivables	19	20	21
Receiveables (trade, not insurance)	6	11	3
Cash and cash equivalents	11	8	9
Other assets	0	1	0
Total	4,280	4,288	1,868

The main part of the collective investment undertakings is the WP assets, invested with Schroders. There is also collateral for annuity reinsurance and (Schroder and JPM) liquidity collectives held as an alternative to cash at bank to spread risk.

3.4. CA Solvency position

Following the implementation of the Solvency II regulatory regime which came into force on 1 January 2016, CA's capital resources are managed on a Solvency II basis. The Solvency II regime has been incorporated into UK law following the UK's departure from the European Union. References to Solvency II below are to the rules as they apply to CA, as a UK-incorporated insurer.

The principle that underlies the valuation methodology for Solvency II purposes is that the assets and liabilities are valued at the amount for which they could be exchanged, transferred or settled by knowledgeable and willing third parties in an arm's length transaction. The excess of the value of assets over the value of liabilities is referred to as Own Funds. The capital required under the Solvency II regime (the Solvency Capital Requirement or SCR) is a risk-based capital assessment, based on a 1-in-200-year event over a one-year time horizon. The SCR is calculated using the Solvency II Standard Formula approach.

CA also has an additional regulatory approval to apply the Volatility Adjustment, which applies as an addition to the discount rate when determining Technical Provisions. Within CA the Volatility Adjustment is applied to business other than

the unit-linked business, the SPI with-profits business and the individual protection business transferring from CLL.

The table below shows the CA reported Solvency II position at YE2024 and recent year-end positions. It should be noted that the SCR cover ratio of 135% is in line with the CA capital policy (see later section).

CA: Solvency position (figures in £m)			
	31/12/24	31/12/23	31/12/22
Assets	4,280.3	4,287.7	1,867.9
Technical Provisions	(3,945.5)	(3,959.7)	(1,598.6)
Other liabilities	(157.5)	(145.9)	(136.8)
Own Funds (before restrictions)	177.4	182.0	132.6
Own Funds restrictions (RFF)	(1.9)	(0.5)	(0.0)
Dividends	(45.0)	(35.0)	(46.0)
Restricted Own Funds	130.4	146.5	86.6
SCR	(96.3)	(101.4)	(64.6)
Excess Assets	34.1	45.1	21.9
SCR cover %	135%	145%	134%

Note that Technical Provisions under Solvency II are generally calculated as the sum of a best estimate liability (BEL) plus a Risk Margin.

BEL is calculated on a policy-by-policy basis using the values of future expected cash flows, including items such as premiums, claims, expenses, lapses and tax. In the above Technical Provisions are broken down into £3,933.5m BEL (net of £157.7m reinsurance recoverables) and £12.0m Risk Margin.

3.5. Risk profile

CA is substantially closed to new business and in run-off and so the risk profile is relatively stable in terms of the types of risks that it is exposed to. CA calculates risk capital under the PRA prudential regime and follows the Solvency II Standard Formula approach.

The table below provides a breakdown of the overall Solvency Capital Requirement (SCR) into the major risk categories, noting that the 31 December 2024 figures include the CLL reinsurance.

CA: Breakdown of risk capital (SCR) £m			
Risk category	31/12/24	31/12/23	31/12/22
Interest	11.9	10.3	5.1
Equity	45.5	42.9	35.4
Property	1.7	2.4	2.1
Spread	12.8	15.1	8.3
Concentration	0.9	1.0	1.3
Currency	14.1	13.7	10.3
Diversification	(22.6)	(21.5)	(14.1)
Market Risk	64.4	64.0	48.3
Counterparty Default Risk	7.1	4.3	3.5
Mortality	6.1	6.1	3.8
Longevity	5.3	6.5	2.6
Disability	0.5	0.6	0.3
Expense	20.7	20.2	13.5
Lapse	36.2	38.9	26.2
Catastrophe	2.5	2.9	2.0
Diversification	(17.8)	(19.0)	(11.3)
Life Underwriting Risk	53.5	56.2	37.1
Health Underwriting Risk	3.5	3.6	5.0
Diversification	(30.5)	(28.1)	(21.4)
Operational Risk	7.5	6.1	2.7
Loss Absorbing Capacity of Tax	(9.3)	(4.7)	(10.5)
Solvency Capital Requirement (SCR)	96.3	101.4	64.6

The risk profile, at a high level, is dominated by Market and Life underwriting risk, as would be expected for an insurance business. The risk profile is well diversified and has remained relatively stable during the reporting period.

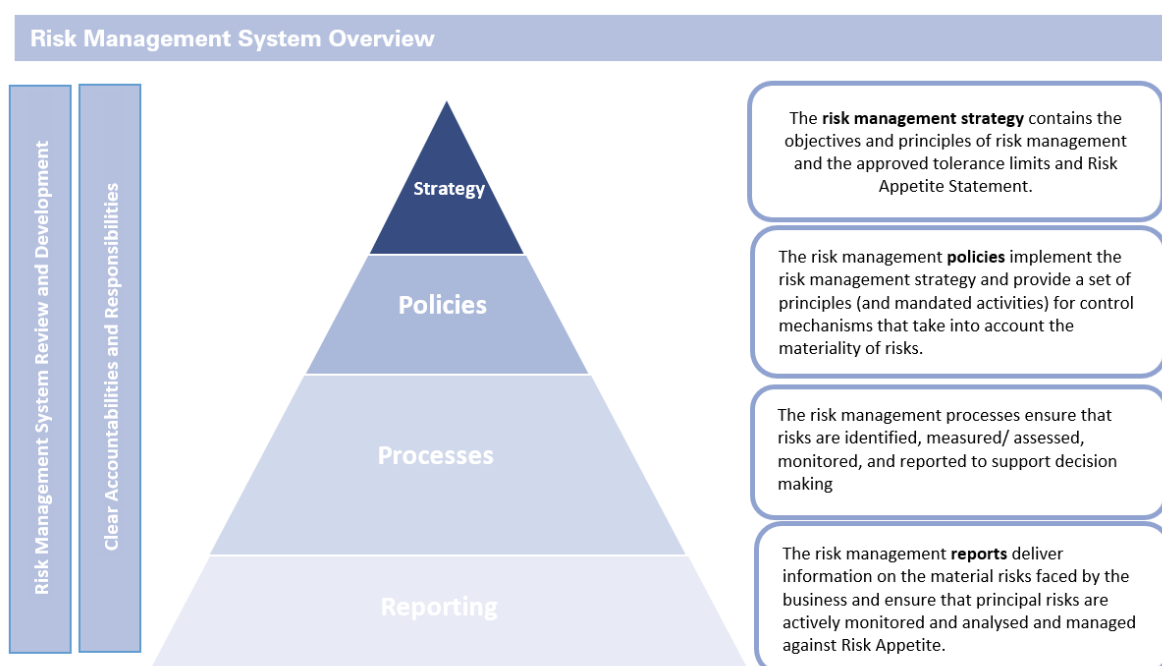
The SCR decreased from £101.4m to £96.3m (YE23 to YE24) which is a £5.1m decrease. The main driver of the reduction is as a result of CA extending its mass lapse reinsurance coverage. The increase from YE22 to YE23 mainly arose from the transfer of the CASLP business.

