PHOENIX LIFE LIMITED

Proposed Scheme to transfer the entire business of Phoenix Life Assurance Limited, Standard Life Assurance Limited and Standard Life Pension Funds Limited to Phoenix Life Limited

Supplementary Report by the Chief Actuary on the impact of the Scheme on Policyholders of Phoenix Life Limited

20 September 2023

Contents

1. INTRODUCTION

This report is a supplementary report to my report entitled 'Report by the Chief Actuary on the Impact of the Scheme on Policyholders of Phoenix Life Limited' dated 18 April 2023 ("my report"). All definitions and abbreviations used in my report apply also to this supplementary report. For ease, these are also shown in Appendix 2.

In my report I concluded that no class of policyholder of Phoenix Life Limited ("Phoenix") will be materially adversely affected by the implementation of the Scheme and, in particular, that the Scheme should not have any material adverse impact on the security of benefits or the reasonable benefit expectations of the existing Phoenix policyholders.

In this supplementary report, I consider whether, taking into account developments since the date of my report and their potential impact on Phoenix and its policyholders, it remains appropriate to proceed with the Scheme. In considering the position, it is important to distinguish between changes that affect, or would affect, Phoenix policyholders in any event, irrespective of the implementation of the Scheme, and changes in the position of policyholders or a particular group of policyholders that arise, or might arise, as a result of the implementation of the Scheme. Only the second type of change is of relevance in deciding whether the conclusions reached in my report remain valid.

As part of my consideration of the Scheme in this supplementary report, I have updated the financial analysis to use financial information as at 30 June 2023 (see section 3), taken into account events that have occurred since then and considered whether the impact of the Scheme on the security of benefits or the reasonable benefit expectations of Phoenix policyholders would be affected in light of that updated information.

In section 6 I conclude that there are no changes to the conclusions of my report. Appendix 1 includes an opinion given by the With-Profits Actuaries supporting these conclusions in respect of the with-profits policyholders of Phoenix.

This supplementary report is written for the Phoenix Board in my capacity as Chief Actuary for Phoenix. As well as the Board, the report may be used by the Independent Expert, the High Court, the PRA, the FCA and any overseas regulators and courts in forming their own judgements about the Scheme. It is supplementary to my report and should accordingly be read alongside my report.

In this supplementary report I consider whether it remains appropriate to proceed with the Scheme solely from the perspective of the policyholders of Phoenix.

I am also the Chief Actuary of Phoenix Life Assurance Limited ("PLAL"), as was the case when I wrote my report. I have written a separate supplementary report which considers the policyholders of PLAL.

This supplementary report and the underlying preparation work that has been carried out is in my opinion compliant with the relevant Technical Actuarial Standards issued by the Financial Reporting Council that apply to certain types of actuarial work, namely TAS100: General Actuarial Standards and TAS 200: Insurance.

In my opinion there has been an appropriate level of review in the production of this supplementary report and it is compliant with the requirements of Actuarial Practice Standard X2 as issued by the Institute and Faculty of Actuaries.

2. DEVELOPMENTS SINCE MY REPORT

2.1. Changes to the Scheme

I note that there have been no changes to the Scheme since the date of my report, with the exception of the addition of one small subsidiary of SLAL to the list of transferring subsidiaries in Schedule 3. This change has no impact on my conclusions.

2.2. Sanctioned Policyholders

Three policyholders of SLAL are "designated persons" under the Russia (Sanctions) (EU Exit) Regulations 2019. Because of these regulations, it will not be possible to transfer the policies and pension plans of these individuals until either a licence is received from the Office of Financial Sanctions Implementation or the sanctions are lifted. Therefore, these policies will be treated as Excluded Policies under the Scheme and remain in SLAL until they can be transferred to Phoenix under the Scheme. Until this happens, the benefits due under these plans will be reinsured to Phoenix under an Excluded Policies reinsurance arrangement, which I have reviewed. This has no impact on my conclusions.

2.3. Economic Conditions

The financial analysis in my report was prepared as at 31 December 2022. The following table sets out the values of some key economic indicators during 2023.

Table 1: Movement in key economic indicators

	31 December 2022	31 March 2023	30 June 2023	31 August 2023
FTSE-100	7,451.7	7,631.7	7,531.5	7,439.1
Corporate bond spread (bps over Gilts):				
AAA	101	108	92	87
AA	127	141	130	124
A	168	175	161	157
BBB	233	239	226	213
Residential Property Index	526	516	517	512
15 year swap rate	3.6%	3.4%	4.0%	4.1%
15 year gilt yield	4.1%	3.8%	4.5%	4.6%

Corporate bond spread data is based on an internal analysis of corporate bond holdings. Other financial data is sourced from Nationwide (residential property seasonally adjusted index), EIOPA (swap rates) and Bank of England (gilt yield)

Over 2023, equity values increased slightly in the first half of the year but fell back to start year levels by the end of August, and there has been a slight fall in property values. Following more significant yield rises in 2022, there have been smaller rises in gilt yields and swap rates in 2023 while corporate bond spreads have narrowed slightly.

