Grant Thornton

Independent Expert Report
on the proposed Scheme to transfer certain long-term business from Phoenix Life Limited to abrdn Life and Pensions Limited

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Contents

1 Terminology

Term	Description
abrdn Group	abrdn plc together with its holding companies and direct and indirect subsidiaries.
abrdn Life	abrdn Life and Pensions Limited. The company to which the Transferring Policies will be transferred.
aIL	abrdn Investments Limited is part of the abrdn Group and currently provides all the services to run abrdn Life.
aIML	abrdn Investment Management Limited is part of the abrdn Group and currently administers the Transferring Policies.
Annual Management Charge (AMC)	An Annual Management Charge (AMC) is a fee charged to investors in a fund. The charge provides revenue to the fund provider to cover the fund provider’s relevant expenses and contribute to profit.
Capital Policy	Refers to the strategic guidelines and principles that an insurance company follows regarding its capital management.
CFIP	Corporate fund investment policies, of which there are two affected by the transfer (CFIP1 and CFIP2).
Charges	This refers to both annual management charges and fund expenses, which can be taken through unit cancellation or through reduction of investment return on the fund. Charges and fund expenses impact the number of units or the unit price, therefore impacting policy values.
CIS	Collective Investment Scheme. This refers to a vehicle by which the income and capital gains/losses from a collective investment are shared among participants of the scheme.
Climate risk	The risk arising from a fall in the value of investments or an increase in expenses or insurance liabilities caused by climate change.
Companies	The collective reference to Phoenix Life and abrdn Life, the companies involved in the Transfer.
Conduct risk	The risk that any action of a regulated firm or individual would lead to customer detriment or

Term	Description
	has an adverse effect on market stability or effective competition.
Consumer Duty	Introduced by the FCA, it is a regulation that sets the standard of consumer protection across the financial services sector.
Contracts (Right of Third Parties) Act 1999	The Contracts (Rights of Third Parties) Act 1999 enables third parties to enforce terms in contracts in some cases, whereas previously only a party to a contract could enforce its terms.
Credit risk	The risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance and reinsurance undertakings are exposed, in the form of counterparty default risk, or spread risk, or market risk concentrations.
Currency risk	The risk of exchange rate fluctuations that result in fluctuations in charges which are based on sterling-equivalent asset values.
Directions Hearing	The initial hearing at which the Court considers the companies' plans for the insurance business transfer application and all related required procedures, including notifying policyholders. Also known as the preliminary hearing.
EBC	Employee Benefit Consultants
ERMF	Enterprise Risk Management Framework.
ESG	Environmental, social and governance.
Existing Policies	The insurance policies that are already in abrdn Life prior to the Transfer.
Existing Policyholders	Policyholders who have Existing Policies at abrdn Life prior to the Transfer, consisting mainly of trustees and insurance companies.
FAST	The platform, owned by SS&C onto which the Transferring Policies will be migrated.
FCA	The Financial Conduct Authority. A financial regulatory body in the United Kingdom.
FCA Handbook	The FCA's Handbook of rules and guidance.
Final Hearing	Also known as the ‘Sanction Hearing’, this is the hearing at which the Court decides

Term	Description
	whether to approve the Transfer and the terms of the Scheme. 'Final Hearing' and 'Sanction Hearing' are used interchangeably throughout the Report.
Financial risk	The risk of having insufficient financial resources, suffering losses from adverse markets or the failure or default of counterparties.
FSMA	The Financial Services and Market Act, written in 2000.
Gone-aways	Policyholders who are unreachable by the insurer due to any reason, such as outdated contact details.
Group risk	The collective risk exposures and potential financial impacts associated with the operations and obligations of the entire group of companies.
IFA	Independent Financial Advisors
Independent Expert	The person appointed to produce a report on the effect of the Scheme on different groups of policyholders for the Court as part of a Part VII Transfer process.
Internal Model	A bespoke model developed by an insurance or reinsurance undertaking to calculate its Solvency Capital Requirement under Solvency II. All insurers are required to calculate their Solvency Capital Requirement using either their own Internal Model or the Standard Formula.
IPPIP	Institutional Personal Pension Investment Plan - one of the products in the Transferring Policies.
ITIP	Institutional Trustee Investment Plan – one of the products in the Transferring Policies.
Linklaters	Linklaters LLP is the legal advisor to Phoenix Life and abrdn Life on the Scheme.
Liquidity risk	The risk that an undertaking is unable to realise investments and other assets in order to settle their financial obligations when they fall due.
Market risk	The risk of loss or adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and

Term	Description
	the volatility of market prices of assets, liabilities and financial instruments.
MCR	Minimal capital requirement. This is the absolute minimum capital over and above Technical Provisions. An insurer has to hold the higher of the SCR and MCR.
MIFIDPRU	MIFIDPRU stands for the 'Prudential Sourcebook for MiFID Investment Firms'. It is a set of regulations established by the Financial Conduct Authority (FCA) in the UK. These regulations outline the prudential requirements for investment firms that fall under the Markets in Financial Instruments Directive (MiFID). MIFIDPRU covers various aspects such as capital requirements, risk management, and governance for these firms.
Non-transferring Policies	The policies which, under the Scheme, will remain with Phoenix Life and will not be transferred.
Non-transferring Policyholders	The policyholders who hold policies which will not transfer to abrdn Life as part of the Transfer.
Operational risk	The risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.
Own Risk and Solvency Assessment (ORSA)	The entirety of the processes and procedures employed to identify, assess, monitor, manage, and report the short and long term risks a (re)insurer faces or may face and to determine the own funds necessary to ensure that the (re)insurer overall solvency needs are met at all times.
Phoenix Group	Phoenix Group Holdings plc together with its holding companies and direct and indirect subsidiaries.
Phoenix Life	Phoenix Life Limited. The company from which the business is being transferred.
Phoenix Life 2023 Scheme	The previous Part VII transfer of the business of Phoenix Life Assurance Limited, Standard Life Assurance Limited and Standard Life Pension Funds Limited to Phoenix Life.

Term	Description
PPF	This refers to the Standard Life Pooled Property Pension Fund of Phoenix Life.
Property-linked Beneficiaries	These are the reinsured parties under each of the Property-linked Reinsurance policies
Property-linked Reinsurance	One of the types of policy being transferred, which is inbound unit-linked reinsurance.
PRA	The Prudential Regulation Authority. The prudential regulator of insurance companies in the UK.
Regulators	The PRA and FCA.
Regulatory risk	The risk that significant regulatory changes lead to interpretation and implementation risks and result in compliance failure.
Report	This Report, produced by the Independent Expert for the Court assessing the terms of the Scheme and its impact on the different groups of policyholders.
Reports	Refers to this Report, the Summary Reports and the Supplementary Report produced by the Independent Expert.
RMF	Risk Management Framework.
RPPIP	Retail Personal Pension Investment Plan - one of the products in the Transferring Policies.
RTIP	Retail Trustee Investment Plan - one of the products in the Transferring Policies.
Sanction Hearing	The hearing at which the Court decides whether to approve the Transfer and the terms of the Scheme. This is also referred to as the ‘Final Hearing’ throughout the Report.
Scheme	The legal document that sets out the terms of the proposed Part VII transfer of the Transferring Policies from Phoenix Life to abrdn Life.
Schroders	Schroder Pension Management Limited with whom Phoenix Life has a reinsurance agreement.
Schroders Life Fund	The Schroders Life Fund refers to the Schroder Life Intermediated Diversified Growth Fund.
SCR	The solvency capital requirement is the capital that insurance and reinsurance

Term	Description
	companies are required to hold to ensure that their assets continue to exceed their Technical Provisions over a one-year time period with a probability of 99.5%.
SIPP	Self-Invested Personal Pension. This is a type of Personal Pension with a wider investment choice where the individual member makes the investment decisions.
Solvency UK	The name sometimes currently used for the UK's implementation of the Solvency II regulatory solvency framework.
Solvency II	The regulatory solvency framework, as implemented in the UK, applicable to UK insurers.
SS&C	SS&C Financial Services International Limited and SS&C Financial Services Europe Limited.
Standard Formula	A standardised calculation for the Solvency Capital Requirement of an insurance or reinsurance undertaking, as prescribed under Solvency II. All insurers are required to calculate their Solvency Capital Requirement using either the Standard Formula or an Internal Model.
Strategic risk	The possibility of one or more strategic partners not delivering the expected benefits and therefore causing adverse impacts on customer outcomes, strategic objectives, regulatory requirements and reputation.
Summary Reports	Summaries of this Report which will be written alongside this Report, an overall summary and one for each group of policyholders.
Supplementary Report	A further report that will be produced ahead of the Sanction Hearing. It will update the Court on the Independent Expert's conclusions in light of any significant events subsequent to the date of this Report.
TAP	The Trustee Administration Platform is a platform owned by Phoenix Group, on which aIML currently administers the Transferring Policies.
Tax risk	The potential reduction in earnings and / or value as a consequence of unforeseen tax

Term	Description
	costs or inappropriate reporting and disclosure of information relating to taxation.
Technical Provisions	Insurers maintain Technical Provisions, which correspond to the current amount the company would have to pay if it were to transfer its insurance and reinsurance obligations immediately to another insurer.
The Court	The High Court of Justice of England and Wales. The Court will decide if the Scheme is to be approved.
TIP	Trustee Investment Plan. One of the types of policy being transferred.
TIP-Gateway	One of the types of policy being transferred.
ToR	Terms of Reference
Transfer	The Transfer taking place between Phoenix Life and abrdn Life. In general, a Part VII transfer is a transfer of long-term insurance business from one insurer to another under Part VII of the FSMA.
Transfer Date	The date when the Scheme, if approved, will become effective. This is expected to be 28 March 2025.
Transferring Policies	The policies which, under the Scheme, will be transferred from Phoenix Life to abrdn Life.
Transferring Policyholders	The policyholders who hold policies with Phoenix Life that will be transferred to abrdn Life as part of this Transfer.
Underwriting risk	The risk that the frequency or severity of insured events may be worse than expected. It also includes expense risk.
VIF	The Value in Force refers to the present value of the profits expected to be earned by an insurer on the in-force business.
WPF	With-Profits Funds.

2 Purpose and scope

Background to the Scheme

2.1 Phoenix Life Limited (Phoenix Life) proposes to transfer certain long-term business to abrdn Life & Pensions Limited (abrdn Life).

2.2 The policies being transferred (the Transferring Policies) comprise unit-linked insurance products which are provided by Phoenix Life and administered by abrdn Investments Management Limited (aIML). These products are:

- Institutional Trustee Investment Plan ("ITIP");
- Retail Trustee Investment Plan ("RTIP");
- Institutional Personal Pension Investment Plan ("IPPIP");
- Retail Personal Pension Investment Plan ("RPPIP");
- TIP-Gateway; and
- Property-linked reinsurance.

2.3 Each of the products in the Transferring Policies has one or more investment policies issued to trustees of pension schemes, trustees of SIPPs and insurance companies in respect of property-linked reinsurance.

2.4 Note, the words "Institutional" and "Retail" in the product names above refer only to the volume of minimum investment and the corresponding differences in charge level under the policy, not to the type of client. For avoidance of doubt, these product names have been used for a long time and are not intended to be aligned with the definitions of retail customers and retail products given in the FCA Handbook. The products with "Retail" in their name also have only trustees as policyholders, however, with a significantly lower minimum investment amount.

2.5 In the United Kingdom (UK), the procedure under which such transfers between insurance companies of long-term insurance business can be carried out is set out in the Financial Services and Markets Act 2000 (FSMA). An application can be made to the High Court of Justice (the Court) for approval under Section 111 of the FSMA. The process is referred to as a Part VII transfer.

2.6 The terms under which this Part VII transfer is intended to be carried out are set out in a legal document called the Scheme. Approval by the relevant court of the Scheme is necessary prior to the proposed Part VII transfer (the Transfer).

2.7 Under Section 109 of the FSMA, the application to the Court for approval of the Scheme must be accompanied by a report (this Report) from an Independent Expert on the impact of the proposed Transfer on affected policyholders. This Report will be supported by a Supplementary Report and Summary Reports (referred to together as the Reports) which the Independent Expert will also produce covering the terms of the Transfer.

2.8 Phoenix Life agreed to transfer the Transferring Policies (including those written between the date of the agreement and the transfer) to abrdn Life as part of the 2021 strategic arrangement between the Companies. No alternative arrangements were considered as a Part VII transfer was the only option for transferring this business to abrdn Life.