3.6. Risk management

CA has an established risk management system, which incorporates:

- (a) Risk management strategy;
- (b) Risk management and internal control policies;
- (c) Risk management processes; and
- (d) Risk reporting.

Overall, the key components of the CA risk management framework are summarised in the diagram below.



The primary risk objective of CA's risk management system is to maintain solvency and liquidity of CA 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.

CA has a board-approved risk appetite statement and risk tolerance limit for each of the categories of risk. This is consistent with and aligned to the Chesnara group's risk appetite statements. The aim of the risk appetite statement and risk tolerances is to enable the board to articulate the amount of risk CA is willing to take and provide boundaries to when potentially too much, or too little, risk is being taken. This provides guidance to enable management to take on the "appropriate" risks, and the "appropriate" amount of risk as part of the pursuit of its strategic objectives.

So that all business decisions are risk informed on a forward-looking basis, CA has established processes so that:

- a) Forward looking risk analysis is an integral part of business planning;
- b) Risk assessment is made for all significant change proposals made to the board;
- c) Risk analysis, including ongoing identification and monitoring of implementation risks is an integral part of project governance; and
- d) Own Risk and Solvency Assessment is considered at board meetings to consider whether any of the matters discussed, or decisions taken, may have a material impact on the ORSA, or to establish whether further analysis is needed.

3.7. Capital management policy

Central to managing the Own Funds of CA is the application of the capital management policy. The policy incorporates:

- The roles and responsibilities of the board and different levels of management in adhering to the policy;
- The reporting procedures in place with regards to adhering to the policy; and
- The key controls and processes in place to ensure adherence to the policy.

The company's capital management policy includes the following qualitative and quantitative statements regarding managing the company's Own Funds:

- Board risk appetite: CA aims to minimise the risk of being unable to meet its regulatory capital requirements by maintaining 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.
- Dividend paying limit: Stated as Own Funds as a percentage of SCR, the company's dividend paying limit is 120%. This is the point at which a dividend would cease to be paid, until at such time the solvency position was restored above this point.
- Management actions limit: Stated as Own Funds as a percentage of SCR, the company's management actions limit is 110%. This is the point at which, should Own Funds fall below this level, additional management actions would be taken to restore Own Funds back above this level. In essence, this represents an internal 'ladder of intervention limit' that is set by the board.

This means that, in the normal course of events, CA would not pay a dividend should the payment of the dividend take the CA Own Funds to below 120% of its SCR. Should Own Funds fall below 110% of SCR, additional management actions will be taken. It should be noted though that in extremis, subject to continuing to cover 100% of SCR, the above limits could be waived if it became

necessary to support another insurance company in the Chesnara group, if it was unable to cover its SCR, and no other funds within the group were available to provide this support. In line with documented management action protocols, in this situation, management actions to improve the solvency position would be considered.

It should be noted that whilst CA has its own capital policy, and the CA Board has its own governance arrangements, the capital policy and risk management approach is aligned to those at Chesnara group.

The table below shows the split of Own Funds by structure.

CA: Analysis of Own Funds : £m			
	31/12/24	31/12/23	31/12/22
Tier 1			
Ordinary share capital	40.0	40.0	40.0
Total ordinary share capital	40.0	40.0	40.0
Reconciliation reserve before deductions	137.4	142.0	92.6
Assets less liabilities	177.4	182.0	132.6
Foreseeable dividends	45.0	35.0	46.0
Restricted Own Funds in ring fenced funds	1.9	0.5	0.0
Total Tier 1 Own Funds	130.4	146.5	86.6
SCR	96.3	101.4	64.6
Ratio of eligible Own Funds to SCR	135%	145%	134%

3.8. With-profits funds and management

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 £186.4m. This business resides in the SPP ring-fenced fund.
- The SPI business has assets of £11.0m and resides in a separate ring-fenced fund.
- The small book of CA with-profits business that is reinsured to ReAssure, amounts to £33.3m 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).

For the SPP and SPI with-profits business assets are maintained in three distinct parts, or sub-funds, these being (a) Policyholder asset shares, (b) Guarantee Fund, and (c) Shareholder Fund.

Each of the SPP and SPI WP sub-funds has a distinct investment strategy reflecting the different interests and risks. Policyholder asset shares and the

Guarantee Fund, together, represent those assets which belong 100% to policyholders. The Shareholders' sub-fund represents the accumulation of charges, less costs, and shareholder capital, and provides security to ensure guarantee benefits can be met, and, to the extent it is not required to meet guarantees, it belongs 100% to Shareholders. The purpose and operation of these three parts of the with-profits funds is explained below.

Policyholder Asset Shares

Policies provide a guarantee of a minimum benefit payable on death or retirement, where the guarantee is the amount of premiums paid, accumulated with an investment growth rate, the annual rate of which depends on the type of policy and commencement date. In addition, the fund provides the possibility of a bonus depending on the performance of the underlying investments of the policyholder asset share sub-fund and some smoothing of the fluctuations in the value of the underlying investments.