The financial analysis shown in section 3 reflects the market conditions as at 30 June 2023. Any subsequent movements of note affecting the companies are commented on in section 3.3.

2.4. Developments affecting the financial position of Phoenix

My report showed the financial position of Phoenix at 31 December 2022 and the estimated financial position had the Scheme been in effect at that date. Below I summarise the key developments in 2023 which have affected the financial position of Phoenix since the date of my report.

Valuation assumptions and methodology
In line with normal practice Phoenix has reviewed and made changes to valuation assumptions and methodology used in the calculation of the BEL and SCR to reflect business and economic changes over the period.

Key changes related to enhancements to the modelling of certain derivative contracts and an expansion to the sources of future taxable profits used to assess the changes in tax balances under stress, which together reduced the SCR for Phoenix by around £180m.

Developments affecting the financial position of PLAL, SLAL and SLPF
The financial position of Phoenix after the Scheme is implemented is also affected by events that have affected PLAL, SLAL and SLPF prior to the Scheme being implemented. In his supplementary report, the SLAL and SLPF Chief Actuary has summarised the key developments in 2023 that affect the financial position of those companies. Similarly in my PLAL Chief Actuary supplementary report I have summarised the key developments in 2023 that affect the financial position of PLAL.

The key developments summarised in the PLAL, SLAL and SLPF reports are:

- Like Phoenix, the companies have reviewed and made changes to valuation assumptions and methodology used in the calculation of the BEL and SCR. The key change following the review was a reduction in SLAL's assumed investment expenses which increased SLAL's excess of own funds over SCR by around £60m.
- In July 2023 the Boards of PLAL and SLAL approved payments to PGH of £150m and £50m respectively. The payments were in the form of loans, which will be converted into dividends at an appropriate date in the future.
- In June 2023, the SLAL Board approved a committed liquidity support facility from the SLAL PBF to the SLAL German With-Profits Fund to support derivative collateral requirements. This arrangement is an extension of the existing capital support arrangement. It was agreed in August that the SLAL German With-Profits Fund will be provided with £22m of liquidity support through this facility. When the business is transferred to Phoenix, the facility and any outstanding loan will be replicated between the Phoenix Non-Profit Fund and the newly-established German With-Profits Fund of Phoenix. It does not affect the ability of SLAL, or following the transfer Phoenix, to meet its capital policy requirements and as such this does not affect my conclusions.

2.5. Risk management frameworks

Risk Appetite

In section 4.3.1 of my report I noted that the risk appetite which underpins the Phoenix Capital Policy ("PCP") was undergoing a review prior to the Scheme being implemented to ensure its continued appropriateness after the Scheme is implemented.

This review is now complete and concluded that the 1-in-10 likelihood level used in the PCP remains appropriate for the PCP Scheme Capital Quantity Test after the Scheme is implemented.

The capital quality assessments continue to be reviewed and updated in line with the underlying framework and risk appetite principles, which have not changed and will continue to apply to Phoenix after implementation of the Scheme.

The capital quality assessments take credit for planned or contingent management actions which could be taken to improve the availability of liquid assets after a stress event, such as the implementation of further unit matching on unit linked business. The Scheme clarifies that Phoenix will be able to carry out unit matching on unit-linked policies allocated to the Heritage WPF. Subject to the Scheme going ahead and approval by the Phoenix Board, it is planned to implement unit matching on some of this business later in 2023. The impact of this activity will be allowed for in the capital quality assessment of Phoenix as a future management action until the action is implemented in practice.

PCP parameter

I noted in section 3.3 of my report that the PCP parameter (of 38%) was currently being reviewed as part of its normal review schedule. This review ensures that the amount held, when expressed as a percentage of SCR, continues to meet the requirements of the PCP. It does not represent a change to that policy. As a result of the review, in June 2023 the Phoenix Board approved a change to the parameter from 38% to 39%.

The Phoenix Board in August 2023 determined that to meet the Scheme Capital Quantity Test when the Scheme is implemented a PCP parameter of 38% of SCR will be required . This will be subject to review at least on an annual basis.

Retention of additional capital

I noted in section 3.5 of my report that additional capital may be retained over and above that required by the PCP to make allowance for mis-estimation risk. This is currently the case for Phoenix and additional capital is also held for each of PLAL and SLAL over and above their respective capital policy requirements.

Additional capital will also be retained in Phoenix after the Scheme. The amount to be retained will be subject to regular review, informed by an assessment of the potential mis-estimation risk that might arise.

Liquidity Framework review

In section 6.2.5 of my report I noted that, while the established liquidity framework operated as intended during the period of extreme market volatility in the second half of 2022, a review was in progress that would reflect on the experience and consider how it might be enhanced.