2.9 The transferring business represents approximately 0.004% by number of policies and approximately 2% by value of Phoenix Life's current liabilities as at 31 December 2023, the date of the latest audited financial statements. If the transfer had been sanctioned as at 31 December 2023, the transferring business would have represented approximately 92.5% by number of policies and 85.2% by value of abrdn Life's current liabilities based on 31 December 2023, the date of the latest audited financial statements.

The Transfer

2.10 The effective date for the Transfer is proposed to be 28 March 2025 (the Transfer Date).

2.11 The Independent Expert's Report will be considered alongside a number of other documents such as the Scheme itself and details of policyholder communications at two hearings.

2.12 The first hearing in a Part VII transfer process is the Directions Hearing. The current date for the Directions Hearing for the Transfer is 11 December 2024.

2.13 Summary Reports will be produced at the same time as this Report. There will be an overall Summary Report and Summary Reports tailored for the different groups of affected policyholders. All of these will contain key information from this Report.

2.14 The second hearing, known as the Sanction Hearing, is where the Court reviews the Scheme and considers the views of the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA), together referred to as the Regulators, the Independent Expert, various statements by the parties to the Transfer, and any objections raised by policyholders or other interested parties. My Supplementary Report will be produced prior to the Sanction Hearing, to be considered by policyholders, regulators and any other interested parties, and by the Court in making its decision at the Sanction Hearing. It will incorporate any known relevant matters which have arisen since the date of this Report and the Summary Reports. The proposed date for the Sanction Hearing is 12 March 2025.

2.15 For consistency with other materials submitted to the Court as part of The Scheme, I will refer to the Sanction Hearing as the 'Final Hearing' throughout my Report.

The Independent Expert

2.16 I have been appointed by abrdn Life and Phoenix Life (the Companies) to report, pursuant to Section 109 of the FSMA, in the capacity of the Independent Expert, on the terms of the Scheme.

2.17 I am a Fellow of the Institute and Faculty of Actuaries and I have over 30 years' experience in the life insurance industry. I am a partner of Grant Thornton UK LLP (Grant Thornton). I have worked on and led a number of transfers of long-term insurance business including transfers of with-profits and pensions business.

2.18 I hold a Life Chief Actuary Practising Certificate issued by the Institute and Faculty of Actuaries.

2.19 My appointment was approved by the PRA after consultation with the FCA and was confirmed in a letter dated 30 July 2024. My terms of engagement have also been reviewed and approved by the Regulators.

2.20 I submitted a statement of independence to the Regulators for review prior to my approval to act as the Independent Expert. I confirm that neither I nor Grant Thornton have or have had any direct or indirect interest in Phoenix Group, abrdn Group or any of their insurance subsidiaries that could influence my independence.

Purpose of this Report

2.21 This Report describes the impact of the Scheme on the policyholders whose policies will be transferred as a result of the Transfer (Transferring Policyholders), the policyholders of Phoenix Life whose policies will not transfer (Non-transferring Policyholders), and the Existing Policyholders of abrdn Life immediately prior to the Transfer Date (Existing Policyholders). All three types of policyholders are referred to in this Report as the different groups of policyholders.

2.22 In each case, I have considered the benefit expectations, security of the benefits and contractual rights of these policyholders. I have also considered how the Transfer will impact policyholder protection, service levels and any other factors (such as governance, tax and expenses) that might result in a material adverse effect on the different groups of policyholders.

2.23 I provide an opinion on whether I consider the position of any group of policyholders to be materially adversely affected as a result of the Transfer.

2.24 For the purposes of this report, an adverse effect resulting from the Transfer is defined as material when it cannot be reasonably ignored based on its size and likelihood and, on a reasonable basis, is significant for the party concerned.

2.25 The Court of Appeal has recently provided some clarity over the principles that need to be considered in the process of approving a Part VII Transfer. This highlighted the following key point that an adverse effect is only material if it is:

- a potential outcome that cannot sensibly be ignored, given the nature and weight of potential harm in the particular case;
- a consequence of the scheme in question; and
- material in the sense that there is the prospect of real or significant risk to the position of the stakeholder concerned, rather than just fanciful or insignificant risk.

2.26 It is important for the Independent Expert to use the concept of materiality in forming an opinion. Without the concept of materiality, an otherwise acceptable scheme might not be able to proceed. As such, I have considered the concept of materiality in reaching my conclusions and made reference to this in this Report where necessary.

2.27 This report also describes the impact of the Transfer on the current outward external reinsurance arrangement of Phoenix Life with Schroders through which the Transferring Policies gain access to the Schroder Life Intermediated Diversified Growth Fund (Schroders Life Fund). Prior to the Transfer, there are no other outward external reinsurance arrangements applicable to the Transferring Policies.

Distribution and use of this Report

2.28 The purpose of this Report is to inform the Court of the likely effect of the Scheme upon policyholders. This Report is not necessarily suitable for any other purpose.

2.29 This Report is provided for the use of:

- The Court;
- The Phoenix Life Board;
- The abrdn Life Board;
- Phoenix Life's policyholders;
- abrdn Life's policyholders;
- The PRA;
- The FCA; and
- any other relevant regulator for the sole purpose of considering the impact of the Scheme on the different groups of policyholders.

2.30 Grant Thornton does not accept any responsibility to any party who chooses to act on the basis of this Report, or any of my reports, other than Phoenix Life, abrdn Life, or the Court.

2.31 In addition, draft and final versions of this Report may be distributed to Phoenix Life's legal advisers, abrdn Life's legal advisers, and companies within the Phoenix Group and abrdn Group as necessary in connection with the Transfer. Should this Report be distributed to any of the entities listed in the previous sentence, no reliance should be placed on this Report by these entities, and we do not assume any liability to these entities or any other third-parties that choose to rely on this Report.

2.32 Copies of the final version of this Report may be made available for inspection by policyholders and copies may be provided to any person requesting the same in accordance with legal requirements. The final version of this Report may also be made available on websites hosted by the Phoenix Group and abrdn Group in connection with the Scheme.

2.33 Judgements about the conclusions drawn in this Report should only be made after considering the Report in its entirety as any part or parts read in isolation may be misleading.

2.34 The underlying figures in this Report are calculated to many decimal places. In the presentation of the figures in the various tables, there may be reconciliation differences due to the effect of rounding.

Key dependencies, reliances and limitations

2.35 Throughout this Report, I have reached conclusions based on information provided by the Companies, and discussion with senior management of the Companies. The reliability of these conclusions is dependent on the accuracy of the information I have been provided with, in some cases without full independent verification. In saying this, I have drawn upon my experience in the UK life insurance industry and provided challenge and further analysis where required to ensure I am satisfied with the reasonableness of this information.

2.36 This Report places reliance on several key areas of financial information, such as the values of assets and liabilities, values of own funds in the base and stress scenarios, relevant expenses and charges, assumptions and performance projections relevant to the Transfer, etc. Where financial information has been subject to external audit, I have relied on the work of the external auditors to provide comfort around the accuracy of the financial information.

2.37 Linklaters LLP (Linklaters) has provided legal advice to the Companies. I have reviewed and considered their input when drawing my conclusions. I have not relied on any parts of their input but reviewed and considered it when drawing my conclusions on the Scheme. Linklaters has no liability to me, or Grant Thornton, with regards to that input.

2.38 Reliance should not be placed on draft versions of this Report. Liability will not be accepted by me, or Grant Thornton, should this Report be used for any purpose other than for which it was intended, nor for the consequences of any misunderstanding by a user of this Report as per the terms of the Contracts (Right of Third Parties) Act 1999.

2.39 There are no outstanding requests for documentation or information that have not been provided by the Companies, nor are there any relevant matters which have knowingly been excluded from my assessment of the Scheme.

2.40 My conclusions have been reached based on the terms of the Scheme presented to me and no alternative proposals have been considered.

Regulatory and professional guidance

2.41 This Report has been prepared in accordance with the terms issued by the Financial Reporting Council of the Technical Actuarial Standards (TAS) that apply to insurance transformations (TAS 200: Insurance) and TAS 100: General Actuarial Standards.

2.42 As per these requirements, I acknowledge that the preparation and review of a number of key documents used to construct this Report were carried out by individuals who also complied with professional standards in their role, including TAS requirements where appropriate.

2.43 In compliance with Actuarial Profession Standard X2 issued by the Institute and Faculty of Actuaries ("IFoA"), I confirm it is my view that this Report does require independent peer review. This has been carried out by Paul Cook, an Actuary and Regulatory Director at Grant Thornton who had no prior involvement in the project.

3 Executive summary

The Independent Expert

3.1 I have been appointed to act in the role of Independent Expert on the proposed Scheme to transfer certain long-term insurance business from Phoenix Life to abrdn Life.

3.2 My role as Independent Expert is to assess the impact of the Scheme on different groups of policyholders, including the impact on their reasonable benefit expectations, benefit security, administration and servicing, standards of management and governance, and other considerations.

3.3 I will set out my conclusions in several reports, comprising this Report and a Supplementary Report. These Reports will be considered by the Court at the Directions Hearing and the Final Hearing. Suitably tailored summaries of this Report will be included in the mailing packs which are to be sent to the different groups of policyholders.

Phoenix Life Limited

3.4 Phoenix Life Limited is part of the Phoenix Group and has a wide range of savings and retirement income products in its insurance and investment portfolio. It is authorised by the PRA and regulated by the PRA and FCA.

3.5 Phoenix Life has approximately 9.5 million policies in force with over £218 billion worth of total assets as at 30 June 2024. It currently writes new business in the bulk purchase annuity (BPA) area, protection business under the Sun Life brand, and retail and workplace pension annuities.

3.6 The long-term insurance business in Phoenix Life is contained within 18 sub-funds, 17 of which are With-Profits Funds (WPF) and one of which is a Non-Profit Fund (NPF). The Transferring Policies are currently allocated to either the Heritage WPF or the NPF.

3.7 As at 30 June 2024, Phoenix Life had a Solvency Capital Requirement (SCR) coverage of 155% on a regulatory basis. However, Phoenix Life uses an adjusted SCR coverage ratio (shareholder basis) for setting the minimum capital required to be held under Phoenix Life's Capital Policy. This shareholder basis SCR coverage ratio considers Own Funds and SCR contributions from only those funds which are potentially subject to capital support from the shareholder fund. This includes the non-profit and shareholder funds. It excludes Own Funds and SCR contributions from funds that are not likely to require shareholder fund support, other than any Own Funds relating to future shareholder transfers. The SCR coverage ratio on the shareholder basis was 185% compared to Phoenix Life's Capital Policy target coverage ratio of 138% as at 30 June 2024.

abrdn Life and Pensions Limited

3.8 abrdn Life and Pensions Limited is a UK-regulated insurance subsidiary of the abrdn Group. It is a private limited company, incorporated and domiciled in England. The company is authorised by the PRA and regulated by the PRA and FCA. All business is written in the UK.

3.9 abrdn Life has no employees. It instead has a Master Services Agreement (MSA) and an Investment Management Agreement (IMA) with abrdn Investments Limited (aIL) to provide all required services to run abrdn Life.

3.10 abrdn Life's current business is the provision of investment management services to institutional customers through a range of contract types. Specifically, the three contract types abrdn Life writes are Trustee Investment Plans (TIPs), reinsurance contracts covering the unit-linked liabilities of third-party life assurers, and Segregated Investment Mandates (SIMs).

3.11 As at 30 June 2024, abrdn Life had a 1813% SCR coverage and 427% Minimum Capital Requirement (MCR) coverage for the abrdn Life Existing Policyholders.

The Scheme

3.12 The motivation for the Scheme is to fulfil an agreement made between abrdn Group and Phoenix Group on 23 February 2021, relating to the simplification and extension of the strategic relationship between the two parties that would deliver a more cohesive experience for customers, clients and their advisors.

3.13 The Scheme will be presented to the Court in London. The Directions Hearing is planned to take place on 11 December 2024 and the Final Hearing on 12 March 2025 with a Transfer Date of 28 March 2025.

3.14 The Scheme outlines the proposed transfer of business from Phoenix Life to abrdn Life. The business to be transferred consists of 380 policies with an approximate unit fund value of £3.8 billion as at 30 June 2024. The table below shows a breakdown of the business to be transferred as at 30 June 2024.