This is managed by maintaining the accumulated amounts of policy premiums, less charges, in a sub-fund run along similar lines to a unit linked fund. This is priced weekly to provide an unsmoothed asset share. A smoothed asset share is also calculated.

Guarantee Fund

CA can charge against the asset shares a guarantee charge of up to 1.5% p.a. This is reviewed at least annually and any such guarantee charge is taken via a charge in the regular pricing, and the amounts so taken are credited to the Guarantee Fund. To the extent that the Guarantee Fund is deemed surplus to the need to meet guarantees, the surplus will be transferred to the Policyholder Asset Shares.

Shareholder Fund

In addition to the guarantee charge described above, policies are subject to an annual management charge, charged against the asset shares, and risk charges where appropriate for the policy.

In addition to the accumulation of these charges less costs, shareholders have provided capital in the SPP and SPI sub-funds. This provides security to ensure the excess of any guaranteed benefits above asset shares and the Guarantee Fund can be met. Subject to ensuring the fund can meet the policy guarantees, shareholders are entitled to 100% of the shareholder funds in each sub-fund. Due to the structure of the fund, there is no inherited estate.

The operation of the with-profits funds is different from a traditional 90:10 with-profit funds and as such CA has a waiver from the requirements contained in the FCA Rules which facilitates an orderly and timely release of surplus capital from its shareholder funds.

Under Solvency II rules, CA does not need to hold assets to meet the SCR of each fund within the relevant fund. The CA capital management policy does however aim to provide an appropriate level of coverage from within each fund, and this is allowed to vary in line with the overall CA risk appetite.

4. Reinsurance of the Transferring Business

4.1. Overview

On 20 December 2024 CA entered into a Reinsurance Agreement with CLL relating to the Transferring Business. The agreement transfers the economic risk and reward of the business from CLL to CA with effect from 1 January 2024.

4.2. CA liability on CLL insolvency

If CLL were to default on a payment, then (subject to any provisions in the treaty in respect of cure periods or de minimis amounts) the Reinsurance Agreement could be terminated by CA. Under the termination clauses in the agreement a payment would be made that essentially reverses all the payments made under the reinsurance agreement, whilst CA would retain the economic exposure for the period from 1 January 2024 until the termination date. There is no provision for interest to be paid on the termination amount provided it occurs within the timescales in the agreement.

If the termination amount is to be paid to CLL then CA would pay back the non-economic profit from the reinsurance. If the termination amount is to be paid to CA then the money owed to CA should return any non-economic profit owed but there may be a delay in CA receiving the payment (which would mean interest is due) if the payment default is as a result of CLL's insolvency. In an insolvency situation, the full amount may not be received if creditors only receive a proportion of what they are owed. Reinsurance would be ranked below policyholders under normal circumstances for repaying monies owed. The reinsurance agreement has no clauses which alter this and the amounts are not otherwise secured.

As such CA holds some counterparty default risk capital in relation to CLL.

4.3. Risk change on Part VII completion

On completion of the Part VII the reinsurance between CA and CLL ceases to exist as the policies will have been migrated part of CA and likewise the unit-linked assets. At this point the counterparty risk in relation to CLL expires as there are no further payments between CA and CLL.

The expense risk from administering the policies will transfer from CLL to CA and its chosen outsource partners.

The financial impacts of the Part VII can be seen in section 7.

5. Background information on CLL

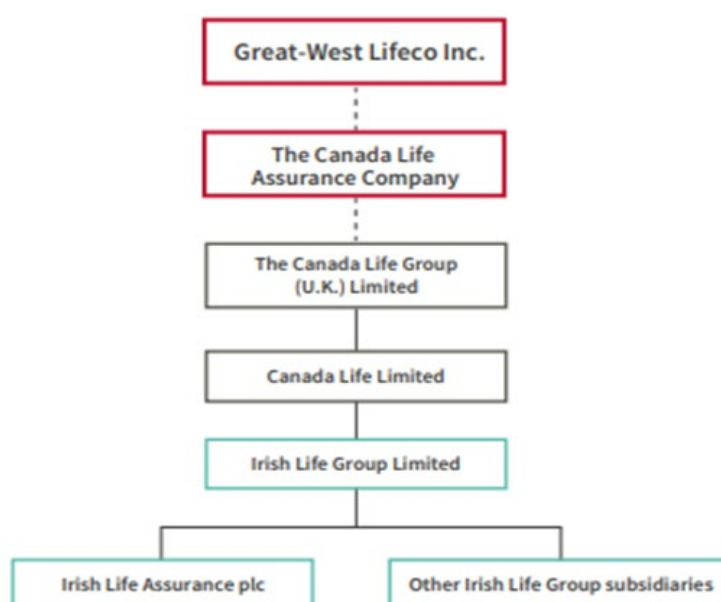
5.1. Introduction and company history

CLL is indirectly owned by Great-West Lifeco Inc.

CLL is a wholly owned subsidiary of The Canada Life Group (U.K.) Limited (CLG) (incorporated in England and Wales), which itself is a 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, a subsidiary of Great-West Lifeco Inc.

Great-West Lifeco Inc. (GWL) and its subsidiaries, including The Canada Life Assurance Company, have approximately \$3.3 trillion Canadian dollars as at 31 December 2024 in consolidated assets under administration and are members of the Power Financial Corporation Group of companies.

A simplified organisational structure (which only shows the main entities in the chain from Great-West Lifeco Inc. down) is as follows:



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

- Transfer of onshore individual protection business to CA (February 2025).
- 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).

5.2. The Business of CLL

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

CLG is the parent of a 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.

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 2024 is given as follows:

Product Line	Gross Premium Written (£m)
Annuity	2,096
Group Protection	699
Unit Linked	86
Total	2,880

As at 31 December 2024, the technical provisions for CLL by line of business, as determined in accordance with the Solvency II regulations, are detailed below.

CLL: Technical Provisions £m	
Line of business	31/12/24
Life Insurance	
Annuities	16,261
Group Life	176
Unit-linked - Onshore	1,531
Unit-linked - Other	846
Individual Protection	(22)
Other life	2
Sub-total	18,792
Group Health Insurance	714
Total	19,507

**The TP is not Net of reinsurance

The policies proposed to transfer under the Scheme correspond to the 'Unit Linked – Onshore' row. As at 31 December 2024, a Best Estimate Liability (BEL) of £1.5bn was held in respect of these 16,058 policies. The BEL mainly consists of unit funds held for the business along with a minimal non-unit BEL of £2.4m.