The review and an annual refresh of the Liquidity Framework have now completed. An action plan is in place to implement enhancements that were identified by the review. In the interim, 'stop-and-think' trigger points above the minimum buffers have been introduced to mitigate the potential risk of decisions being made based on insufficiently reliable data. The triggers are expected to reduce as the planned enhancements are made. Phoenix will continue this approach when the Scheme is implemented. I have taken this into account in my assessment of the Scheme's financial impacts.

Phoenix met its liquidity buffer requirements as at 31 August 2023 and I expect it to meet its buffer requirements immediately after the Scheme is implemented.

Liquidity facilities

A new committed liquidity facility from PGH to the life companies has been established. This is not expected to be utilised in the normal course of events but provides additional assurance of a quick and effective source of liquidity if required by the life companies, for example in the event that a market stress sharply increases liquidity requirements. The liquidity facility will continue after the Scheme is implemented, and the amount of the facility available to Phoenix immediately after the Scheme will be equal to the sum of the facilities available to Phoenix, PLAL, SLAL and SLPF prior to the Scheme.

2.6. Other developments

TMTP and MA applications

In section 5.2 of my report I set out the proposed changes to Phoenix's TMTP methodology in light of the Scheme. These were used to prepare the estimated solvency position of Phoenix after the Scheme is implemented. The TMTP application was submitted and has been approved by the PRA subject to the Scheme being approved.

In the same section of my report I noted that the MA portfolios in the SLAL PBF and the PLAL Non-Profit Fund will transfer into the MA portfolio of the Phoenix NPF with the exception of two longevity risk transfer arrangements in SLAL. I also noted that an application to maintain the SLAL Heritage WPF's MA portfolio in the newly-established Heritage WPF of Phoenix would be required and that approval may not be in place for a short period after the Scheme is implemented. The application was submitted in April 2023. I have commented in section 3.2 of this report on the impact of this not being approved before the Scheme is implemented.

Accounting Practice

In section 5.5 of my report I noted that the IFRS 17 reporting standard came into effect on 1 January 2023 and that it was not expected to have a significant impact on the solvency position of Phoenix. The Board Audit Committee of the life companies agreed in June 2023 that, while the IFRS 17 standard will be used to prepare consolidated financial statements for PGH group reporting, the life companies will convert from IFRS 4 to UK GAAP rather than to IFRS 17. This accounting change was in place for June 2023 reporting and there was no significant effect on the reported solvency position of the life companies as a result.

Consumer Duty

FCA Consumer Duty rules came into force on 31 July 2023 in respect of new and existing products or services which are open to new business. The rules come into effect on 31 July 2024 for closed products.

The companies involved in the Scheme have a common approach to assessing the implications of the new rules. The Scheme will therefore have no effect on the way Consumer Duty is embedded into the business for any product, or the way it has been embedded for products which are open to new business.

3. REVIEW OF FINANCIAL ANALYSIS

An update on section 5 of my report is given below.

3.1. Position of Phoenix before and after the transfer

My report showed the financial position of Phoenix as at 31 December 2022 and the estimated position had the Scheme been in effect as at that date. The following tables and the comments in this section 3 update this analysis as at 30 June 2023, taking into account the economic conditions as at that date as referred to in section 2.3 and the developments in 2023 affecting the companies as described in section 2.4. The TMTP included in each of the tables has been recalculated on a pro forma basis as at, and run off up to, 30 June 2023. In respect of the solvency approvals for which I have provided an update in section 2.6:

- The TMTP included in Table 3 is consistent with the recalculation application that has been approved by the PRA subject to the Scheme being approved.
- Table 3 assumes that the MA application is approved.

As noted in section 2.4, loans were made from SLAL and PLAL to PGH in July 2023 that will be converted into dividends at a future date. Table 3 includes the impact of these loans as if they had been in place on 30 June 2023. The loans will remain assets and therefore still contribute to the Own Funds of the companies, but the SCR will be increased by an amount equal to the values of the loans. This means that the overall net impact of the loans in Table 3 is a reduction in Excess of Adjusted Own Funds over SCR of £200m, which is the same as the impact of a £200m dividend.

An adjustment is made to the Own Funds and SCR relating to certain policies transferring from SLAL under the Scheme which are expected to subsequently transfer to abrdn Life and Pensions Limited under a future scheme. While that scheme would be subject to court approval at the time, the company will be managed on the assumption that the scheme will proceed because doing so results in a prudent assessment of the Excess of Adjusted Own Funds over SCR shown in Table 3, which is c£70m lower than it would be without the adjustment. A similar adjustment was made as at 31 December 2022.

Table 2 below shows the financial position of Phoenix as at 30 June 2023. The position as at 31 December 2022 in my report is shown for comparison.