Transferring Policies	Target Market	No. Policies	Approximate unit fund value (£billion)
Institutional Trustee Investment Plan (ITIP)	Trustees of large pension schemes (min. investment £3m)	214	3.1
Property-linked reinsurance	External insurers accessing linked funds through reinsurance agreements	5	0.1
Retail Trustee Investment Plan (RTIP)	Trustees of smaller pension schemes	31	0.02

Institutional Personal Pension Investment Plan (IPPIP)	Managers of large SIPPs provide individual members with access to the available range of Phoenix Life unit-linked funds.	52	0.03
Retail Personal Pension Investment Plan (RPPIP)	Managers of smaller SIPPs provide individual members with access to the available range of Phoenix Life unit-linked funds.	77	0.02
TIP Gateway	This is an abrdn platform for ITIPs which allows advisers and consultants to perform some operations.	1	0.5
Total		**380**	**3.8**

3.15 The Transferring Policies comprise unit-linked investment products most of which were originally written by Standard Life Assurance Limited (SLAL) (or Standard Life Assurance Company if pre-2006, before demutualisation) and transferred to Phoenix Life under the Phoenix Life 2023 Scheme. A few additional Transferring Policies have been sold since the transfer to Phoenix Life.

3.16 Prior to the Transfer Date, abrdn Life will enter into agreements with investment managers outside the abrdn Group who provide services to Phoenix Life's unit-linked funds in which the Transferring Policies are invested. The same investment managers will provide services to the new abrdn Life successor unit-linked funds.

3.17 The assets to be transferred under the Scheme will consist of the relevant proportion of Phoenix Life's unit-linked funds in which the Transferring Policies are invested at the Transfer Date. There are two exceptions to this.

3.18 The first exception is on assets which are invested in the Pooled Property Pension Fund (PPF), where no physical asset transfer will take place. As at 30 June 2024, the PPF exposure is approximately £308m. There will be no physical transfer because of the indivisible nature of the assets and co-investment in this fund of the Transferring and Non-transferring Policyholders. From the Transfer Date, the Transferring Policyholders will continue to have access to the PPF through a reinsurance agreement set up between abrdn Life and Phoenix Life.

3.19 The second exception is the Schroders Life Fund (c.£30m) which the Transferring Policyholders currently access via a reinsurance agreement between Phoenix Life and Schroders. Before the Transfer Date, abrdn Life will enter into a reinsurance agreement with Schroders to enable access to its Schroders Life Fund and Schroders will grant a floating charge in favour of abrdn Life over its assets in respect of this reinsurance agreement. The Transferring Policyholders will continue accessing the Schroders Life Fund through this new reinsurance agreement between Schroders and abrdn Life. Schroders will amend their records so that the units allocated to Phoenix Life in respect of the Transferring Policyholders are instead allocated to abrdn Life.

3.20 abrdn Life will set up 51 new successor unit-linked funds, corresponding to the 51 Phoenix Life unit-linked funds currently held by the Transferring Policyholders. This is based on the funds held by the current in-force policies which could change, On the day of the Transfer, the units of the Transferring Policyholders will be deallocated from Phoenix Life funds and allocated to the successor funds at abrdn Life at the 'mid' unit prices on that day (i.e., with no allowance for transaction costs). This will determine the monetary amount of the holdings for each policyholder and this amount will be used to allocate units in abrdn Life funds. This approach preserves the monetary value of policyholder investments, however, the number of units and the unit prices will be adjusted.

3.21 Regarding inbound reinsurance, there are five property-linked inbound reinsurance policies in the Transferring Policies with a total value of c.£0.1 billion.

3.22 Under UK law when an insurer becomes insolvent, reinsurance policyholders rank below direct policyholders. A floating charge is a mechanism that works to rank policyholders accessing linked funds through reinsurance contracts in line with direct policyholders in the event of the insolvency of the insurer. A floating charge is in place for these reinsurance policies in the Transferring Policies over Phoenix Life assets (the Phoenix Life floating charge).

3.23 abrdn Life has already granted floating charges over all of its long-term insurance business assets to each of the Property-linked Beneficiaries whom abrdn Life already has business with. abrdn Life does not have existing business with Mobius Life Limited (Mobius Life), so has not already granted a floating charge with Mobius Life.

3.24 Before the Transfer Date, abrdn Life will:

- amend the terms of its existing floating charges so the benefits are extended to cover the Transferring Policies; and
- set up a floating charge with Mobius Life in respect of the Property-linked Reinsurance Policy.

3.25 As a consequence of the Scheme, on the Transfer Date:

- the Phoenix Life floating charge will cease;
- the amendments to the abrdn Life existing floating charges will become effective;
- the new Mobius Life floating charge will become effective; and
- a new floating charge between Phoenix Life and abrdn Life in respect of PPF reinsurance will become effective.

The effects of the Scheme and the administration platform migration on benefit expectations

3.26 The Transferring Policies will move from the Trustee Administration Platform (TAP), owned by Phoenix Group and administered by aIML, to a platform called FAST owned and administered by SS&C Financial Services International Limited and SS&C Financial Services Europe Limited (SS&C).

3.27 SS&C is a cloud-based global provider of financial services technology solutions. It provides various products and services to financial companies, including fund administration services. abrdn Life currently outsources its fund administration activities to SS&C and its existing TIP business is administered on the FAST platform. aIL provides oversight over the delivery of SS&C services on behalf of abrdn Life through quarterly service reviews. The abrdn Life Board and the abrdn Life Client and Fund Governance Committee (CFGC) also receive quarterly assurance from the team which oversights that outsource relationship.

3.28 A consequence of the asset transfer is that it will be necessary to apply restrictions to policyholder dealing on the TAP platform for a short period of time, therefore a no-dealing period will be in place for all Phoenix Life Transferring Policyholders and the seven Non-transferring Policies administered on TAP to stabilise the asset positions before the Transfer to ensure successful asset transfer. The seven Non-transferring Policies referred to here are the five TIP policies with with-profits investments and the two corporate fund investment policies (CFIP), CFIP1 and CFIP2.

3.29 Policyholder communications will signpost the no-dealing period, along with further details on the no-dealing period itself. There will also be subsequent reminders of the upcoming no-dealing period. The abrdn servicing team and client relationship managers will stand ready to support policyholders and third-party suppliers (SS&C and Citi) during the no-dealing period. Should any trading requests come through during the no-dealing period, they will guide policyholders on the right course of action.

3.30 The Companies are planning to align the timing of the administration platform transition and the asset transfer with the timing of the Transfer. There are effectively two risks at play, project risk which will dictate the readiness of the systems for the migration date, and migration risk from any issues that arise during the migration event.

3.31 The project risk is managed by:

- the ongoing project management of the small number of FAST developments required to take on the business, which is expected to be completed by the end of 2024;
- the stage gates that have been set out to assess and manage progress; and
- the dry runs and joint rehearsals involving all parties, internal and external.

If the FAST platform is not ready in time for the Final Hearing, the Court date will be postponed. There are key points at which a decision on postponement can be made: the first opportunity is after the first dress rehearsal scheduled in December 2024 which I will comment on in my Supplementary Report in mid-January, next is at the last stage gate on 26 February 2025 to determine readiness for the Final Hearing, and then on 5 March 2025, when Board approval will be sought to proceed with the Final Hearing.

3.32 The migration risk is managed through contingency planning. Up until the point of no return (PNR - the time at which the asset transfer begins which is 27 March 2025), the contingency is to fall back on the current servicing platform. There may be minor delays to purchases and redemptions if the no-dealing period has begun (two days before the PNR). Beyond the PNR, the migration will proceed, and issues will be resolved as soon as possible after the migration.

3.33 The project team has drafted contingency plans that will be in place during the migration.

3.34 I have seen these plans and have discussed them with the project team. In summary:

- the plan outlines several trigger events, each corresponding to a potential scenario (such as system downtime exceeding 30 minutes) and details the response actions for each of these events;
- the plan outlines the steps that will be taken to restore systems to their original state, in the event that significant issues arise before the PNR that cannot be resolved;
- there will be a heightened level of support, internally and externally at Citi and SS&C; and
- the plan will ensure adequate team coverage over the migration period especially access to key persons.

3.35 Steps will be taken to de-risk the migration itself. All required developments, testing and the transfer of the Transferring Policyholder data from TAP to FAST will be completed before the Final Hearing thereby leaving for the migration weekend only the asset transfer itself. The project team have confirmed that no conflicting changes are happening simultaneously at SS&C, Citi or HSBC.

3.36 I also note from my discussions with the asset transfer and migration project team that they have prior experience in projects involving asset transfers and no-dealing periods albeit these projects were not insurance business transfers.

3.37 Overall, I am satisfied that the platform migration and the no-dealing period will not have a material adverse effect on the Transferring Policies and Non-transferring TIP/CFIP Policyholders. I am satisfied that the appropriate steps are being taken to manage the risks around the migration.

Transferring Policyholders

3.38 The Transferring Policies are unit-linked investment policies and property-linked reinsurance policies. Unit-linked policyholders and Property-linked Beneficiaries will expect to receive on claim the value of their units, at the current fund price and net of charges set out in the policy terms and conditions.

3.39 Benefits are expected to be received upon partial withdrawals or surrender of policies.

3.40 The Transferring Policies will be mapped to new successor funds in abrdn Life. The successor funds are designed for policyholders to experience the same level of charges as the original funds at the Transfer Date. The annual management charge will be unchanged and the overall charges including any changes to expenses will not be materially different to before the Transfer. The only potential increase in expenses would be due to the Cost Differential which is covered in the paragraph below. Apart from a small degree to allow for rounding, abrdn Life intends to bear any increase in charges for the Transferring Policies. It is my opinion that any increase in charges for Transferring Policyholders would be immaterial. There are also no surrender charges, penalties or any other barriers to exit.

3.41 Many of the successor funds at abrdn Life will be smaller than the funds at Phoenix Life from which the assets were transferred. The smaller expected fund size may result in higher expense ratios within these funds as some expenses are incurred in monetary amounts rather than in percentage terms. These expenses are charged to the funds. To avoid a detrimental impact on the Transferring Policies abrdn Life will absorb the cost of this differential in expense ratios at the Transfer Date subject to a possible increase in expense ratios of 0.02% of fund value per annum (to allow for rounding) (the Cost Differential). While abrdn Life does not guarantee to bear the Cost Differential indefinitely, it has confirmed to me that it has no current intention to pass the Cost Differential to the successor funds. abrdn Life is able to vary the charges in the future but only within the scope of the terms and conditions (T&Cs). Any changes to abrdn Life’s approach to bearing the Cost Differential would be subject to its governance for changes to charges which requires consideration of the Consumer Duty and Board approval, to ensure that policyholders receive good outcomes and are treated fairly. I am content that this provides sufficient safeguards for the Transferring Policies.

3.42 Furthermore, I note that if abrdn Life does vary the charges in the future it will provide three-months’ notice. Any of the Transferring Policyholders unhappy with any change will be able to surrender their funds or transfer the proceeds of their policy to another provider without penalty.

3.43 Successor funds that invest in third-party underlying funds (including those managed by other companies in abrdn Group) incur expenses associated with the underlying funds. These expenses are set by the managers of the underlying funds and can vary over time. At the Transfer Date, the third-party fund expenses incurred by the successor funds will be aligned to the third-party fund expenses incurred in the respective Phoenix Life funds, as the underlying third-party funds will be unchanged. Going forwards, any change in the expenses levied by the third-party fund managers, which are not under the control of either abrdn Life or Phoenix Life, will be borne by the successor funds in accordance with the T&Cs of the Transferring Policies. This is no different from the position prior to the Transfer Date. There will be no changes to the Transferring Policyholders' T&Cs in respect of the charges.

3.44 On the Transfer Date, the fund value to be transferred will be calculated using the number of units and fund price at Phoenix Life. For funds with multiple series, a calculation will be conducted for each applicable series, and the total fund value will be the cumulative total of these individual series calculations. The unit prices in abrdn Life successor funds will differ from the original Phoenix Life funds, however, the number of units will be set by abrdn Life such that policy values remain unchanged at the date of the Transfer.

3.45 Dealing cut-off times, valuation points and settlement timings of transactions will have some differences after the Transfer for the Transferring Policies. These differences are a result of a different approach abrdn Life uses for fund management. abrdn Life's trading approach is not systematically biased in either direction. As such, it is my opinion that these changes will not have a material adverse impact on the benefit expectations of the Transferring Policyholders.