A Reinsurance Agreement between CLL and CA (see Section 4) has been signed in respect of this business which has fully transferred the economic interests of the business to CA other than in respect of immaterial expense risk associated with policy administration. However, the numbers in the above table do not reflect the impact of this arrangement. This is because the reinsurance arrangement has been treated as a financial instrument for reporting and accounting purposes rather than a reinsurance contract as the underlying business does not have significant insurance risk.

The impacts of the reinsurance agreement are reflected under assets within CLL's balance sheet, and has an offsetting impact on the technical provisions. Owing to this reinsurance arrangement, the transferring business has an immaterial net of reinsurance impact (£0m) on CLL's balance sheet.

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.

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. There have however been some reforms to this since 2023 (as covered below) post which the prudential regime applicable to UK insurers has been referred to as Solvency UK.

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.

CLL has received approval from the PRA to apply a Matching Adjustment in respect of certain lines of business, primarily annuities in payment. 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.

Solvency UK reforms for Matching Adjustment took effect from Q2 2024 and mainly lead to greater investment flexibility for assets held to support the backing business. However, the business being transferred is not impacted from matching adjustment and its reforms.

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 PRA.

The Risk Margin is a provision introduced under Solvency II which is intended reflect the additional compensation a third party would require to accept the insurance liabilities.

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. From 31 December 2024, CLL will follow the simplified new default method for calculating the TMTP introduced as part of the new Solvency UK regime. The TMTP will be derived exclusively from figures produced under Solvency II.

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

CLL's risk profile will not change materially upon the transfer of the business. Therefore, a TMTP recalculation is not expected as a result of the Scheme.

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

5.3. Risk Management Framework

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.

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.

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.

5.4. Risk Profile Summary

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.

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.

The SCR as at 31 December 2024 is split by risk category in the following table.

CL: Breakdown of risk capital (SCR) £m	
Risk category	31/12/2024
Market	845
Counterparty default	66
Life Underwriting	122
Health underwriting	130
Standard Formula Risks	1,163
Credit	1,012
Longevity	555
Catastrophe	455
Internal Model Risks	2,021
Diversification	(1,148)
Operational Risk	117
Other capital requirements	0
Loss Absorbing Capacity of Tax	(28)
Solvency Capital Requirement (SCR)	2,124

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. CLL also sees exposure to catastrophe risk, which mainly comes from its Group Protection business.

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.

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.

5.5. Capital Management Policy

CLL aims to manage its Own Funds so that its solvency position stays above a Capital Operating Target. 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.

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.

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.

In broad terms, CLL's Own Funds are the excess of the value of its assets over the value of its liabilities. As at 31 December 2024, CLL's Own Funds consisted of:

CL: Analysis of Own Funds : £m	
	31/12/2024

Tier 1

Issued share capital	342
Share premium	812
Initial Funds	397
Reconciliation reserve before deductions	1,342
Total Tier 1 capital	2,893

Tier 2

Subordinate liabilities	352
Ancillary own funds	200
Total Tier 2	552

Tier 3

Tier 3 Assets	0
Total Tier 3	0

Total Own Funds	3,446
------------------------	--------------

SCR	2,124
Ratio of eligible Own Funds to SCR	162%

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

Furthermore, CLL's reported solvency ratio as at 31 December 2024 was 162% as shown below.

CLL: Solvency position (figures in £m)	
	CLL
Own Funds	3,446
Solvency Capital Requirement (SCR)	2,124
Excess Own Funds over SCR	1,322
Solvency Ratio	162%

6. Proposed transfer of business

6.1. Rationale for the Scheme

Following the agreement to acquire the Transferring Business from CLL on 20th December 2024 (together with the reinsurance thereof by CA, pending transfer), the transfer of business into CA is expected by Chesnara to achieve the following objectives for CA and Chesnara.

- Chesnara has over 1 million customers of which 263,986 customers are in the UK. The acquisition is in line with Chesnara's strategy of acquiring closed books of life policies and therefore providing additional scale to the UK business.
- Chesnara's existing UK business utilises outsource partners to provide policy administration, claim management actuarial support and investment management services. Chesnara plans to adopt its standard outsourced model in relation to administrative and actuarial support services related to the Transferring Business.
- To strengthen the CA position as a consolidator in the UK insurance market.

It is therefore proposed to transfer the Transferring Business to CA by way of an insurance business transfer scheme under Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000.

From a customer perspective, their rights and obligations under the policies will be transferring without alteration. Preserving the security of contractual benefits and rights, benefit expectations and service levels is of paramount importance for both businesses.

6.2. Transfer Date

The intended legal effective date of the Scheme is 7 December 2025, although CA and CLL can agree to defer the transfer up to 7 March 2026 without further approval from the Court.

6.3. Fund structure of CA

The Transfer will not have an impact on CA's existing fund structure for managing its long-term business. All of the Transferring Business will transfer into CA's Remaining Part.

6.4. Transferring Business

The Transferring Business is defined in the Scheme. It represents a portfolio of closed unit-linked onshore bond and unit-linked pensions business of CLL.

Whilst the reinsurance agreement transfers the economic risks to CA from 1 January 2024, the assets backing the unit-linked liabilities will only be transferred on the effective date of the PVII.

A summary of the Transferring Business, in terms of policy numbers and BEL, as recognised on the CA balance sheet, is provided in the table below.

CLL: policy numbers, BEL:31 December 2024			
Business group	Policies	Non-unit BEL £m	Unit BEL £m
Unit-linked onshore bonds	15081	(2.9)	1,463.3
Unit linked pensions	977	(0.4)	60.2
Transferring business	16,058	(3.4)	1,523.5

Section 5.2, above, has the CLL value of the Transferring Business as £2.4m and yet the above table shows the Transferring Business as having a BEL of -£3.4m. The table below provides a bridge between the two BEL values used by CLL and CA.