Table 2: Financial position of Phoenix as at 30 June 2023 and 31 December 2022

	Phoenix as at 30 June 2023 before the effect of the Scheme			*Phoenix as at 31 December 2022 before the effect of the Scheme*		
	Own Funds £m	**RFF Restriction** £m	**SCR** £m	*Own Funds* *£m*	*RFF Restriction* *£m*	*SCR* *£m*
WPFs	1,190	358	558	*1,199*	*401*	*505*
NPF and Shareholders' Fund	2,738	-	1,717	*2,797*	-	*1,788*
Total	**3,929**	**358**	**2,275**	*3,996*	*401*	*2,293*
			Total			*Total*
Excess of Adjusted Own Funds over SCR			**£1,295m**			*£1,302m*
Solvency Ratio – All funds			**157%**			*157%*
Solvency Ratio excluding unsupported WPFs			**175%**			*173%*

Table 2 shows that between 31 December 2022 and 30 June 2023 there was little change in the Excess of Adjusted Own Funds over SCR.

Table 3 below shows the estimated financial position of Phoenix as at 30 June 2023, as if the Scheme had been in effect as at that date. The equivalent position as at 31 December 2022 that was given in my report is shown for comparison.

Table 3: Financial position of Phoenix as at 30 June 2023 after the effect of the Scheme on a pro forma basis

	Phoenix as at 30 June 2023 after the effect of the Scheme			*Phoenix as at 31 December 2022 after the effect of the Scheme*		
	Own Funds £m	**RFF Restriction** £m	**SCR** £m	*Own Funds* *£m*	*RFF Restriction* *£m*	*SCR* *£m*
Existing Phoenix WPFs	1,190	358	558	*1,199*	*401*	*505*
Heritage WPF	1,943	1,340	603	*1,943*	*1,166*	*777*
LL WPF	14	-	17	*20*	-	*18*
NPL WPF	114	-	115	*119*	-	*154*
Pearl WPF	726	311	276	*797*	*346*	*314*
SERP Fund	56	-	78	*67*	-	*92*
NPF and Shareholders' Fund	5,749	-	2,788	*5,759*	-	*2,572*
Total	**9,791**	**2,009**	**4,434**	*9,905*	*1,914*	*4,433*
			Total			*Total*
Excess of Adjusted Own Funds over SCR			**£3,347m**			*£3,558m*
Solvency Ratio – All funds			**175%**			*180%*
Solvency Ratio excluding unsupported WPFs			**220%**			*225%*

The estimated Excess of Adjusted Own Funds over SCR has reduced by c£200m compared to the estimate at 31 December 2022. The effect of changes in economic conditions over the period and changes that reflect the reviews of valuation assumptions and methodology broadly offset. The loans to PGH described in section 2.4 are the main driver of the reduction, reducing the excess by £200m.

Comparing the positions shown in Tables 2 and 3 at 31 December 2022 and 30 June 2023 show that the financial position of Phoenix following the Scheme will show a similar impact. As was the case in my report, this comparison shows that implementation of the Scheme will lead to an increase in the Excess of the Adjusted Own Funds over the SCR. Other than the effect of the loans to PGH, the size of the increase is similar to that shown as at 31 December 2022. The Scheme will also increase Phoenix's solvency ratio.

Based on analysis of the pro forma position of Phoenix after implementation of the Scheme, Phoenix would have met its regulatory capital requirements and the higher levels implied by the PCP on 30 June 2023. The Scheme Capital Quantity Test is the more onerous requirement of the PCP as at 30 June 2023 on a pro forma basis and this is expected to remain the case following the implementation of the Scheme.

This outcome is influenced by the ability to perform unit matching on the unit linked policies allocated to the Heritage WPF as described in section 2.5 above, because unit matching activity improves liquidity and therefore improves the assessment of capital quality, but has relatively little impact on the overall solvency capital position.

3.2. Impact of UK Solvency II approvals

In addition to the TMTP approval received, which will become effective on the approval of the Scheme, the financial analysis set out above also assumes that the Heritage WPF Matching Adjustment application will be approved by the PRA.

As I noted in my report, if approval is not in place before the Scheme is implemented there would be a temporary increase in valuation liabilities but this would have no impact on policyholders and no material impact on Phoenix's solvency position.

The impact on the solvency position relative to that shown in Table 3 would be very small. There would be an increase in SCR of c£70m but, as the Heritage WPF would still cover its own SCR, the increase would be offset such that Phoenix's overall Excess of Adjusted Own Funds over SCR would be unchanged. Phoenix would therefore still have met its regulatory capital requirements and the higher levels implied by the PCP on 30 June 2023 on a pro forma basis in the absence of the Matching Adjustment approval.

3.3. Impact of events since 30 June 2023

The change in economic conditions since 30 June 2023, as illustrated by Table 1 in section 2.3, has not had a material impact on the solvency position shown in section 3.1.