3.46 Under the original terms of the Transferring Policies, certain policyholders can request an annuity from the insurer on non-guaranteed terms. As part of the Scheme, without negating that right of the policyholder, abrdn Life may procure that an annuity is offered to the policyholder by another insurer after due consideration that such an alternative policy would not adversely affect the interests of the policyholder. As annuity terms are not guaranteed and are to be determined at the point it is requested, benefit expectations of the Transferring Policyholders should not be adversely affected irrespective of whether an annuity policy is issued by abrdn Life internally or by another provider. There are no other options or guarantees on the Transferring Policies.

3.47 Phoenix Life and abrdn Life have confirmed that no T&Cs will be changed for any of the Transferring Policyholders.

3.48 The no-dealing period will have an impact on the Transferring Policyholders as it will disrupt the timings of when the Transferring Policyholders can trade. However, my opinion is that there will not be any material adverse effects on Transferring Policyholders. In summary, this is because:

- policyholder communications will make clear details of the no-dealing period;
- prior to the no-dealing period, a decision will be made on whether to proceed taking into account the likely market volatility over the no-dealing period; and

- support will be in place for policyholders during the no-dealing period through the availability of the abrdn Life servicing team, client directors and third-party suppliers (SS&C and Citi N.A. (Citi)).

3.49 I also note that c.65% based on policy count of Transferring Policyholders are institutional investors who are likely to have long-term investment strategies. The nature of the Transferring Policies being pension-focused would also indicate long-term investment objectives.

3.50 During the no-dealing period, abrdn Life will still be obliged and is committed to pay death and retirement (maturity) claims. Any other trading instructions will not be executed during the no-dealing period based on the prior communication. Trading requests will instead be directed towards relevant support contacts to help policyholders with no-dealing period timings and other queries.

3.51 I am satisfied that the Scheme and the administration platform migration would not have a material adverse effect on the reasonable benefit expectations of the Transferring Policyholders.

Phoenix Life Non-transferring Policyholders

3.52 Benefit expectations of policyholders remaining at Phoenix Life are not dependent on any cashflows or features related to the Transferring Policies. As such, there will be no change or any impact on the benefit expectations of the Non-transferring Policyholders as a result of the Scheme.

3.53 Certain charges applicable to the unit-linked funds are of a fixed nature. This could potentially lead to Non-transferring Policyholders in funds with assets transferring to abrdn Life bearing a larger share of the fixed expenses as a result of the Transfer. However, it is my opinion that this will not make any material adverse impact due to the following reasons:

- the fixed costs are spread across the whole of the former Standard Life unit-linked fund range. This greatly dilutes the impact of changes in the volume of assets in any particular fund. Moreover, the Transferring Policies which partially invest in funds that will stay with Phoenix Life, make up only about 1% of the remaining unit-linked fund range;
- the Transfer will create some cost savings for the entire unit-linked fund range, as some high-expense funds will be fully transferred to abrdn Life; and
- the unit-linked fund range attracts new investments of approximately £4bn to £5bn each year. This amount surpasses the c.£3.8bn being transferred out to abrdn Life, ensuring that the unit-linked fund range will not be significantly reduced by the Transfer.

3.54 The only impact of the administration platform migration will be on the five TIP policies with with-profits investments and the two CFIP policies included in the Non-transferring Policies. These are administered on TAP and will be impacted by the no-dealing period. These policies will receive targeted communications as it will not be possible to isolate their dealings from the Transferring Policies. The same steps outlined above for the Transferring Policies will be taken to mitigate the impact of the no-dealing period on this group of Non-transferring Policyholders.

3.55 Following the Transfer, and based on the funds held at the time of writing, nine of the unit-linked funds currently available to the Non-transferring Policies administered on the TAP platform will become empty and will be closed. The nine funds will no longer be available for relevant Non-transferring Policies to switch to.

3.56 I note that it is Phoenix Life's established business practice to close unit-linked funds that are not in use and such a closure of unit funds is allowed by the policy terms and conditions. I therefore do not consider this will have a material adverse impact on the Non-transferring TIP/CFIP Policyholders.

3.57 I am satisfied that the Scheme and the administration platform migration will have no material adverse effect on the benefit expectations of the Non-transferring Policyholders of Phoenix Life.

abrdn Life Existing Policyholders

3.58 The abrdn Life Existing Policyholders are mostly unit-linked policyholders of the same type as the Transferring Policyholders (institutional pension scheme investors and insurers). There are also a small number of SIM policyholders. Each policyholder's benefits are specified in their T&Cs and their benefit expectations will not be impacted by other policyholders within the insurer's unit-linked portfolio. Therefore, there will be no change or any impact on the benefit expectations of the abrdn Life Existing Policyholders as a result of the Scheme.

3.59 In the longer term there may be benefit from fixed fund costs spread over a wider pool and a wider range of fund choices.

3.60 There will be no impact on the abrdn Life Existing Policies as a result of the administration platform migration.

3.61 I am satisfied that there will not be a material adverse effect on the benefit expectations of Existing Policyholders of abrdn Life as a result of the Transfer.

Conclusion

3.62 I am satisfied that the Scheme and the administration platform migration would not have a material adverse effect on the reasonable benefit expectations of any of the groups of policyholders discussed above.

The effects of the Scheme on benefit security

Transferring Policyholders

3.63 The Transferring Policyholders' benefits will remain secured via the regulatory capital regimes and abrdn Life's own Capital Policy. The financial impacts show that abrdn

Life is able to meet its regulatory solvency requirement and its own Capital Policy target post-transfer. Therefore, I am satisfied that no detrimental impact is expected on the benefit security of the Transferring Policyholders as a result of the Transfer.

3.64 As a result of this Scheme, the capital requirement for the Transferring Policies will move from using the internal model approach to the SCR calculation at Phoenix Life to the Solvency II standard formula approach at abrdn Life. Both approaches are accepted by the PRA and the change in the SCR calculation approach in my opinion will not have an adverse impact on the benefit security of the Transferring Policyholders.

3.65 The Transferring Policyholders will be moving from a large insurer with a multi-line portfolio of business to a much smaller insurer with the majority of its business being unit-linked. Irrespective of size and risks, the regulatory capital requirements are set in probabilistic terms and intend to enable each insurer to withstand the same level of stresses. abrdn Life's estimated post-Transfer SCR coverage ratio is 260%, demonstrating that it can meet its regulatory capital requirement and its own Capital Management policy target.

3.66 abrdn Life has produced sensitivities and performance projections to assess the resilience of the post-transfer position to different economic and demographic stress scenarios, assuming continued exposure to the PPF. I have reviewed these and note that abrdn Life is sensitive to a credit rating downgrade of Phoenix Life and significant switches into the PPF. These scenarios will lead to the solvency ratio falling below the current Capital Policy target, though remaining above the regulatory capital requirements. I am satisfied that the range of sensitivities and variety of future projection scenarios performed capture the material risks in abrdn Life's business. I am satisfied that abrdn Life can meet its SCR, and holds additional capital in excess of the SCR requirement, under each of these sensitivities and projection scenarios, hence providing policyholders with adequate benefit security.

3.67 The risk of significant switches into the PPF can be controlled by restricting new investments to the fund, and this is allowed in the T&Cs. Further downgrades of Phoenix Life, however, would likely require capital support to maintain regulatory solvency. Based on the current financial strength of Phoenix Life, I consider a downgrade following the transfer to be very unlikely. In addition to this, abrdn Life can take steps to protect its regulatory solvency position should this scenario become plausible, through, for example, recapturing the reinsurance. I also understand that abrdn Group is committed to providing capital support to restore abrdn Life's regulatory solvency. However, as this commitment is not legally binding, I have not relied on it in my impact analysis.

3.68 Phoenix Life is a financially resilient company with a strong risk management and governance structure, and I see no reason to be concerned about its ability to maintain its current credit rating post transfer. In addition, abrdn Life will be monitoring its exposure to Phoenix Life and will take appropriate action if necessary to manage its counterparty risk exposure to Phoenix Life. It has a number of different actions at its disposal, such as limiting further investments into the PPF and recapturing the PPF reinsurance. Additionally, the counterparty risk exposure pertains solely to the Transferring Policies and any new policies written that invest in the PPF after the Scheme will assume the counterparty risk.

3.69 The Property-linked Beneficiaries will change from being reinsurance policyholders of Phoenix Life to abrdn Life.

3.70 Transferring Policies that are invested in the PPF will continue to access it via a PPF reinsurance agreement between Phoenix Life and abrdn Life.

3.71 Transferring Policies that are invested in the Phoenix Life unit-linked funds which in turn invest in underlying third-party funds will continue to access these third-party mutual funds. abrdn Life will have agreements in place to allow its new successor unit-linked funds to invest in these funds, including a Schroders reinsurance agreement between Schroders and abrdn Life.

3.72 Phoenix Life has a floating charge covering all its Property-linked Beneficiaries, which will terminate after the Transfer. The current abrdn Life floating charges in respect of the Property-linked Beneficiaries will be updated and a floating charge with Mobius Life will be put in place as part of the Scheme. Schroders will grant a floating charge in favour of abrdn Life over its assets in respect of the Schroders reinsurance. Phoenix Life will also put in place a new floating charge with abrdn Life in respect of PPF reinsurance.

3.73 The amendments to the abrdn Life floating charges and the new Mobius Life floating charge are equivalent to the security provided by the Phoenix Life floating charge that applies to the Property-linked Beneficiaries prior to the Transfer Date.

3.74 The Financial Services Compensation Scheme (FSCS) is the United Kingdom's statutory compensation scheme for customers of UK-authorised financial services firms. Those of the Transferring Policyholders who are eligible under the FSCS prior to the Transfer will continue to be covered and protected by the FSCS, with no difference in the level of protection or access to it, should the Scheme be sanctioned.

3.75 I am satisfied that the implementation of the Scheme will not have a material effect on the benefit security of the Transferring Policies.

Phoenix Life Non-transferring Policyholders

3.76 The estimated financial position of Phoenix Life is not expected to be materially affected by the Scheme.

3.77 There is a c.£73,000 Value in Force (VIF) held by Phoenix Life in relation to the Transferring Policies, which is immaterial in the context of Phoenix Life's remaining business. The VIF refers to the present value of the profits expected to be earned by an insurer on the in-force business. This means that the Transferring Policies do not make a material contribution towards the financial strength of Phoenix Life. As such, Phoenix Life is not materially exposed to risks related to the future income or expenses on the Transferring Policies.

3.78 I am satisfied that the removal of the Transferring Policies from Phoenix Life's portfolio will not materially affect the security of benefits of the remaining Phoenix Life policyholders.

abrdn Life Existing Policyholders

3.79 The SCR coverage ratio before the Transfer is 1813% and the MCR coverage ratio is 427% as at 30 June 2024, which is a relatively high solvency coverage ratio compared to abrdn Life's Capital Policy target solvency cover level of 196%.

3.80 The estimated post-Transfer solvency coverage ratio for abrdn Life policyholders is 260% of the SCR. Although there is a significant reduction in the SCR coverage ratio post-Transfer, the coverage ratio remains comfortably above the Capital Policy target solvency ratio of 196%, including in a number of different scenarios post-Transfer. I note that the large pre-Transfer SCR coverage is due to the maintenance of capital in anticipation of the Transfer. In the pre-transfer financial position, the SCR is smaller than the MCR therefore the MCR currently defines the regulatory capital requirement, which is referred to as the 'MCR biting'. After the Transfer, this will no longer be the case. The SCR will be greater than the MCR and so the SCR will define the regulatory capital requirement.

3.81 I am satisfied that the Scheme will not materially affect the benefit security of Existing Policyholders of abrdn Life.

Conclusion

3.82 I am satisfied that the Scheme would not have a material adverse effect on the benefit security of any of the groups of policyholders discussed above.

The effects of the Scheme on administration and servicing

Transferring Policyholders

3.83 The custodian for the Transferring Policies' investments will change from HSBC Bank (HSBC) to Citi, which is the custodian for the existing abrdn Life TIP business. This will ensure consistency in custodianship for the larger abrdn Life portfolio.

3.84 abrdn Life's TIP and reinsurance policies are administered on the FAST platform which is owned by SS&C. abrdn Life currently outsources its fund administration activities to SS&C.

3.85 The SS&C FAST platform requires a small number of developments to be implemented for servicing the Transferring Policies after the migration to FAST. Developments are currently underway and are planned to be completed well before the Final Hearing.

3.86 The current speed of delivery of the required developments does not indicate any concerns in abrdn Life's and/or SS&C's ability to deliver the administration systems required for receiving the Transferring Policies in time for the Transfer date.