Non-unit BEL presentation	£m
CLL's view of transferring business	(7.7)
CLL's view of the tax loss provision	10.1
CLL's view of the non-unit BEL	2.4
CA adjustments incl. deferred tax attributes	(5.7)
Total non-unit BEL - CA view	(3.4)
Incremental risk margin	2.1
Total unit BEL in respect of Transferring Business	1,523.5
Total technical provisions – CA view	1,522.3

The CLL BEL of -£7.7m is presented separately to the tax loss provision of £10.1m, which also forms part of the total SII BEL. The CA BEL is -£3.4m including the tax loss provision. CA's view of expenses (including one-off costs associated with the migration of the business to CA) is incorporated in the adjustments line. Technical Provisions for CA in respect of the transferring business are -£1.3m with the difference being the risk margin that CA holds in respect of the Transferring Business.

The tables below provide a summary of the existing CA business (pre-Transfer), and the combined CA business (post-Transfer).

CA policy numbers and BEL : 31 December 2024 (excluding reinsurance of Transferring business)		
Business group	Policies	BEL £m
Remaining Part		
CA	15,729	283.7
ex-CWA	27,761	571.9
ex-S&P	46,438	559.9
ex-PtL	58,458	46.7
ex-SLP	57,614	2,454.4
ex-CLL individual protection business	37,667	(4.6)
Reinsurance asset	-	(157.7)
Sub-total Remaining Part	243,667	3,754.3
Ring-fenced with-profit funds		
SPP	18,842	174.0
SPI	1,477	8.7
Sub-total RFFs	20,319	182.6
Total	263,986	3,936.9

CA (post Transfer) policy numbers and BEL : 31 December 2024		
Business group	Policies	BEL £m
CA (pre Transfer)	263,986	3,936.9
CL Transferring Business	16,058	1,520.2
Total	280,044	5,457.2

6.5. Administration and Reinsurance arrangements

A change in administration arrangements for the Transferring Business is planned outside the terms of the Scheme. The administration of the Transferring Business is currently undertaken by CLL.

There is ongoing work to migrate the Transferring Business to CA's outsourced administration platform with SS&C and this is expected to be completed in line with the Scheme Effective Date. The migration plan includes a contingency that, if SS&C were not ready to administer the policies in line with the anticipated timescales, CLL would continue to administer the policies and the Effective Date could be delayed up to 7 March 2026 without further approval from the Court, although this is not CA's preferred outcome.

There is no expected impact on overall levels of customer service as a result of the transfer.

The existing distribution agreements relating to the Transferring Business between CLL and certain distributors will be replicated under the Scheme, so that equivalent rights and obligations in relation to commissions are put in place in a new arrangement between CA and the relevant distributor.

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.

6.6. Management of unit-linked business

Unit-linked funds will be created within CA's Remaining Part that have the same investment objectives as the unit-linked funds of the Transferring Business so there will be no changes from the policyholders' perspective.

All assets and liabilities of the unit-linked funds associated with the Transferring Business will be transferring to the corresponding CA unit-linked funds created to replace them, on the transfer date. The new series of funds will operate in exactly the same way and offer the same rights as the original funds, which includes any switching rights. The same value and number of units will be in place on the Transfer Date.

Aside from the fund link agreement with Coutts & Co, other contracts maintained by CLL, related to the Transferring Business, with third parties will not be transferring to CA. Hence other contracts relating to the Transferring Business (e.g. external fund link agreements with other asset managers) will need to be established as part of the migration activity.

6.7. Alterations to the Scheme

The Scheme permits amendments to be made to its terms after the Transfer Date to the extent that there is express provision to do so in the Scheme or if CA applies to the Court to amend the Scheme.

In the latter case, CA must notify the UK regulatory authorities of its intention to make an application to Court and the application shall be accompanied by a certificate from an independent actuary (forming part of a reasoned report based on the latest financial information that can reasonably be made available to the independent actuary at the time of the report) to the effect that in their opinion the proposed amendment will not materially adversely affect the security or materially adversely affect the reasonable expectations of the holders of Transferring Policies or Residual Policies (if any) or Excluded Policies or the other Policies of the Transferee, in each case as they stood before the implementation of the proposed amendment.

6.8. Costs of the transfer

The following costs will be borne equally by CA and CLL:

- the costs and expenses incurred by the IE;
- any costs and expenses in relation to the appointment and advice of Counsel in respect of the Scheme;

- any Court fees;
- any fees of any Regulatory Authority incurred;
- any advertisements placed in respect of the Scheme prior to the Transfer Date; and
- the costs of notifying transferring policyholders and other interested third parties

The following costs will be borne by CA:

- the fees of CA's solicitors and other advisors;
- welcome communications to transferring policyholders;
- any communications to existing CA policyholders; and
- any advertisements placed in respect of the Scheme on or after the Transfer Date

6.9. Governance

CA's governance system sits within the overarching governance system of the Chesnara group. After the Transfer Date, the governance arrangements for oversight are expected to continue in line with existing arrangements and hence there will be no change to the existing CA policies.

The Transferring Business will move from CLL's governance system to that of CA. Both CA and CLL operate a similar governance system where the Board of Directors are responsible for setting and overseeing the implementation of their strategy and risk management. These were discussed in sections 3 and 5.

It should be noted that there will be no impact on the existing arrangements for the with-profits business of CA.

6.10. Communication of the transfer to policyholders

Regulatory requirements

Requirements for communications with policyholders are set out in regulations made under the Financial Services and Markets Act 2000. The regulations require that a notice is sent to every policyholder of both CA and CLL informing them of the proposed transfer.

The regulations also require that a notice stating that an application to Court has been made for an order sanctioning the proposed transfer must be published in (i) the London, Edinburgh and Belfast Gazettes; and (ii) two national newspapers in the UK.

CA and CLL have each developed a Communications Strategy setting out how they will communicate with policyholders in relation to the proposed transfer in accordance with the regulations.

It is CLL's intention that all transferring policyholders be notified of the Scheme as stipulated by regulation. Notices will be published in London, Edinburgh and Belfast Gazettes. Notices will also be placed in The Times and the Daily Mail National newspapers in the UK.