As noted in sections 2.4 to 2.6, a number of other events and actions have occurred since the end of June or are expected to take place before the Scheme is implemented. Taking into account those events and actions, market movements, new business written and the run-off of in-force policies since then, Phoenix met its regulatory capital requirements and the more onerous requirements of the PCP at the date of this supplementary report and is expected to do so after the implementation of the Scheme.

3.4. UK Solvency II Reform

In section 5.5 of my report I described progress made on proposed reforms to the UK's solvency regime post-Brexit ("Solvency UK"), including that the PRA had indicated that changes are likely to be staggered.

In June 2023 HMT published draft Statutory Instruments which will implement the reform proposals announced in November 2022, and the PRA published the first in a series of consultations setting out further details of its proposed implementation of Solvency UK.

HMT has confirmed that Risk Margin reforms are due to come into effect by 31 December 2023. HMT also signalled their desire for the proposed changes in the PRA's June consultation to be implemented by 31 December 2024. These will simplify TMTP calculation methodology, amend regulatory reporting requirements and streamline the approval process for internal models, and introduce changes to internal model requirements and capital add-ons.

A second PRA consultation, which is planned for September 2023, will focus on reforms relating to the Matching Adjustment and cover eligibility rules, attestation requirements and certain changes to calculation, and reporting. These changes are expected to be implemented by 30 June 2024, subject to the industry consultation on the feasibility of this timeline.

The Risk Margin reforms will lead to a reduction in Risk Margin which will be partially offset by a reduction in TMTP, resulting in an improved solvency position. The impact of the Matching Adjustment reforms is not yet known as the policy is not confirmed but the current expectation based on proposals is that in aggregate the Risk Margin and Matching Adjustment reforms will lead to an improvement in the reported solvency position.

The implementation of Solvency UK is relevant to all companies involved in the Scheme and will come into effect irrespective of whether the Scheme is implemented. While acknowledging the remaining uncertainties at this stage in the consultation process, the Solvency II reforms therefore have no impact on my conclusions.

4. POLICYHOLDER COMMUNICATIONS AND OBJECTIONS

4.1. Policyholder communication

I have reviewed the Scheme guide prepared for Phoenix policyholders and the related materials made available on its website. I am satisfied that the information regarding the proposals as contained therein adequately brings the proposals to the attention of policyholders and that it is not necessary to bring the observations made in this supplementary report to the attention of policyholders, although I note that this report will be available to policyholders on the website.

42,085 responses have been received as at 15 September 2023, 16,468 of which were from Phoenix policyholders.

4.2. Objections

As at 15 September 2023, 68 objections to the transfer have been received in total. Of these objections, 5 have come from Phoenix policyholders. The table below shows the main topics of the Phoenix policyholders' objections and explains where these were addressed in my report, or expresses my views on them if they were not addressed in my report.

Objection topic	Response
Concerns around whether the proposals mean that Phoenix is experiencing financial difficulties	The financial analysis presented in section 5 of my report and section 3 of this supplementary report demonstrate that Phoenix meets its regulatory capital requirements and the higher level implied by the PCP currently and, on a pro forma basis, will continue to do so after the Scheme is implemented.
Concerns regarding the transfer benefiting Phoenix and not being in the interests of policyholders	The rationale for the transfer is set out in section 4.1 of my main report and I am satisfied that this rationale is appropriate. I am also satisfied that the Scheme has been prepared with the interests of policyholders in mind and that its impacts on policyholders, which include there being no material adverse impacts on policyholder security, reasonable benefit expectations or the quality of administration, are appropriate.
Concerns over business-as-usual complaints raised previously	As the proposed transfer will not affect the complaint resolution process for existing Phoenix policyholders, I am satisfied that the transfer will not disadvantage customers with existing complaints or otherwise affect the resolution of those complaints.

I note that all objections have been replied to and have been passed to the regulators and to the Independent Expert for their information, and will also be passed to the High Court.

I have considered those objections and none of the concerns raised in those objections affects the conclusions in my report and this supplementary report, with the table above setting out some commentary on the main topics including my rationale where those topics were not directly covered in my report.

Objections received after 15 September 2023 will continue to be replied to and passed on to the parties noted above.

5. EFFECT OF THE SCHEME ON PHOENIX POLICYHOLDERS

5.1. Policyholder security

The key points in my report with regard to the effect of the Scheme on the security of Phoenix policyholders were:

- Phoenix currently meets its regulatory capital requirements and the additional requirements of the PCP.
- The financial position of Phoenix will be improved following implementation of the Scheme.
- Whilst implementation of the Scheme will increase the surplus in Phoenix, little reliance or benefit can be placed on any surplus over that required by the PCP in terms of improving the security of policyholders.
- I considered the level of capital support that will be available to provide security of benefits for Phoenix policyholders to be at least the same as that available currently.