3.87 There have been three dry runs carried out between September 2024 and November 2024, and these have been completed successfully, testing both the client data transfer and asset transfer. Minor issues arose during the dry runs but were promptly addressed and there were valuable lessons for improvement and optimisation. The third dry run in particular was completed with specific time constraints imposed on the tasks involved. Overall, the dry runs demonstrated a successful transfer of all 51 funds and the client data, and there are at present no concerns regarding the migration process.

3.88 In January 2025, I will provide an update in my Supplementary Report on the status of the development and readiness, in particular the outcome of the first dress rehearsal and any implications it might have on the quality of servicing and administration, and migration readiness.

3.89 During the no-dealing period, the Transferring Policies will not be able to trade for a period of around a week. There is precedent for this, as policy provisions for the Transferring Policies currently allow for the deferral of redemptions and switches should it be necessary to maintain fairness and equity between unit holders.

3.90 My view is that this is acceptable as policyholders will be notified well in advance of this no-dealing period through the communication of the Scheme, so have sufficient notice to plan their trading requirements and I don't believe there is a reason why policyholders would have a strong preference to trade during the no-dealing period as opposed to before or after.

3.91 In my opinion, the Scheme will not have a material adverse effect on Transferring Policyholders, given the administration platform migration continues to progress as planned at the time of writing this Report.

3.92 Should any issues arise after the platform migration, abrdn Life will be responsible for dealing with these. For the Transferring Policies, abrdn Life has a comprehensive contingency plan in place, the objective of which is to ensure that there is no material adverse impact on any of its policyholders, including the Transferring Policyholders after the Transfer Date. I have discussed the contingency plan with abrdn Life and understand it is committed to addressing any issues as fast as possible should these arise after the platform migration. It is therefore my opinion that abrdn Life has adequately assessed the risks associated with the platform migration and considered potential impacts and mitigations.

Phoenix Life Non-transferring Policyholders

3.93 Post-Transfer, five TIP policies that are invested fully or partially in with-profits, and the two CFIP policies will remain in the TAP platform. The level of service experienced by Phoenix Life Non-Transferring Policyholders will remain unchanged and their policies will be administered in the same way after the Transfer Date.

3.94 During the no-dealing period, the Non-transferring TIP/CFIP policies will experience the same trade restrictions as outlined for the Transferring Policyholders above. However, the same notification will be provided well in advance of the no-dealing period, and as before, I do not believe there is a reason why policyholders would have a strong preference to trade during the no-dealing period as opposed to before or after.

3.95 There are no changes planned in arrangements for the remaining Non-transferring (excluding the above) Phoenix Life Policies, therefore I do not expect any impact on the administration and servicing standards as a result of the Scheme.

3.96 Therefore, it is my opinion that the Scheme will not negatively impact the administration and servicing standards for Non-transferring Policyholders.

abrdn Life Existing Policyholders

3.97 abrdn Life's Existing Policies are not involved in the asset transfer and not impacted by the no-dealing period prior to the Transfer Date. Post-Transfer, these policies will not be able to invest in the new funds until the end of the no-dealing period.

3.98 abrdn Life's Existing Policies are already administered and serviced by SS&C and Citi is the custodian for these policies.

3.99 There is a risk that an increased amount of business in abrdn Life could lead to a deterioration in service standards for Existing Policies. However, SS&C and Citi are large financial service providers and while the scale of the business is large with respect to abrdn Life's existing business, it is small relative to the size of SS&C and Citi's business, who also provide similar services to other financial institutions. SS&C also already provide administration services for abrdn Group's mutual fund range, which is significantly larger than abrdn Life's business post-Transfer. SS&C and Citi have confirmed they are comfortable handling the increased volume of business and there will be no negative impacts on the service quality and standards being provided. I see no reason to believe that SS&C and Citi will be unable to handle the increased volume of business.

3.100 Overall, I see no reason to expect the increased volume of business to be detrimental to administration and servicing standards for Existing Policyholders.

Conclusion

3.101 I am satisfied that the Scheme will not have a material adverse effect on the administration and servicing available for any of the groups of policyholders discussed above.

The effects of the Scheme on the standards of management and governance

3.102 I have considered the effects of the Scheme on the standards of management and governance received by different groups of policyholders, including the Transferring Policyholders, the Non-transferring Policyholders and the Existing Policyholders.

3.103 For the standards of governance and management, I have considered the following in respect of Phoenix Life and abrdn Life:

- Capital management;
- Risk management; and
- The management and governance structures.

3.104 Phoenix Life and abrdn Life operate with different levels of capital buffers which enable both firms to meet their regulatory capital requirements.

3.105 The committees that deal with the Transferring Policies in Phoenix Life are audit, risk and investment. These three committees have counterparts in abrdn Life, hence structurally the governance is similar, and I do not expect a material change to the quality of governance and management.

3.106 Both companies operate under the three lines of defence model. This is a standard system across the insurance industry, and therefore I expect a similar quality of risk management in promoting sound operation and risk-taking in the firms.

3.107 In addition, I understand that the CFGC will take over the responsibilities of the joint TIP Forum that oversees the management and operation of the Transferring Policies. I have reviewed the comparison of the Terms of Reference (ToRs) of the TIP Forum and the CFGC and consider the CFGC to be suitable for taking over the responsibilities of the TIP Forum.

3.108 My conclusion is there is no material change for the Phoenix Life Transferring Policies. There are near-equivalent management and governance structures in place at abrdn Life, meaning they will experience similar standards after the transfer.

3.109 For the Phoenix Life Non-transferring Policyholders and the abrdn Life Existing Policyholders, there will be no changes to the standards of management and governance as they will continue to be subject to the same governance arrangements.

3.110 Having reviewed the above, my opinion is that the Scheme will not have material adverse effects on the standards of management and governance received by any of the groups of policyholders.

Policyholder communications

3.111 Each party to the Scheme will notify their respective policyholders. The following policyholders will be directly notified of the Scheme:

- Transferring Policyholders holding Pension Investment Plans (ITIP, RTIP, IPPIP and RPPIP);
- Property-linked Beneficiaries;
- Non-transferring Policyholders whose policy is administered on the TAP platform (as set out in paragraph 3.93), who will be affected by the no-dealing period;
- Standard Life SIPP beneficiaries, i.e., members who hold IPPIP or RPPIP, and for whom Phoenix Life holds contact details; and
- Existing Policyholders of abrdn Life.

3.112 The communications with the Transferring Policyholders holding Pension Investment Plans will ask them to inform their members if they consider it appropriate. The communications with Property-linked Beneficiaries will include wording to suggest that the insurers make aware any of their own policyholders, who have an interest in the proposal.

3.113 The proposed method of communication is by email for the majority of policyholders, which is the usual business contact method with policyholders. For Standard Life SIPP beneficiaries, communication will be performed by post or digital method, which will be in line with their preferred communication method. This aligns with policyholder expectations. Communications via email or other digital means are faster, and allow for delivery validation, avoiding postal mail delays.

3.114 Ahead of the formal communications in December 2024, warm-up letters were sent to the trustees (Transferring Policyholders holding Pension Investment Plans) during October commencing on 21 October 2024. These letters outlined the process and explained that they would be asked to inform their members if they consider it appropriate. The letters also requested a response regarding their intentions and offered support if they decide to communicate the Scheme to their members.

3.115 All of the Transferring Policyholders, excluding a small number who had notified that they were divesting shortly, were contacted with the warm-up email. There have been 75 responses, roughly split equally between those intending to communicate with their members and those who are not. Broadly speaking, those who intend to write to their members are defined contribution schemes while those who do not intend to write, are defined benefit schemes. Those who chose not to write and provided a reason cited that they do not usually communicate about this type of event and that it would likely cause more confusion. I note that there has been interest in obtaining a template letter to help support writing to members, which the Companies agreed to provide.

3.116 In addition to the warm-up letter, there will be relationship management discussions with trustees and their consultants or advisors. abrdn Life will also raise general awareness of the Scheme through industry events and conferences, and its membership in industry bodies.

3.117 Formal policyholder communication will commence on 16 December 2024 and complete on 20 December 2024. This timing would give a policyholder at least 11 weeks before the Final Hearing to consider matters and, where necessary, request a copy of this Report or other documentation available. This notice period is above the 6 to 8 weeks specified in the regulatory guidance. Mailing packs will be sent to each of the different groups of policyholders, containing relevant information for each group and details of how objections can be raised.

3.118 For Non-transferring Policyholders of Phoenix Life, except those managed on the TAP platform, the proposal is to request a waiver from the obligation to directly notify them about the Transfer. The rationale for seeking this dispensation is that the Scheme is not expected to impact these Non-transferring Policies. As at 30 June 2024, Phoenix Life has approximately 9.5 million policyholders, of which approximately 380 are the Transferring Policies and all remaining policyholders hold the Non-transferring Policies.

3.119 There are no known gone-aways in the Transferring Policies and Non-transferring Policies on the TAP platform.

3.120 In 2011, abrdn Life acquired a policy book from Credit Suisse which included policyholders who were unreachable. Despite efforts to trace these policyholders between 2011 and 2016, including contacting the Pensions Regulator and Pensions Tracing Service, the policyholders remain untraced. As of 2024, the unclaimed balance is around £119,000, representing 0.02% of abrdn Life's unit-linked assets under management (AUM). abrdn Life is seeking dispensation from the notice requirements for these gone-away policies.

3.121 Both Phoenix Life and abrdn Life will maintain dedicated scheme webpages with free online access to relevant documents. They will also both make arrangements for business-as-usual contact centres to support enquiries.

3.122 Overall, I am satisfied that the proposed communication strategy with policyholders, including the warm-up communications with trustees, and the application for dispensations and that the approach is fair, clear, and not misleading.

My other considerations arising from the Scheme

3.123 I have considered several other additional factors that might contribute to my conclusions with respect to the effects of the Scheme on the different groups of policyholders. These include:

- Treating Customers Fairly and Consumer Duty;

- Sanctioned assets and policyholders;
- Event of non-transfer;
- Taxation implications;
- abrdn Group activities;
- Other business transfers; and
- External events.

3.124 In respect of Treating Customers Fairly and Consumer Duty obligations, I have considered a report by abrdn Life approved by the Board in July 2024.

3.125 abrdn Life applies the Consumer Duty standards proportionately in accordance with its business model, reflecting the position that its direct clients are not retail customers but instead either registered pension scheme trustees or regulated insurance firms. Whilst all four Consumer Duty outcomes are considered, particular focus is placed on where abrdn Life is most likely to influence outcomes to ultimate "retail customers", such as individual pension scheme members. The most relevant Consumer Duty outcomes in this regard are Products and Services (Outcome 1) and Price and Value (Outcome 2). Consumer Understanding (Outcome 3) and Consumer Support (Outcome 4) are focused on retail customers and delivered to the end customers via the availability and provision of products and services to abrdn Life's professional investors. Additionally, to support Consumer Understanding (Outcome 1) and Price and Value (Outcome 2), abrdn Life provides products and services to professional investors to enable them to deliver good outcomes to their retail customers. abrdn Life's monitoring indicates that good customer outcomes are being delivered on all four metrics.

3.126 I have been advised by abrdn Life that the same approach to the Consumer Duty standards will be applied to the Transferring Polices as currently applies to abrdn Life's Existing Policies, including coverage of the Transferring Policies in the Consumer Duty & Conduct scorecard.

3.127 There is a joint committee, the TIP Management Forum that oversees customer outcomes for the Transferring Policyholders. This forum applies standards which are considered appropriate by Phoenix Life and abrdn Life and are consistent with the standard applied by abrdn Life's CFGC. After the Transfer Date, abrdn Life's CFGC will assume the responsibilities of the TIP Management Forum in respect of the Transferring Policyholders.

3.128 In preparation for the Transfer, Phoenix Life has already commenced providing all historical and legal information related to the Transferring Policies to abrdn Life. The companies are planning to complete this information sharing prior to the Transfer Date. Relevant abrdn Group subject matter experts are directly involved in validating the receipt of the historical information. abrdn Life already has a strong understanding of the historical information, including the information that needs to be provided, which is based on its experience in the manufacture, distribution, operation and governance of the Transferring Policies. This is because the Transferring Policies are already administered within the abrdn Group and will continue to be so after the Transfer, albeit that those services will be outsourced to SS&C.

3.129 None of the Transferring Policyholders would be prevented from transferring as a result of Russian or other sanctions.