Dispensations and waivers being sought

CA intends to seek a waiver from the notification obligations that would otherwise apply under the regulations applicable to Part VII schemes. CA will seek a waiver from notifying any of its existing policyholders. This is on the grounds that the Transfer is not expected to have any impact on these policyholders (as described in the various actuarial reports, including this Report, the CA WPA report, the CLL Chief Actuary report, and the IE report).

The approach will also mean that CLL seeks a waiver from the Court that will permit CLL to not send notification to policyholders in certain circumstances. For example, notification will not be sent to non-transferring CLL policyholders, on the grounds that the existing CLL policyholders will not be materially impacted by the Scheme and the cost of the notifications would be disproportionate.

CLL also intends to seek an additional waiver from the Court permitting it not to send the notification to transferring policyholders in certain customary circumstances. The waivers sought from the Court would apply to personal representatives or executors of deceased policyholders and policyholders that CLL are unable to trace ("gone-aways").

7. Financial position of CA before and after the Scheme

7.1. Background

This section of the report considers the expected financial impact on CA following the transfer of business from CLL. The financial position is assessed using the Solvency II balance sheet.

7.2. Balance sheet showing combined position

The table below shows the financial positions of CA and the Transferring Business from CLL on solo bases, and the expected combined position (on the basis that the Scheme had taken place as at 31 December 2024). Note that the CA position already includes the reinsurance of the Transferring Business from CLL.

The expected synergy benefit principally reflects that part of the Transferring Business that has been reinsured into CA retrospectively with effect from 1 January 2024 and is therefore not an incremental benefit of the Part VII. In particular, the £(11.9)m impact on assets is reflective of the reinsurance settlement paid by CLL to CA in respect of 2024, which is a feature of both CA's reported position and the value of the Transferring Business as at 31 December 2024. Some benefit arises due to operational synergies and diversification within the SCR which also benefits the Risk Margin.

Pro-forma and solo balance sheets at 31 December 2024 : £m

Balance sheet item	CA (net of reinsurance of transferring business)	CLL Solo	Pro-forma combined CA & CLL Solo	Synergy benefit
Allowing for 2024 dividend				
Assets	4,280.3	1,535.4	5,803.8	(11.9)
Technical Provisions	(3,945.5)	(1,522.3)	(5,469.0)	(1.3)
Other liabilities	(157.5)	0.0	(157.5)	0.0
Own Funds (pre restrictions)	177.4	13.1	177.4	(13.1)
RFF restrictions	(1.9)	0.0	(1.9)	0.0
Foreseeable dividends	(45.0)	0.0	(45.0)	0.0
Own Funds (post restrictions)	130.4	13.1	130.4	(13.1)
SCR	(96.3)	(12.8)	(95.8)	13.3
Excess assets	34.1	0.4	34.7	0.1
SCR cover %	135%	103%	136%	

Note that pro-forma combined Technical Provisions are broken down into £5,457.1m BEL and £12.0m Risk Margin.

The pro-forma balance above allows for the impact of diversification within the SCR and Risk Margin.

Although CLL uses a partial internal model for the Transferring Business, all but the credit, longevity and catastrophe risks use the Solvency II Standard Formula approach. CA currently uses the Solvency II Standard Formula approach to assessing the SCR, and it is expected that this is likely to remain appropriate for CA following the transfer given the above components are not material for the Transferring Business.

The table shows that following the transfer the combined CA business will have a solvency ratio of 136% of its SCR. The position is almost unchanged (0.8% increase) from the CA pre-transfer ratio, which reflects that the reinsurance has already transferred the economic risks associated with the Transferring Business.

7.3. Pro-forma capital requirements

The table below shows the capital requirements and overall SCR positions of CA and CLL on solo bases, and the expected combined position (on the basis that the Scheme had taken place at 31 December 2024).

In addition, CA has considered the post transfer balance sheet under a number of sensitivities to both market conditions and changes to demographic assumptions. The solvency position remains robust to a range of adverse scenarios, with CA continuing to cover the SCR.

Note that unlike in the previous section the CA position is shown before the reinsurance of the Transferring Business from CLL.

Pro-forma and solo SCR assessment at 31 December 2024 : £m

Balance sheet item	CA (gross of reinsurance of transferring business)	CLL solo	Pro-forma combined CA & CLL solo	Synergy benefit
Interest	9.9	2.0	11.9	-
Equity	42.1	3.4	45.5	-
Property	1.7	0.0	1.7	-
Spread	12.8	0.0	12.8	-
Concentration	0.9	-	0.9	-
Currency	14.1	0.1	14.1	-
Diversification	(20.7)	(1.5)	(22.6)	(0.3)
Market Risk	60.7	4.0	64.4	(0.3)
Counterparty Default Risk	5.6	1.6	5.6	(1.6)
Mortality	5.7	0.4	6.1	-
Longevity	4.9	0.4	5.3	-
Disability	0.5	-	0.5	-
Expense	17.7	3.0	20.7	-
Lapse	26.2	10.1	36.2	-
Catastrophe	2.5	-	2.5	-
Diversification	(15.6)	(1.9)	(17.8)	(0.3)
Life Underwriting Risk	41.8	12.0	53.5	(0.3)
Health Underwriting Risk	3.5	-	3.5	-
Diversification	(26.0)	(4.5)	(29.5)	1.0
Operational Risk	6.5	1.1	7.5	-
Other capital requirements	-	-	-	-
Loss Absorbing Capacity of Tax	(8.4)	(0.7)	(9.2)	(0.1)
Solvency Capital Requirement (SCR)	83.7	12.8	95.8	(0.7)

7.4. With-Profits business

The transfer of the Transferring Business into CA will not impact on the financial operation or capital management policy relating to the CA with-profits business.

- The with-profits business reinsured to ReAssure will be unaffected by the Transfer.
- There is no impact on the balance sheets of the ring-fenced SPP and SPI funds.