From the analysis shown in section 3 of this supplementary report I note that Phoenix currently meets its regulatory capital requirements and the more onerous requirements of the PCP and after the Scheme is implemented, it will on a pro forma basis continue to meet these requirements. The requirements would be met irrespective of the outcome of the matching adjustment application described in section 3.2.

As described in section 2.5, additional capital is held where appropriate to cover the risk of mis-estimation of the solvency position. This provides further protection and will apply in a similar manner before and after the Scheme is implemented.

Therefore, my opinion remains unchanged that the level of capital support that will be available to provide security for benefits for Phoenix's policyholders after the Scheme is implemented should be at least the same as the level of capital support currently available to provide security for benefits.

I am also satisfied that the management of liquidity set out in sections 2.4 and 2.5 above will operate in the same way for Phoenix after the Scheme as prior to the Scheme.

5.2. Policyholder benefits

In my report, I noted that there would be no material reduction in the reasonable benefit expectations of current Phoenix policyholders as a result of the Scheme. The terms of the Scheme have not been changed and none of the developments since my report have affected the conclusions drawn by me in my report. Therefore, my opinion remains that the reasonable benefit expectations of the Phoenix policyholders will not be materially adversely affected by the implementation of the Scheme.

The With-Profits Actuaries of Phoenix have confirmed that they agree with my opinion as set out in sections 5.1 and 5.2 with regard to holders of with-profits policies. Their opinion is included as Appendix 1 to this supplementary report.

6. CONCLUSIONS

My opinion is that the changes in the economic conditions and the other matters referred to in this supplementary report have not affected the conclusions that I reached in my report. Therefore my opinion remains that no class of Phoenix policyholder will be materially adversely affected by the implementation of the Scheme and, in particular, that the Scheme should not have any material adverse impact on the security of benefits or the reasonable benefit expectations of the existing policyholders in Phoenix. I continue to believe that the Scheme is consistent with Phoenix's obligation to treat its customers fairly and act to deliver good outcomes, and there should be no adverse effect on the levels of service provided to such policyholders.

A D Rendell
Fellow of the Institute and Faculty of Actuaries
Chief Actuary
20 September 2023

APPENDIX 1 – OPINION OF THE WITH-PROFITS ACTUARY

Introduction

This opinion is supplementary to the opinions set out in the report dated 18 April 2023 entitled "Proposed Scheme to transfer the entire business of Phoenix Life Assurance Limited, Standard Life Assurance Limited and Standard Life Pension Funds Limited to Phoenix Life Limited - Report by the With-Profits Actuary on the impact of the Scheme on With-Profits Policyholders of Phoenix Life Limited" (the "Main Report") and should accordingly be read alongside the Main Report. Terms used in this opinion have the same meanings given to them in the Main Report.

The Main Report was a joint report as there were two Phoenix With-Profits Actuaries each appointed for different funds, and it was noted that references to "I" and "my" should be taken as representing each With-Profits Actuary individually in relation to the funds for which that With-Profits Actuary is appointed. Since the date of the Main Report, one of the two Phoenix With-Profits Actuaries has retired and this has led to a change in the individuals acting as With-Profits Actuary for the Phoenix with-profits funds as summarised below.

Fund	With-Profits Actuary Previously	With-Profits Actuary Now
BIB WPF, Britannic WPF	Jonathan Peat	Jonathan Peat
90% WPF, NPI WPF, Phoenix WPF, SAL WPF, SM WPF	Andrew Burke	Jonathan Peat
Alba WPF, 100% WPF	Andrew Burke	Brian Murray
SPI WPF	Andrew Burke	Kate Stewart Roper

This supplementary opinion remains a joint opinion, with "I" and "my" to be taken as representing each With-Profits Actuary individually in relation to the funds for which that With-Profits Actuary is appointed.

Introduction to the new With-Profits Actuaries

<u>Brian Murray</u>

I am a Fellow of the Institute and Faculty of Actuaries. I was appointed as With-Profits Actuary for the Alba WPF and 100% WPF of Phoenix in May 2023.

I am an employee of Phoenix Group Management Services Limited ("PGMS"), which is a wholly owned subsidiary of PGH, the parent company of the Phoenix Group. My remuneration structure is consistent with that of other senior managers in the organisation.

I do not hold any policies with Phoenix, nor do I hold policies with any of the other companies within the Phoenix Group other than through pension scheme benefits provided by my employer under a SLAL Phoenix Group Master Trust arrangement which will transfer as part of the Scheme.

The proposed transfer will not change my pension arrangements under the SLAL Master Trust arrangement, in particular there are no changes to terms and conditions or the way the policy is invested. Should the transfer go ahead, the policy will be treated in the same way as all other policies of the same type, in particular, like all other policies it will have the same value after the transfer as before.

During the period up to the Transfer Date, I will comply with applicable law and regulations and the Phoenix Group's share dealing policy if dealing in any shares in PGH. I do not currently own any PGH shares.