3.130 There is one Phoenix Life linked fund which holds assets listed on the Moscow Stock Exchange ('SL Emerging Market Equities' fund). These assets are not sanctioned but cannot be traded and are consequently valued at nil. This SL Emerging Market Equities fund is only held by the Transferring Policyholders as a component part of the Standard Life Managed Pension fund or the Standard Life Multi-Asset Managed fund. When they were last able to be traded, before losing their value, these assets comprised approximately 0.1% of the Standard Life Managed Pensions fund and 0.05% of the Standard Life Multi-Asset Managed fund. These assets cannot be transferred and will be retained by the non-transferring segment of the fund and will not subsequently be transferred to the equivalent abrdn Life linked fund. As they have been valued at nil since early 2022, these assets are unlikely to be the key factor for the policyholders or underlying beneficiaries selecting to invest in emerging markets funds. In addition, there are custodian costs associated with holding assets, even if they are valued at nil. This treatment may run for an indefinite period until the assets can be traded again and there is no guarantee these will gain any value. As such, I do not consider that the retention of these assets within the non-transferring segment of the fund will have a material adverse impact on the Transferring Policyholders.

3.131 The additional custodian costs that will be paid by Non-transferring Policyholders as a result of this approach will be very small. At the time of writing this Report, the transferring part of the SL Emerging Market Equities fund is c.£1.7m and the non-transferring segment is c.£440m. The Russian stock exchange assets were around 5% of the SL Emerging Market Equities fund before their loss in value, so the transferring part of the emerging markets equity fund lost an estimated £0.085m when the relevant assets were written down to £nil.

3.132 Given the small overall impact, I consider the approach of retaining the non-tradable assets with the non-transferring segment of the fund to be reasonable. I do not believe this retention will have a material adverse impact on the Non-transferring Policyholders.

3.133 Based on my review of the analysis carried out by the tax teams at Phoenix Life and abrdn Life, I do not anticipate the Transfer to trigger any materially adverse tax consequences in the transferring funds. In any case, should the transferring funds suffer any adverse tax consequences as a result of the Transfer, I understand these costs will be borne by the Companies.

3.134 Analysis by the tax team at Phoenix Life indicates no impact is expected on the tax position of the Transferring Policies. The tax treatment of policies will remain the same as before the Transfer.

3.135 abrdn Life is a subsidiary company within the abrdn Group and it relies on different companies within the abrdn Group for the provision of key services. abrdn Life outsources to aIL, an abrdn Group company, all management functions other than the actuarial function, which is outsourced to Barnett Waddingham. Policy administration is carried out by aIL and third-party providers. Stakeholders considering my Report, may have an interest in the implications of these arrangements with other abrdn Group companies for the servicing of the Transferring Policies.

3.136 I am aware of the transformation programme announced by abrdn Group in January 2024, which aims to drive long-term improvements by reinvesting in growth areas and implementing cost-reduction measures to enhance the Group's capital generation. This programme aims to restore the abrdn Investments business to an acceptable level of profitability and to allow for incremental reinvestment into growth areas. Examples of changes that abrdn Group have carried out as part of this programme are:

- announcing a new senior leadership structure to simplify decision-making and accelerate progress toward strategic priorities; and
- putting in place a plan to improve investment performance, under which it has begun seeing improvements across a number of asset classes this year.

The programme will seek to enhance the controls and risk management environment with the purpose of continuing to ensure the abrdn Group's operations are conducted in a way that complies with regulatory requirements and delivers good outcomes for its clients.

3.137 I note that the abrdn Life Board has been thoroughly briefed on the aims of the abrdn Group's transformation and is consulted on relevant transformation matters. The abrdn Life Board is supportive of the aims and is satisfied that risks to abrdn Life as a result of the programme are being appropriately managed.

3.138 Ultimately, any change that directly impacts abrdn Life is subject to abrdn Life Board review and approval. For indirect impacts arising from changes elsewhere in the Group, there are the MSA and IMA that are in place setting out the duties, responsibilities, and liability for any errors. The arrangements that abrdn Life has in place with aIL are fundamental to abrdn Life's ability to deliver its obligations to and meet the expectations of its policyholders. I understand that the abrdn Life Board has in place ongoing and thorough oversight in respect of the services it outsources to aIL and this will continue to be in place after the transfer. I also note that reliance on abrdn for servicing is in fact going to be reduced due to the administration moving from aIML to SS&C for the Transferring Policies.

3.139 I see no reason to believe that the servicing arrangements with abrdn Group companies and the abrdn Group's transformation programme will have a material adverse impact on servicing standards for the Transferring Policyholders.

3.140 In terms of financial matters, the abrdn Group is subject to consolidated supervision conducted by the FCA and accordingly is required to satisfy a minimum own funds requirement in accordance with the FCA's Prudential Sourcebook for MiFID Investment Firms (MIFIDPRU). I note that:

- as at 30 June 2024 (the reporting date for the abrdn Group's 2024 half year results), the abrdn Group had Common Equity Tier 1[1] (CET1) capital resources of £1,544m with coverage of 146%;
- as at 31 December 2023 the abrdn Group had CET1 capital resources of £1,466m with coverage of 139%; and
- as at 31 December 2022 the abrdn Group had CET1 capital resources of £1,301m with coverage of 123%.

3.141 The disclosed net capital generation[2] of the abrdn Group was £104m for the first half of the financial year 2024, £178m for the full financial year 2023, and £81m for full financial year 2022.

3.142 I also note that:

- The abrdn Group credit rating was downgraded from A- to BBB+ / Stable by Standard & Poor's in August 2023, and from A3 to Baa1 / Stable by Moody's in January 2024. abrdn Life is sufficiently capitalised in accordance with its capital policy and therefore is not impacted by the abrdn Group debt position and credit rating. The credit rating downgrade had no impact on the services provided by other members of the abrdn Group to abrdn Life.

- abrdn Group pays dividends to its shareholders and this has the effect of reducing its available capital. The dividends, however, are discretionary and carefully considered in the context of the capital position of the abrdn Group.

3.143 In the unlikely event that abrdn Group needs to be wound down, abrdn Group has a wind-down plan that it has prepared in accordance with the FCA's Wind-Down Planning Guide and Thematic Review 22/1 which sets out an expectation for firms to be able to achieve an orderly wind-down and to minimise the risk of harm to clients and markets.

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[1] Common Equity Tier 1 (CET1) is a measure of regulatory capital resources under MIFIDPRU, underpinned by abrdn plc Group ordinary shareholders' funds. This is the highest quality capital available to cover capital requirement and absorb losses.
[2] A performance metric designed to reflect the contribution of abrdn Group's underlying profitability to its CET1 capital resources in a financial period, net of after-tax restructuring costs.

3.144 This wind-down plan produced in 2023, has not yet allowed for the Transferring Policies. I understand that the abrdn Group wind-down plan will be updated to allow for the Transfer in its next review, which is expected to be after the Transfer Date. The next iteration of the abrdn Group wind-down plan will cover the post-transfer wind-down operational process and financial impacts and will incorporate abrdn Life's Own Risk and Solvency Assessment (ORSA).

3.145 I note that abrdn Life is not reliant on abrdn Group capital. abrdn Life produced and provided me an ad-hoc ORSA which allowed for the Transferring Policies. In this ad-hoc ORSA, the abrdn Life Board considers plans it may need to implement if abrdn Life needs to be wound down and sets out a number of solvent exit options. The plans take into account the potential timescales involved and the capital needed to implement the plans.

3.146 As I mentioned in my earlier analysis, I have not relied on Group support when forming my conclusions regarding benefit security and I am satisfied that abrdn Life by itself, demonstrated sufficient financial strength to accept the Transferring Policies.

3.147 In summary, I am satisfied that:

- the abrdn Group is able to continue to provide outsourced services to abrdn Life;
- sufficient governance is in place to ensure the abrdn Group transformation programme does not result in a deterioration of servicing standards;
- abrdn Life has sufficient capital to accept the Transferring Policies, and is not reliant on abrdn Group capital;
- the credit rating downgrade did not materially impact abrdn Life; and
- the abrdn Group will update its wind down plan in due course to take account of the Transferring Policies and that, pending such update, abrdn Life has considered the management actions it would need to have in place in respect of the Transferring Policies in a wind down scenario.

As a result, my conclusions on the transfer remain unchanged.

3.148 For information purposes, Phoenix Group is currently also implementing an internal business transfer between its European subsidiaries, moving the business of Phoenix Life Assurance Europe dac to Standard Life International dac. This transfer requires approval from the equivalent of the High Court in Ireland. The main regulator involved is the Central Bank of Ireland, and no involvement is needed from either the PRA or FCA. The transfer is independent of this Scheme as it involves different entities within Phoenix Group. The planned date for this business transfer is 1 January 2025.

3.149 In the event the Scheme does not proceed, there are no plans to change any current arrangements for the Transferring Policies and Non-transferring Policies in Phoenix Life, and Existing Policies in abrdn Life.

3.150 After the UK's departure from the European Union, the UK's adaptation of Solvency II, often called "Solvency UK", is being reformed to better suit the UK insurance sector. Numerous changes have already been incorporated into policy, with most of the remaining changes scheduled to take effect on 31 December 2024.

3.151 The reforms affect both Phoenix Life and abrdn Life regardless of whether the Scheme is implemented or not. abrdn Life provided me with updated financial results allowing for the impact of the reforms which showed a modest reduction in abrdn Life's SCR cover, but does not change the conclusions I have set out in Section 9 of this Report. As for Phoenix Life, the reforms are not expected to have a material impact on the balance sheet contribution of the transferring business. I will provide an update on the financial positions of both Companies in my Supplementary Report, which will take into account the impact of the reforms discussed above.

3.152 During the time of writing this Report, the UK election took place which saw the Labour Party voted into power. As with any change in government, there can be shifts in regulatory, economic, and social policies that directly affect the insurance industry. Given that the change of government has already occurred, I see no reason for it to have any impact on my conclusions with regard to the Scheme.

3.153 Both abrdn Life and Phoenix Life would have to tackle the complexities of the current economic environment regardless of the Transfer, and as such I do not believe the economic environment would have a material adverse effect on policyholders as a result of the Transfer.

3.154 Overall, I am satisfied that the other considerations that I have examined will not have any material adverse effect on policyholders, nor impact my conclusions reached in this Report.

My conclusions

3.155 Throughout this Report, I have considered the effects and the impact of the Scheme on the Phoenix Life Transferring and Non-transferring Policyholders and on the abrdn Life Existing Policyholders.

3.156 In my opinion, the Scheme and the administration platform migration will not have any material adverse effect on any of the groups of policyholders mentioned above, in respect of:

- the reasonable benefit expectations;
- the benefit security;
- the standards of administration and servicing; and

- the standards of management and governance.

3.157 It is also my opinion that the underlying beneficiaries of the Transferring Policies will not be materially adversely affected by the Transfer. This is because the terms of the Transfer do not include any changes to the value or security of the underlying investments held by the Transferring Policies.

3.158 I have also analysed the approach to policyholder communications and conclude that the proposed communication strategy, including the application for dispensations, is fair, clear, and not misleading.

3.159 I conclude that my other considerations arising from the Scheme, including Treating Customers Fairly and Consumer Duty, other business transfers, sanctions, taxation and external events, do not have a material adverse effect on any of the groups of policyholders considered, nor on my conclusions reached in this Report.

4 The Independent Expert

Introduction

4.1 The legal and regulatory system in the UK provides four main layers of protection to policyholders involved in UK insurance business transfers. The aim of this is to ensure a fair outcome for all policyholders once a transfer takes place. The four layers of protection are provided by:

- The UK Regulators, i.e. the PRA and FCA, who:
  - approve the appointment of the Independent Expert and the form of this Report which the Independent Expert produces;
  - produce their own reports on the Scheme to be considered by the Court;
  - are entitled to appear in Court; and
  - approve the form of the notices that are published and received by policyholders.
- The Independent Expert, who assesses the Scheme and produces a main report, i.e., this Report, a Summary Report and a Supplementary Report containing any updates for the Final Hearing.
- The obligation that the companies must give notice to policyholders (and any other interested parties) of the proposed transfer. Any person who considers they may be adversely affected by the Scheme is able to make a representation to the Court.
- The Court, at which the two hearings will take place and which will decide whether the Scheme is to be approved (or "sanctioned") and brought into effect. The first is the Directions Hearing, which is expected to be before an Insolvency and Companies Court Judge, where the proposed plan for notifying policyholders is considered. The second is the Final Hearing, where the Court reviews the Scheme and considers the views of the Regulators, the Independent Expert, various statements by the parties to the Transfer, and any objections raised by policyholders or other interested parties.