7.5. Developments since 31 December 2024

The financial information presented in this paper corresponds to a valuation date of 31 December 2024. This section summarises notable developments since that date and is correct as at 30 May 2025:

- 1) The transfer of individual protection business from CLL to CA took effect on 23 February 2025. The economic interests of the business were previously transferred by way of reinsurance. This was reflected in the financial positions presented as at 31 December 2024 and hence the subsequent effecting of the transfer has no material impact on my conclusions in this report.
- 2) CA paid a dividend of £45.0m to Chesnara in April 2025. This was recognised as a foreseeable dividend in the balance sheet as at 31 December 2024 and therefore has no impact to the pre or post-Scheme positions presented in section 7.2.
- 3) There has been some volatility in the markets, particularly in the early part of April, following the US “Liberation Day” announcement of assorted trade tariffs. The solvency position of CA has been estimated as at the end of April in line with usual routines and it is estimated that solvency ratio has increased in the year-to-date and hence remains within the tolerance levels set out in the capital management policy.

Overall, there have been no developments to date that alter my conclusions set out in section 9.

8. Impact of the Scheme on existing CA policyholders

This section focuses on the impact of the Scheme on the existing CA policyholders.

In particular, I consider the impact of the Scheme on:

- the security of the benefits of the CA policyholders;
- the reasonable benefit expectations of the CA policyholders;
- the wider responsibility to treat customer fairly, under the FCA's Principle 6, including the new FCA Consumer Duty, and
- policy administration in respect of CA policies.

8.1. Risks

In terms of Solvency II Standard Formula risk capital, and risks:

- The Transferring Business carries a lower proportion of capital associated with market risks compared to CA's existing business due to comprising entirely unit-linked business.
- The Transferring Business carries a higher proportion capital associated with lapse risk mainly due to the existing mass lapse reinsurance for CA.
- In terms of other risks, the exposure in the Transferring Business has a slightly higher exposure to expense risk.

As referred earlier, the strategy is to migrate the administration for the Transferring Business (ahead of the Transfer Date), which will align the CA and Transferring Business's operating models. Hence, the challenges of expense management and operational risks would be similar.

The larger part of CA's business is unit-linked, and the main risks are investment related, lapse and expense risks. The Transferring Business is also all unit-linked and the main risks are similar. The unit-linked liabilities of the Transferring Business are covered by unit-linked assets, which means that the security of CA is not materially impacted by the transfer.

As the Transferring Business has a similar risk profile to CA's existing unit-linked business, the Part VII 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.

8.2. Solvency II Reforms: Solvency UK

Solvency II was a fundamental review of the capital adequacy regime for the European insurance industry. Solvency II aimed to establish a set of EU-wide capital requirements and risk management standards and has replaced the Solvency I requirements.

The Government undertook certain reforms in 2023 to the existing Solvency II regime to tailor this to the UK insurance market. The revised regime is termed Solvency UK.

Both CA and CLL report in line with the requirements of Solvency II regulation as they apply in the UK. Further details of CA's business can be found in the Solvency and Financial Condition Report ("SFCR") published on the CA website.

8.3. FCA Consumer Duty

The FCA's Consumer Duty came into effect from 31 July 2023.

The FCA has stated that it expects that this duty sets a higher and clearer standard to existing principles by requiring firms to ensure their products and services are fit for purpose and offer fair value, and to help consumers make effective choices or act in their interests.

The Consumer Duty focuses on outcomes which relate to products and services, price and value, consumer understanding and consumer support.

The products comprising the Transferring business were fully reviewed by CLL in line with the duty. From the Scheme Effective Date, CA will ensure ongoing compliance in all respects of Consumer Duty for the Transferring Business.

8.4. Security of Benefits

The Scheme is expected to result in a small increase in the solvency ratio for CA. This is expected to be 136% (in line with the CA capital policy and in line with how CA has been run on a solo basis prior to the Scheme).

The solvency ratio for CLL has historically been managed at a higher level than that of CA. However CLL writes new business and this tends to mean the business is managed to a higher solvency ratio e.g. to manage the associated capital strain and new business risks such as managing acquisition expenses and policy volumes etc. CA is primarily a closed business so does not carry these risks (CA's open product is not capital intensive) and therefore tends to be managed with a lower solvency ratio. A number of sensitivities on the Transferring Business have been undertaken. As discussed in this report, and as demonstrated by the analysis in paragraphs 7.2 and 7.3, CA has appropriate capital to manage its risks including the stresses on the Transferring Business. In extremis, CA also has potential support available from the Chesnara Group, which could step in to secure policyholder benefits if that were required. At 31 December 2024 the solvency ratio for Chesnara Group was 203% on a Solvency II basis and as such the security of the policyholder's benefits on the Transferring Business are expected to be maintained.

CLL has authority to calculate its Solvency Capital Requirement using a partial internal model (PIM) approved by the PRA in accordance with the Solvency II

Regulations. Its Risk function has responsibility for developing the validation framework and carrying out an independent validation of the internal model and its components which includes an assessment of the ongoing appropriateness of the internal model for the risk profile of the business. SCR is calculated using the PIM for the following material risk components – longevity risk, credit risk and catastrophe risk and the Standard Formula is used to calculate the SCR for all other risk components. These risk components, although material to CLL as a whole, are not material to the Transferring Business. The Transferring Business was not the motivation for the PIM application. As such the Standard Formula approach remains appropriate for CA.

The CA board approved capital management policy has a “dividend paying limit” of 120%; that is a dividend cannot be proposed that takes the post dividend solvency ratio below 120%.

The operation of the SPP and SPI with-profits funds will not be affected by the Scheme and will remain ring-fenced. Therefore, the policyholder with-profits funds within these sub-funds remain protected via their ring-fenced arrangements. Furthermore, for the CA with-profits business that is reinsured to ReAssure, the reinsurance arrangement is unaffected.

In addition, the approach to risk management and capital policy of the two businesses are similar as can be seen in the table below.

	Similarities	Differences
Risk Management	Both CA and CLL operate a “three lines of defence model” for the management of risks and internal controls	<p>CLL use the PIM in respect of longevity, credit and catastrophe risks whereas CA will use the standard formula. These risks are not material for the Transferring Business.</p> <p>CA is closed to new business aside from onshore bonds and thus has a stable risk profile</p>

	Similarities	Differences
Capital Management	<p>The Capital management operating policy is approved by the Board for both CLL and CA.</p> <p>CLL manages its Own funds so that the solvency position stays above an internal Capital Operating Target, falling below this level prompts consideration of management actions. CA also manage their Own funds by ensuring the solvency position stays above the dividend paying limit (120%) and management actions limit (110%).</p>	<p>CLL's own funds are divided into three tiers of which tier 1 is over 80% whereas all of CA's own funds is tier 1 (highest quality).</p> <p>CLL has no with-profit fund as at YE24, CA has three with-profits funds however according to Solvency II rules CA does not need to hold assets to meet the SCR within each of these funds.</p>

Hence, in this respect there is expected to be no change to the security of the approach in managing the with-profits business.