I am confident that my pension arrangements do not affect my objectivity in carrying out my review as With-Profits Actuary. As a Fellow of the Institute and Faculty of Actuaries, I am bound by a professional code of conduct, which requires me to act with integrity and impartiality. I confirm that I have not considered my personal interest in reaching any of the conclusions detailed in this report.

I have considered the Main Report and support its conclusions.

<u>Kate Stewart Roper</u>

I am a Fellow of the Institute and Faculty of Actuaries having qualified as a Fellow of the Faculty of Actuaries in 1993. I have over 30 years of experience in the life assurance industry and joined Standard Life in 2002. I became the SLAL With-Profits Actuary in October 2019 and the With-Profits Actuary for the SPI WPF of Phoenix in June 2023. If the Scheme is implemented, I expect to be appointed as the With-Profits Actuary for the four new with-profits funds in Phoenix established to contain the relevant transferred SLAL business including the SL Intl reinsurance arrangements.

I am an employee of PGMS, which is a wholly owned subsidiary of PGH, the parent company of the Phoenix Group. As an employee, I have benefits including share options (which are contingent on performance conditions) and I also have pension provision through policies affected by this Scheme. My remuneration structure is consistent with that of other senior managers in the organisation.

In addition to share options mentioned above, I own shares in PGH. During the period up to the Transfer Date, I will continue to comply with applicable law and regulations and the Phoenix Group's share dealing policy if dealing in any shares in PGH.

I have no SLAL with-profits investments. I have a unitised with-profits pensions policy in the SPI WPF of Phoenix which I effected whilst a member of staff of the Scottish Provident Institution.

The with-profits policy forms only a small part of my overall pension arrangements. The SLAL pension policies are unit-linked and are those previously or currently available to employees to make provision for their retirement.

The proposed transfer will not change my policies, in particular there are no changes to policy terms and conditions or the way the policies are invested. Should the transfer go ahead, my policies will be treated in the same way as all other policies of the same type, in particular, like all other policies they will have the same value after the transfer as before.

Given the above, I am confident that holding these policies does not affect my objectivity in carrying out my review as With-Profits Actuary. As a Fellow of the Institute and Faculty of Actuaries, I am bound by a professional code of conduct, which requires me to act with integrity and impartiality. I confirm that I have not considered my personal interest in reaching any of the conclusions detailed in this report.

I have considered the Main Report and support its conclusions.

Technical standards

This opinion and the underlying preparation work that has been carried out is in my opinion compliant with the relevant Technical Actuarial Standards issued by the Financial Reporting Council that apply to certain types of actuarial work, namely TAS100: General Actuarial Standards and TAS 200: Insurance.

In my view there has been an appropriate level of review in the production of this supplementary opinion and it is compliant with the requirements of Actuarial Practice Standard X2 as issued by the Institute and Faculty of Actuaries.

Considerations and Opinion

I note that there have been no changes to the terms of the Scheme since the date of the Main Report, with the exception of the addition of one small subsidiary of SLAL to the list of transferring subsidiaries in Schedule 3. This change has no impact on my conclusions.

I have reviewed the 3 objections received from Phoenix with-profits policyholders in response to the notifications and publicity for the Scheme together with the responses to those objections. Those objections did not raise any points that had not previously been considered in the Main Report and I have not seen anything in those objections which affects the conclusions in the Main Report and this opinion.

I have considered the supplementary report produced by the Chief Actuary of Phoenix and support its conclusions in respect of the with-profits policyholders of Phoenix.

In my opinion, for the reasons set out in the supplementary report of the Phoenix Chief Actuary, in the Main Report and in this opinion, I remain satisfied that the Scheme will not materially adversely affect the interests and reasonable expectations of Phoenix with-profits customers and the protections afforded to these customers, including those whose benefits are reinsured to Phoenix. In particular, I believe that the Scheme should not have any material adverse impact on the security of with-profits customers' benefits and that the Scheme is consistent with treating those customers fairly.

DocuSigned by:

3206C21D8F81473...

Jonathan Peat

Fellow of the Institute and Faculty of Actuaries

DocuSigned by:

5F74190CADB042E...

Brian Murray

Fellow of the Institute and Faculty of Actuaries

DocuSigned by:

014B5EC87D7E4C5...

