

Summary of the Independent Expert's Report

For existing policyholders of abrDN Life & Pensions Limited

Introduction

Phoenix Life Limited (Phoenix Life) is proposing to implement a Scheme to transfer a block of insurance policies to abrDN Life & Pensions Limited (abrDN Life). The Transferring Policies comprise the following insurance policies, Retail and Institutional Trustee Investment Plans (RTIP and ITIP), Retail and Institutional Personal Pension Investment Plans (RPPIP and IPPIP) and Property-Linked Reinsurance Policies. An exception applies to any such policies that have investment in with-profits funds, whether fully or partially, which are excluded from the Transferring Policies. The Transferring Policies are provided by Phoenix Life under the Standard Life brand and administered by abrDN Investment Management Limited (aIML) with communications in relation to policy administration branded abrDN. This Scheme requires approval from the High Court; therefore, an application has been made under Section 111 of the Financial Services and Markets Act 2000, also referred to as a Part VII transfer.

I have been appointed by abrDN Life and Phoenix Life (the Companies) to report in the capacity of the Independent Expert on the terms of the Scheme. I am a Fellow of the Institute and Faculty of Actuaries with over 30 years of experience in the life insurance industry. I am a Partner at Grant Thornton UK LLP and hold a Life Chief Actuary Practising Certificate issued by the Institute and Faculty of Actuaries. My appointment was approved by the Prudential Regulation Authority after consultation with the Financial Conduct Authority (FCA) and was confirmed in a letter dated 30 July 2024.

I have written a complete and detailed report (my Full Report) in which I consider the effects of the Scheme on three groups of policies:

- policies transferring from Phoenix Life to abrDN Life (Transferring Policies);
- policies remaining at Phoenix Life and not transferring (Non-transferring Policies); and
- policies already in existence at abrDN Life before the Scheme (Existing Policies).

This report is a summary of my Full Report addressed to the Existing Policies of abrDN Life. A copy of my Full Report is available at abrDN.com/uk/fund-updates.

I will also produce a Supplementary Report ahead of the final court hearing that is scheduled for 12 March 2025. The Supplementary Report will provide any necessary updates to my conclusions and will address any queries, issues or objections arising from any of the policyholders involved or from other interested parties.

The Chief Actuaries of Phoenix Life and abrDN Life have produced their own reports on the proposed Scheme. I have considered both Chief Actuaries' reports as part of my work.

In this summary report, I consider the effect of the Scheme on the benefit expectations, benefit security and the standards of administration, servicing, risk management and governance and present my overall conclusions.

Benefit expectations

For Existing Policies of abrnn Life, benefits will be calculated as before the Scheme. There will be no changes to policy terms and conditions or policy charges as a result of the Scheme.

Overall, I am satisfied that the implementation of the Scheme will not have a material adverse effect on the benefit expectations of policyholders of Existing Policies of abrnn Life.

Benefit security

Policyholder benefit security is provided by insurers holding:

1. reserves to meet policyholder benefits;
2. regulatory capital to protect against risks insurers are exposed to; and
3. additional capital over and above the regulatory capital, a buffer that is set in their capital policy.

The security of policyholder benefits is assessed by comparing each firm's ability to meet the three financial metrics above, both before and after the Scheme is implemented.

abrnn Life has been holding significant assets in excess of its regulatory requirements and its own capital policy for a number of years. This is in preparation for the Scheme so that it has the financial strength to accept the Transferring Policies. I have considered calculations on the likely financial impact of the Scheme on abrnn Life, which show that abrnn Life is able to meet its capital policy and by extension, its regulatory financial commitments. I have also considered stress conditions and their impact on the forward-looking financial position.

As mentioned in my Full Report, as a result of the Scheme, abrnn Life will enter into a reinsurance arrangement with Phoenix Life to allow Transferring Policies continued access to the Standard Life Pooled Property Pension Fund. This introduces a new risk for abrnn Life, the risk of Phoenix Life defaulting on its obligations. This risk will be reflected in abrnn Life's regulatory capital requirement after the Transfer Date, with abrnn Life needing to hold capital against the risk materialising.

The amount of capital that abrnn Life will need to hold against this risk depends on the credit rating of Phoenix Life and the amount reinsured. Given the amount expected to be reinsured, a credit rating downgrade of Phoenix Life would result in abrnn Life failing to meet its capital policy target, although it would continue to meet its regulatory capital requirement and still have a buffer above that level. A material increase in the amount reinsured, without any credit rating downgrade to Phoenix Life, could also result in abrnn Life failing to meet its capital policy target although the increase in the amount reinsured would need to be significant before abrnn Life failed to meet its regulatory capital requirement.

Having reviewed the financial strength of Phoenix Life, I view a credit rating downgrade as unlikely. Furthermore, I am satisfied that there are suitable mitigants in place to protect against this risk, including actions that can be taken by abrnn Life to avoid a material increase in the amount reinsured.

abrnn Life will also enter into a reinsurance agreement with Schrodgers to maintain access to the Schrodgers Life Fund. While this introduces risk to Schrodgers defaulting, the exposure is small and abrnn Life holds capital against the risk.



Considering the above, I am satisfied with the financial strength of abrdrn Life after the Scheme is implemented.

Overall, I am satisfied that the implementation of the Scheme will not have a material adverse effect on the benefit security of policyholders of Existing Policies of abrdrn Life.

Administration and servicing, risk management and governance

For the Existing Policies in abrdrn Life, there will be no change to their administrative and servicing arrangements, nor risk management and governance structures.

On implementation of the Scheme, Transferring Policies will be migrated to the FAST platform owned by SS&C Financial Services (SS&C). SS&C currently administer abrdrn Life's Trustee Investment Plan (TIP) policies, therefore the administration of the Transferring Policies will also change from aML to SS&C. While this will increase the volume of business administered by SS&C, I do not expect these changes to cause a material deterioration in administration or service standards.

Overall, I am satisfied that the implementation of the Scheme will not have a material adverse effect on the administration, servicing, risk management and governance for Existing Policies of abrdrn Life.

Other considerations

In the course of my duties, I have taken into account the Consumer Duty requirements set by the FCA, as well as the effects of any sanctions, tax consequences, political changes, changes in the UK insurance regulatory regime, the economic environment, the transformation programme in abrdrn Group, the consequences of the Scheme not proceeding and other business transfers. I find no evidence to suggest that these considerations would adversely affect the policyholders of Existing Policies of abrdrn Life.

Conclusion

Taking all of the above into consideration, it is my opinion that the Scheme will not have any material adverse effect on the Existing Policies of abrdrn Life, with respect to the reasonable benefit expectations, benefit security and the standards of administration, servicing, risk management and governance, and other considerations mentioned.

A handwritten signature in black ink, appearing to read "S. J. Perry".

Simon Perry

Fellow of the Institute and Faculty of Actuaries

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6 December 2024