It is also worth noting that as both CLL and CA are a UK-regulated companies, policyholders' protections and rights as provided by the Financial Services Compensation Scheme and Financial Ombudsmen Service are unaffected by the transfer.

Overall, in my view, the security of the existing CA policyholders is not adversely affected by the Scheme.

8.5. Policyholder benefit expectations

For existing CA policies there will be no change to any contractual terms of under the Scheme.

For CA non-profit policies, the benefits payable are set out in policy terms and conditions.

For CA unit-linked policies, the operation of policy terms will not change, and the operation of policy features, such as charges, will continue and will be unaffected by any Scheme terms.

For CA with-profits business, the benefits under such policies have discretionary features, as determined by the relevant operations of the with-profits funds, and the PPFMs. There will be no change to any of the terms or the PPFMs.

Furthermore, the ring-fenced operation of the with-profits funds will continue and will be unaffected by the Scheme.

8.6. Administration and reinsurance arrangements

There is to be no change to the administration and reinsurance arrangements for the existing CA policyholders as a result of the Scheme.

As indicated earlier in the Report, as part of the Transfer the Transferring Business will move from being administered by CLL to the outsourced operating model used by CA. There will be no change to policyholder benefits or terms and conditions, and there is no expected impact on levels of customer service as a result of the transfer.

8.7. Communication to Transferring Policyholders

I have considered the terms of the draft notifications to transferring policyholders and other interested third parties and consider that they fairly present the terms of the Scheme.

8.8. Costs

The costs of preparing the Scheme and presenting it to policyholders and to the Court will be met from shareholder resources and will not impact the benefits of policyholders.

8.9. Tax

It is not expected that there will be any adverse tax consequences for policyholders as a result of implementing the Scheme.

8.10. Treating Customers Fairly

I have considered whether the approach adopted in developing the Scheme has been in line with the requirement to “treat customers fairly” (FCA Principle 6) and the “Consumer Duty” (the new FCA Principle 12). In particular, whilst the Scheme will financially achieve benefits for shareholders, I have considered how the following have been addressed:

- The security of policyholder benefits.
- The reasonable benefit expectations of policyholders (including how tax and expenses may be applied).
- The service and administration standard.
- The information needs of policyholders in respect of the Scheme.

I have considered these items in the contexts of the effects of the Scheme in preparing the Scheme Report. In my opinion, both CA and CLL have given due regard to the need to treat all policyholders fairly in developing the Scheme.

9. Conclusions

Based on the considerations set out in this Report, it is my opinion that:

- The proposed Scheme will not have an adverse impact on the security of benefits of the existing CA policyholders.
- I do not expect the reasonable benefit expectations of CA's policyholders to be adversely affected by the Scheme. It should be noted that this includes the CA with-profit policyholders, as the operation of the ring-fenced arrangements for the two with-profit funds and their associated PPFM will be unaffected, as will the reinsurance arrangements for the with-profits business reinsured to Reassure.
- There will be no change to the administration of existing CA policies, and therefore no reason to expect that the service standards for the existing CA policyholders will be adversely affected by the Scheme.
- There are no features of the Scheme that I would expect to prejudice the Court approval of the Scheme.

I also support the application for the waivers highlighted in this Report.

Based on these considerations, my advice to the Board is therefore that there is no reason why the Scheme should not proceed.

Rob Goodwin

Chief Actuary

Countrywide Assured plc

2 July 2025

Glossary of defined terms and abbreviations

Term	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.
BEL	Best Estimate Liability – the amount required to be held by a company in reserve under Solvency II / Solvency UK rules in respect of the company's expected future liabilities.
Buffer	The buffer or capital buffer 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	Countrywide Assured plc.
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 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 group protection.
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.
Capital Management Policy	The policy by which a firm sets out 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.

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.
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.
EY	Ernst and Young LLP registered in England and Wales.
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.
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.
Financial Ombudsman Service.	A service in the UK which settles claims between consumers and businesses that provide financial services.
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.
IE	Independent Expert
IFoA	Institute and Faculty of Actuaries
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.
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.
MCR	Minimum Capital Requirement
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 as the Non-Profit Fund to distinguish it from the two ring-fenced with-profits funds. Also referred to as the Remaining Part.
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 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.
PIM	Partial Internal Model. An approach to calculating the SCR under Solvency II where the Standard Formula is not used. Use of and the nature of a Partial Internal Model must be approved by the appropriate regulator.
PPFM	PPFM stands for Principles and Practices of Financial Management, a document that covers how a company manages its with-profits policies.
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.
Reinsurance Agreement	An agreement that in effect transfers the economic interests of the Transferring Business to CA. Note that CA also has a number of existing reinsurance arrangements in place as outlined in section 3.3.
Reinsurance Effective Date	Date at which the Reinsurance Agreement took effect.
Report	The report of the CA Chief Actuary on the impact of the Scheme.
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 certain 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 Transferring 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

Solvency II (SII)	A set of EU-wide capital requirements and risk management standards which applies to firms. Solvency UK is reformed UK equivalent.
Solvency UK	Solvency UK is the term for the reforms being applied to SII rules for UK firms.
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 Transferring 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.
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.
Technical Provisions	The value of the technical insurance liabilities of an insurer, as determined for regulatory purposes. Under Solvency II (and Solvency UK), 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.
Transferring Business	The business being transferred under the Scheme.
Transferring Policies	The policies being transferred to CA 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.
VA	Volatility Adjustment. The VA is an upwards adjustment to the risk-free rate sometimes used under Solvency II or Solvency UK to discount long-term liabilities. It is similar to the MA, but the VA is prescribed by the PRA rather than calculated based on the assets held to match the liabilities.
WPA	With-Profits Actuary