Kate Stewart Roper

Fellow of the Faculty of Actuaries

APPENDIX 2 – GLOSSARY

Term	Definition
100% WPF	The 100% With-Profits Fund of Phoenix.
90% WPF	The 90% With-Profits Fund of Phoenix.
Alba WPF	The Alba With-Profits Fund of Phoenix.
BEL	Best Estimate Liabilities. One of the components of the technical provisions under UK Solvency II. The BEL is calculated by projecting the expected future obligations of the insurer over the lifetime of the insurance contracts using the most up-to-date financial information and best-estimate actuarial assumptions. The BEL represents the present value of those projected cashflows.
BIB WPF	The Britannic Industrial Branch With-Profits Fund of Phoenix.
Britannic WPF	The Britannic With-Profits Fund of Phoenix.
Court of Session	The supreme civil court of Scotland.
FCA	Financial Conduct Authority.
German With-Profits Fund	The new version of the German With-Profits Fund of SLAL that will be created in Phoenix.
Heritage WPF	The new version of the Heritage With-Profits Fund of SLAL that will be created in Phoenix.
High Court	The High Court of Justice of England and Wales.
Independent Expert	An experienced actuary, who is independent of Phoenix Group and approved by the regulators, and who produces a report on the transfer and its impact on customers as part of the Part VII transfer process. This report is relied on by the regulator and Courts.
LL WPF	The new version of the London Life With-Profits Fund of PLAL that will be created in Phoenix.
MA	Matching Adjustment. This is an adjustment to the risk-free rate used in UK Solvency II valuation of cashflows where insurers hold certain long-term assets with cashflows that match the liabilities.
NPF	The Phoenix Non-Profit Fund. This comprises all assets and liabilities attributed to the non-profit business of Phoenix.
NPI WPF	The NPI With-Profits Fund of Phoenix currently. A with-profits fund established under the Phoenix 2012 Scheme in order to hold the with-profits element of the policies transferred from NPI Limited.
NPL WPF	The new version of the PLAL NPL With-Profits Fund that will be created in Phoenix.
Own Funds	The excess of an insurer's assets over its liabilities on a UK Solvency II basis.
PCP	The Phoenix Capital Policy. This will be Phoenix's capital policy and can be seen as the company's view of the capital it will aim to hold so that all funds have sufficient assets to cover their SCR. This is underpinned by the Phoenix Capital Policy requirements of the Scheme.
Pearl WPF	The new version of the Pearl With-Profits Fund of PLAL that will be created in Phoenix.
PGH	Phoenix Group Holdings plc. A holding company and ultimate EEA parent undertaking of subsidiaries within the Phoenix Group.
PGMS	Phoenix Group Management Services Limited. A PGH company providing services to Phoenix and PLAL.
Phoenix	Phoenix Life Limited. A life insurance subsidiary of PGH.

Term	Definition
Phoenix Group	PGH and all of its subsidiaries.
Phoenix WPF	The Phoenix With-Profits Fund of Phoenix.
PLAL	Phoenix Life Assurance Limited. A life insurance subsidiary of PGH that was renamed from Pearl Assurance in 2012.
PRA	Prudential Regulation Authority.
SAL WPF	The SAL With-Profits Fund of Phoenix.
Scheme	The proposed Scheme and all proposals included in the Scheme, including any documents referred to in the Scheme relating to its proposed implementation and operation.
Scheme Capital Quality Test	An element of the Phoenix Capital Policy under the Scheme which helps to determine the minimum amount of capital that Phoenix must hold in excess of its regulatory requirements, and is based on continuing to hold sufficient assets of sufficient quality in stress events.
Scheme Capital Quantity Test	An element of the Phoenix Capital Policy under the Scheme which helps to determine the minimum amount of capital that Phoenix must hold in excess of its regulatory requirements, and is based on continuing to hold a sufficient amount of assets in stress events.
SCR	Solvency Capital Requirement. One of the regulatory capital requirements under UK 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 frame with a probability of 99.5%.
SERP Fund	The new version of the SERP Fund of PLAL that will be created in Phoenix.
SLAL	Standard Life Assurance Limited. A life insurance subsidiary of PGH.
SLAL German With-Profits Fund	The German With-Profits Fund of SLAL.
SLAL Heritage WPF	The Heritage With-Profits Fund of SLAL.
SLAL PBF	The SLAL Proprietary Business Fund.
SL Intl	Standard Life International DAC. A life insurance subsidiary of PGH based in Ireland.
SLPF	Standard Life Pension Funds Limited. A wholly owned life insurance subsidiary of SLAL.
SM WPF	The Scottish Mutual With-Profits Fund of Phoenix.
Solvency II	Regulatory solvency framework for the European Economic Area insurance and reinsurance industry.
SPI WPF	The SPI With-Profits Fund of Phoenix.
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 Institute and Faculty of Actuaries.
Technical Provisions	The value of the insurance liabilities of an insurer, as determined for regulatory purposes. Under Solvency II (and UK Solvency II), the Technical Provisions comprise the BEL and the Risk Margin.
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.

Term	Definition
Transfer Date	The time and date that the Scheme becomes operative
UK Solvency II	The regulatory regime for insurance companies in the UK since 1 January 2021.
Unit Matching	A practice by unit-linked providers, whereby some unit-linked assets are encashed upfront that would otherwise be encashed when AMCs are charged. The Companies are therefore choosing to receive some of the value of future AMCs immediately rather than waiting for these to be paid over time.