4.2 As one of the layers of protection for policyholders, my role as the Independent Expert is to assess the Scheme and set out my assessment and conclusions in this Report and the Supplementary Report for the consideration of the Court.

The considerations of the Independent Expert

4.3 I list below some of the significant areas of consideration in my role as the Independent Expert.

The regulatory requirements

4.4 The UK Regulators require certain material to be covered in the Independent Expert's Report. Details of these requirements can be found in the following three documents:

- PRA Statement of Policy on Part VII Transfers;
- SUP 18 of the FCA's Handbook; and
- FCA guidance on Part VII Transfers (FG22/1).

4.5 I confirm this Report complies with the necessary requirements contained within these three documents and the requirements set out in paragraphs 2.41 to 2.43. Details of how I have complied with these requirements can be found in Appendix C.

The security of policyholder benefits

4.6 As the Independent Expert, I need to consider the effect of the Scheme on the security of policyholder benefits i.e. the likelihood of policyholders receiving their benefits when they are due, with a particular focus on their security in adverse circumstances.

4.7 Under Solvency II, insurance companies are required to hold a minimum amount of capital in excess of the assets backing technical provisions. The amount of capital required is determined on the basis of the risk profile of the insurance company and is intended to provide security to policyholder benefits. Insurance companies are required to demonstrate that they can meet policyholder claims and regulatory requirements in adverse conditions.

4.8 The security of policyholder benefits is generally measured by assessing an insurance company's solvency capital coverage ratio, which is the ratio of the available capital resources to the capital requirement, and its resilience under adverse scenarios. In practice, insurance companies aim to maintain a target solvency capital coverage ratio, which is defined in their Capital Policies, and will set out procedures to restore their solvency position back to the target level, in the event it falls below that level.

4.9 I have assessed the security of policyholders' benefits by considering the following:

- the solvency capital coverage ratios of the Companies at the Transfer Date;
- the estimated solvency capital coverage ratios of the Companies at the Transfer Date under different stress and scenario conditions;
- forward solvency capital coverage ratio projections of the Companies at different points in time;
- the risk profile and risk appetite of the Companies;
- the types of business being written by the Companies;

- the size and form of the Companies; and
- the governance of the Companies.

Reasonable expectations of policyholders

4.10 The reasonable expectations of policyholders refer to what the policyholder would expect under non-extreme circumstances. In particular, their expectations of areas in which there is discretion such as charges applied to policies or benefits granted to policyholders.

4.11 As Independent Expert, I need to assess the effect of the Scheme on policyholders' reasonable expectations by considering any areas where discretion can be applied, such as:

- the amount of benefits being received;
- the form of the benefits being received; and
- charges being applied to policies.

Other considerations

4.12 There are other factors which I have considered since they could affect the security or reasonable expectations of policyholders. These include the effects of the Scheme on:

- the standards of service;
- the administration process;
- management and governance; and
- tax and costs.

The independence of the Independent Expert

4.13 I submitted a statement of independence to the Regulators for review prior to their approval of my role. I confirm that to the best of my knowledge and belief, I have no conflict of interest that would compromise my ability to perform this role, based on the following factors and considering the most recent guidance issued by the Actuarial Profession on this matter:

- Neither I nor Grant Thornton have or have had any direct or indirect interest in Phoenix Group, abrdn Group or any of their insurance subsidiaries that could influence my independence.
- Neither I nor my immediate family have or have had any policies with the Phoenix Group or abrdn Group or any of their insurance subsidiaries that could influence my independence.

Reliances of the Independent Expert

Financial information

4.14 When assessing the Scheme and forming this Report, I have not carried out an independent review of the financial information provided by the Companies. As such, the reliability and reasonableness of conclusions drawn are dependent on the accuracy of the information that has been provided by the Companies. However, I note the following:

- The Phoenix Group's year-end 2023 financial information was audited by EY LLP and the abrdn Group and abrdn Life's year-end 2023 financial information was audited by KPMG LLP.
- The financial information provided to me has been approved by senior stakeholders such as the respective Chief Actuaries, Boards and Committees.
- I have carried out meetings with relevant people at the Companies to expand my understanding in certain areas. Therefore, I have relied on information shared in these meetings that are not necessarily in the documentation provided.

Legal matters

4.15 As part of my review, I need to assess the legal effects of the Scheme. I do not have expertise in legal matters and do not hold any UK law qualifications, therefore I have referred to legal input from experts in UK insurance industry law.

4.16 Linklaters was chosen by the Companies to provide legal advice, and I have reviewed and considered their input when drawing my conclusions. I have not obtained my own legal advice and I consider the legal input from Linklaters to be sufficient in my review.

4.17 I believe Linklaters' specialists have the appropriate qualifications and knowledge that is required for Part VII Transfers and adequate experience in the UK insurance industry in general. Linklaters also has no liability to me or Grant Thornton in respect of the information provided to me.

Tax matters

4.18 This Report includes my assessment of tax implications in relation to the Scheme. abrdn Life and Phoenix Life have both sought tax advice from their own tax teams. I have also obtained tax advice in respect of the Scheme from the Grant Thornton tax team.

4.19 Phoenix Life's and abrdn Life's tax teams have no liability to me or Grant Thornton for any input they have provided me with. Given their expertise in UK tax law, I consider it appropriate to rely on the tax advice provided by them in my assessment.

5 Background information regarding Phoenix Life

Introduction

5.1 The Phoenix Group is a large UK business headed by Phoenix Group Holdings plc, which is listed on the London Stock Exchange and is a FTSE 100 company.

5.2 Phoenix Life is one of the companies within the Phoenix Group. It is authorised by the PRA and regulated by the PRA and FCA and has a wide range of savings and retirement income products in its insurance and investment portfolio.

Brief Group company history

5.3 The Phoenix Group's history dates back to 1782. It has grown since through mergers and acquisitions including the more recent acquisitions of SLAL in 2018 and ReAssure Limited in 2020.

5.4 Phoenix Life began in 1971 as Lloyds Life Assurance Limited. It underwent a series of name changes to Royal Heritage Life Assurance Limited in 1986, then Royal & Sun Alliance Linked Insurances Limited in 1998, and finally Phoenix Life Limited in 2005.

5.5 On 27 October 2023, the Part VII transfer of the business of Phoenix Life Assurance Limited, SLAL and Standard Life Pension Funds Limited to Phoenix Life was completed. This is known as the Phoenix Life 2023 Scheme (the 2023 Scheme). Phoenix Life is now a large insurance entity with a diverse portfolio of business ranging from protection, savings to unit-linked pensions and investment products.

Summary Group company structure

5.6 The Phoenix Group contains five active life companies which are regulated in the UK and two life companies which are regulated in Ireland. The five regulated in the UK are:

- Phoenix Life Limited;
- ReAssure Limited;
- ReAssure Life Limited;
- Standard Life Assurance Limited; and
- Sun Life Assurance Company of Canada (UK) Limited.

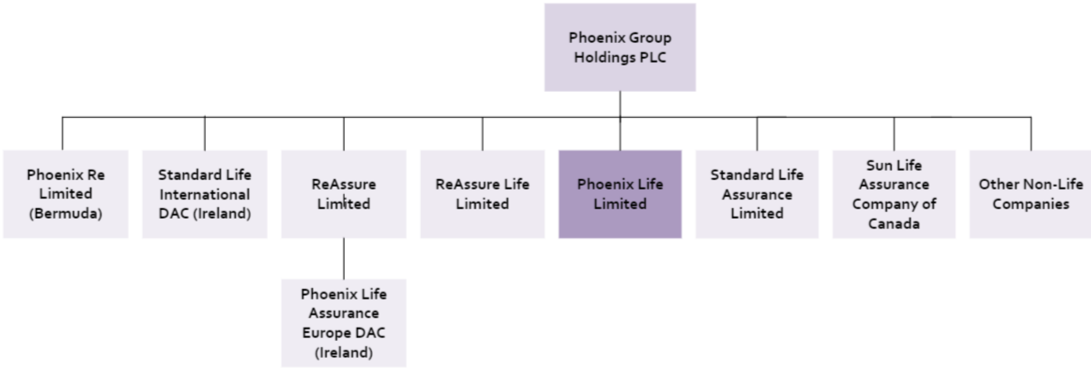
5.7 The two companies regulated in Ireland are:

- Standard Life International DAC; and
- Phoenix Life Assurance Europe DAC.

5.8 There is one company regulated in Bermuda:

- Phoenix Re Limited.

5.9 The simplified structure below outlines how these life companies are set within the wider Group structure.



Current company business

5.10 The main activities of Phoenix Life are based around providing life assurance and pension products to customers in the UK. All business is written in the UK.

5.11 Phoenix Life has approximately 9.5 million policies in force with over £218 billion worth of total assets as at 30 June 2024.

5.12 Phoenix Life currently writes new retail and workplace business, new bulk purchase annuity (BPA) business, protection business under the Sun Life brand, and new pension annuities.

5.13 The long-term insurance business in Phoenix Life is contained within 18 sub-funds, 17 of which are WPF and one of which is an NPF. The one NPF is maintained for accounting and operational purposes and for reporting purposes is combined with the Shareholders' Fund containing assets and liabilities not attributable to its long-term insurance business.

5.14 The Transferring Policies, which are all unit-linked, are currently allocated to either the Heritage WPF or the NPF.

Financial position

5.15 The table below shows the financial position of Phoenix Life as at 30 June 2024.

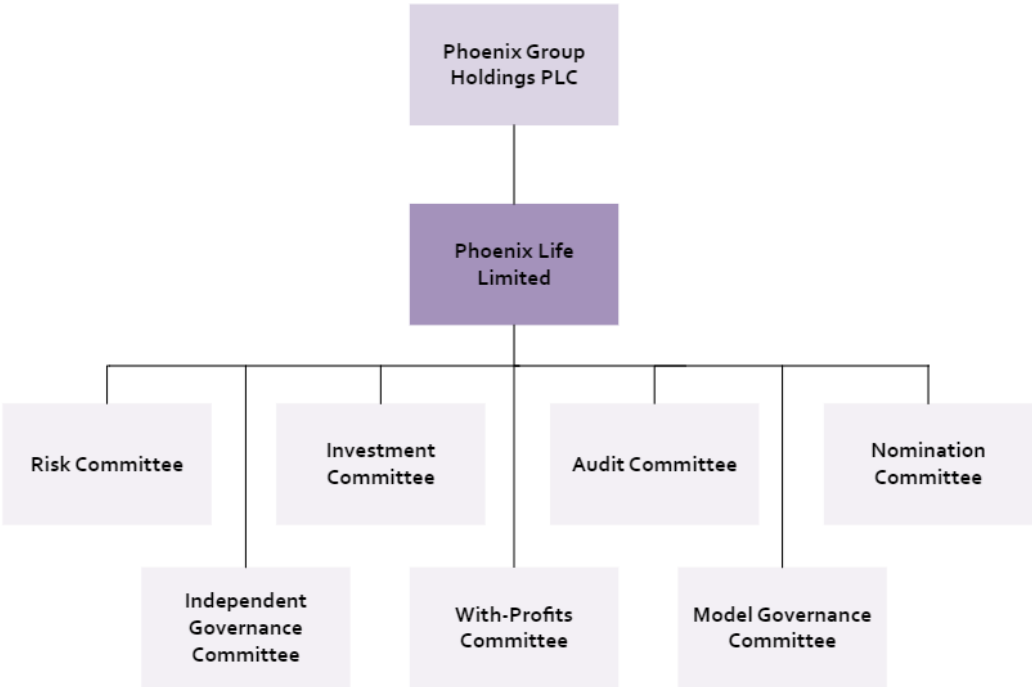
Financial position (£m)	Phoenix Life
Total assets	218,706
Total liabilities	209,231

Excess of assets over liabilities	9,475
Own Funds excluding ring-fenced funds[3]	7,337
SCR	4,747
Excess of Own Funds over SCR	2,590
SCR coverage – All funds	155%
SCR coverage – Shareholder view*	185%

* SCR coverage - shareholder view means excluding contributions to the Own Funds and SCR from the WPFs that do not receive shareholder support to meet their SCR, other than the value of future shareholder transfers. Excluding these contributions presents a more accurate measure of Phoenix Life's shareholder environment's ability to absorb risk. For this reason, Phoenix Life's Capital Policy targets are assessed against this "shareholder view" SCR coverage measure.

Governance arrangements

5.16 Phoenix Life operates under the governance and risk management arrangements of the Phoenix Group.



[3] Under Solvency II, a Ring-Fenced Fund (RFF) refers to a portion of an insurance company's own funds that are segregated from the rest of the firm's assets and liabilities due to certain restrictions. These restrictions mean that the RFF has a limited ability to absorb losses on a going-concern basis. Essentially, the assets within an RFF are earmarked for specific liabilities and cannot be freely transferred or used to cover losses elsewhere in the business.

5.17 Phoenix Life operates a joint Board of Directors, Audit Committees and Risk Committees with SLAL, ReAssure Limited, ReAssure Life Limited and Sun Life Assurance Company of Canada (UK) Limited. These work under the Phoenix Group's frameworks whilst having responsibility delegated to them to monitor the policies and activities that only impact the Life Companies.

5.18 The Committees and their responsibilities are summarised below:

- Risk Committee: Advise the Board on risk matters, including setting and reviewing risk appetite and limits, approving risk strategies and policies, and overseeing stress testing to identify and assess business plan risks.
- Investment Committee: Establish and review investment and asset liability management strategies, ensure fair customer treatment, monitor performance, and oversee investment manager relationships and mandates.
- Audit Committee: Monitor the integrity of financial reporting and effectiveness of the Finance function, review the effectiveness of internal controls, risk management, and the Internal Audit function. Oversee external audits and their relationship with auditors. Approve the remit of the Group Internal Audit (GIA) function.
- Nomination Committee: Lead the appointment process to ensure the Board's balance of skills and diversity. Maintain a transparent approach to appointing Directors and succession planning. Approve Director appointments or removals, review Board composition, and recommend changes. Identify candidates for vacancies and review Non-Executive Directors' time commitments annually.
- With-profits Committee: Support the Board in with-profits matters including assessing and advising on with-profits fund management, providing independent judgement on compliance, reviewing major transactions, and considering proposals on non-profit policies and customer fairness.
- Model Governance Committee: Monitor the strategic direction and governance of the Internal Model, ensuring its appropriateness, performance, and effectiveness. Provide assurance to the Board and oversee the Standard Formula appropriateness assessment for the ReAssure Group plc capital model.
- Independent Governance Committee: Acts in the interest of members of the contract-based workplace pension schemes operated by the relevant Company and assess the ongoing value for money delivered by them.

5.19 In addition to the general governance arrangements and due to Phoenix Life's and abrdn Life's joint nature of management of the Transferring Policies, additional governance is in place in the form of the TIP Forum. The TIP Forum meets quarterly, includes attendees from both companies and covers all the Transferring Policies within its scope. The Forum covers operations reporting, TIP services scorecards, product changes, investment management and distribution reports, and risk events.

Capital management policy

5.20 Phoenix Life's Capital Management Policy is defined in the 2023 Scheme. A requirement of the 2023 Scheme is to maintain a Capital Policy which sets minimum capital requirements with reference to a capital quantity test, a capital quality test and a capital event business requirement.

- The capital quantity test requires Phoenix Life to hold sufficient excess assets to meet its SCR in internally specified stress scenarios in line with the Board's risk appetite. At present, this appetite is to have less than a 1-in-10 chance of failing to meet its SCR over a one-year period.
- The capital quality test requires Phoenix Life to hold assets in the NPF or Shareholders' Fund such that they can meet certain criteria under stress scenarios. Specifically, Phoenix Life must be able to maintain compliance of the Matching Adjustment Fund with relevant laws and PRA rules including Section 138BA of FSMA and the new Matching Adjustment section of the PRA Rulebook and meet any expected liquidity demands that would exist under those stress scenarios. This includes the provision of any support necessary to With-Profits Funds in the form of assets suitable for the WPF to hold.
- The capital event business requirement sets out that Phoenix Life must, to the extent deemed reasonably practical, carry on its business so there is no significant foreseeable risk that a capital event arises that requires further action. This may require additional capital to be held under certain circumstances beyond that required by the two tests above.

5.21 The Capital Policy currently requires Phoenix Life to hold capital not less than 138% of the SCR on a shareholder basis, i.e. removing the components of the SCR related to the WPFs that are not subject to support from shareholder funds.

5.22 No action is required if there is a small deficit relative to Phoenix Life's Capital Policy other than withholding the release of any capital such as dividends. If large deficits occur, then corrective actions will need to be considered.

Risk profile

5.23 Phoenix Life's portfolio contains a variety of different types of contracts with different risk profiles, which makes it diverse. The Transferring Policies form c.2% of the AUM of Phoenix Life's insurance portfolio. The Transferring Policies do not contribute to Phoenix Life's SCR, as explained in section 9.7.

5.24 Phoenix Life is exposed to risks relevant to an insurance business. The paragraphs below briefly outline the main risks for Phoenix Life.

Underwriting risk

5.25 Phoenix Life's sources of underwriting risk include mortality and longevity, morbidity and disability, expense, persistency and new business pricing.

5.26 The exposure to underwriting risk is managed within Phoenix Life's risk policy. Risk appetite statements are established in respect of underwriting risks and exposures are monitored against agreed limits. The mitigation of underwriting risk through reinsurance and other forms of risk transfer is used to manage the overall level of exposure to underwriting risk.

Market risk

5.27 Phoenix Life invests in a variety of assets to invest its insurance premiums and back its insurance liabilities. Through this, it is exposed to the following sources of market risk: interest rate, equity, property, inflation, currency, strategic financing and policyholder investment outcomes.

5.28 The company uses a variety of methods to assess and monitor market risk exposures through monitoring the exposures to individual sources of the risk as well as the aggregate exposure to all market risks.

5.29 The risk is mitigated through the use of appropriate investment instruments, the use of appropriate hedges and close monitoring of metrics and exposures with prompt strategy reviews.

Credit risk

5.30 Through its business Phoenix Life is exposed to the following sources of credit risk: spread on corporate debt, equity release mortgages, infrastructure loans and other illiquid assets, default on assets, including reinsurance and stock-lending counterparties and failure of outsourcing partners to meet their obligations.

5.31 Phoenix Life monitors exposure to its credit risk. Risk exposure limits are set at the aggregate level and sub-risk level. Asset or specific counterparty exposure limits can also be introduced in the course of risk management activities.

Liquidity risk

5.32 Liquidity Risk for Phoenix Life will be mainly arising from events requiring large cash outgo like a mass lapse, reinsurance counterparty default or operational risk events.

5.33 The risk is managed and monitored through limits and tolerances set within Phoenix Life's and Phoenix Group's risk management framework.

Operational risk

5.34 Examples of sources of operational risk at Phoenix Life are customer outcomes, regulatory compliance, model, cyber and workforce-related risks.

5.35 The operational risk, as well as other risks, is managed and mitigated under the Phoenix Group's and Phoenix Life's risk management frameworks.

Other risks

5.36 The other important risks that form Phoenix Life's risk management profile are tax, strategic and climate risks.

5.37 Examples of the key strategic partnerships Phoenix Life has are partnerships with abrdn plc, TSD Diligenta (Diligenta) and HSBC Bank (HSBC).

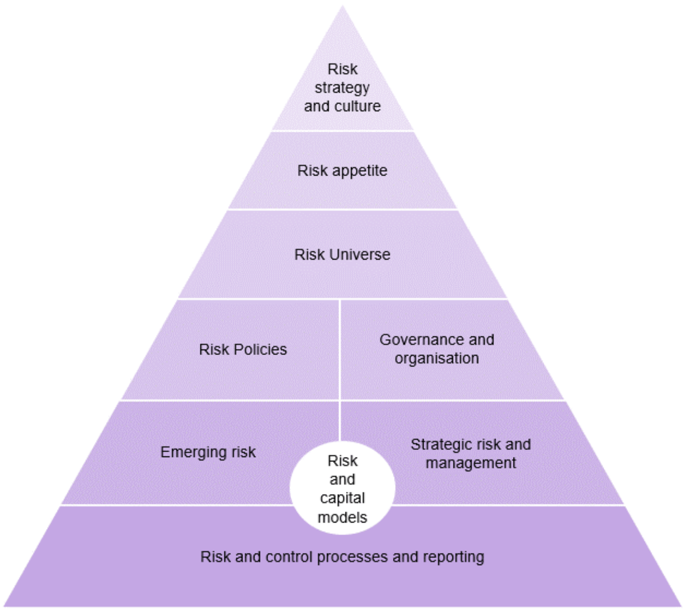
5.38 These risks are managed under Phoenix Life's risk management framework.

Risk management framework

5.39 Phoenix Life operates under Phoenix Group's Risk Management framework (RMF).

5.40 The Phoenix Group's Risk Management framework includes identifying, assessing, controlling and monitoring all material risks. The Risk Management Framework aims to ensure that all risks are managed within approved risk appetites and reported through the agreed governance routes in line with delegated authorities.

5.41 There are 9 components to the RMF which are shown in the diagram below.



5.42 The Phoenix Group operates a three lines of defence risk management model, which extends to Phoenix Life. The three lines are outlined below:

- Risk management responsibility is delegated from the Board to the Group Chief Executive Officer, the Executive Committee (ExCo) members, and business managers. This first line is responsible for executing the Risk Management Framework.

- The Phoenix Group's Risk function forms the second line and provides independent oversight of risk management, offering advice, guidance, review, challenge, opinion, and assurance. Its views are communicated to the Board Risk Committee.
- The third line is independent assurance. External validation of the adequacy and efficiency of internal controls and risk management is conducted by the Phoenix Group's Internal Audit function. After each annual audit, findings on different components of the RMF, opinions on the Control Environment and RMF operation results are reported to the Board Audit Committee.

5.43 The Own Risk and Solvency Assessment (ORSA) plays an important role in supporting strategic decision-making and strategy development at the Group's Boards and management committees. The ORSA integrates several interconnected processes, including strategy and business planning, risk exposure and appetite, risk capital assessment, risk management and monitoring, stress and scenario testing, and ORSA reporting.

5.44 The ORSA processes are run regularly throughout the year, the Group's ORSA Report is reviewed and approved at least once a year by the Boards of the Group and the insurance entities covered by the Group's ORSA Policy.

Reinsurance arrangements

5.45 There is an outbound reinsurance arrangement with Schroders, which is in the form of a unit-linked reinsurance policy (where Phoenix Life is reinsured) through which Phoenix Life's unit-linked funds access unit-linked funds at Schroders. This reinsurance agreement relates to both retained and Transferring Policies. There are no outbound reinsurance arrangements that are relevant to the Transferring Policies used by Phoenix Life in a traditional way to manage risks in its insurance portfolio.

5.46 Within the Transferring Policies there are five inbound property-linked reinsurance policies, which will be transferred under the Scheme. Though these are set up via reinsurance agreements, these are only different types of unit-linked policies used to provide access to Phoenix Life's linked fund range and not as a risk transfer mechanism. As at 30 June 2024, the property-linked reinsurance policies are held by Scottish Equitable (£19m), Fidelity (£68m), Scottish Widows (£8m), Mobius (£29m) and L&G (£10m).

Administration and servicing of Phoenix Life policies

5.47 The majority of Phoenix Life's policy administration is outsourced to Diligenta, a UK-based subsidiary of Tata Consultancy Services. Diligenta provides life and pension business process services in respect of a large number of policyholders in the Phoenix Group.

5.48 The Transferring Policies are a small subset of Phoenix Life’s business, which are not administered by Diligenta, but are administered by aIML on the TAP platform. The TAP platform is owned by Phoenix Group.

6 Background information regarding abrdn Life

Introduction

6.1 abrdn Life is a UK regulated insurance subsidiary of the abrdn Group. It is a private limited company, incorporated and domiciled in England. The company is authorised by the PRA and regulated by the PRA and FCA. All business is written in the UK.

6.2 abrdn Life undertakes the following key roles:

- Issuing unit-linked investment policies (Trustee Investment Plans) to trustees of UK pension schemes;
- Issuing reinsurance policies to insurance companies covering unit-linked pension liabilities; and
- Providing investment management services to UK pension schemes under segregated pension fund management mandates.

6.3 abrdn Life has no employees. All management and administration services are outsourced as described below:

- Investment management services to aIL;
- Custodian and fund accounting services to Citi;
- Administration services (transfer agency) to SS&C; and
- Actuarial services to Barnett Waddingham.

6.4 abrdn plc is the ultimate owner of all the abrdn Group companies and is listed on the London Stock Exchange.

Company history

6.5 Starting with the wider abrdn Group history, abrdn plc (formerly Standard Life Aberdeen plc) had its roots traced back to 1825 when it was founded in Edinburgh, Scotland. Initially, it operated as a life insurance company, providing financial protection and savings products to individuals.

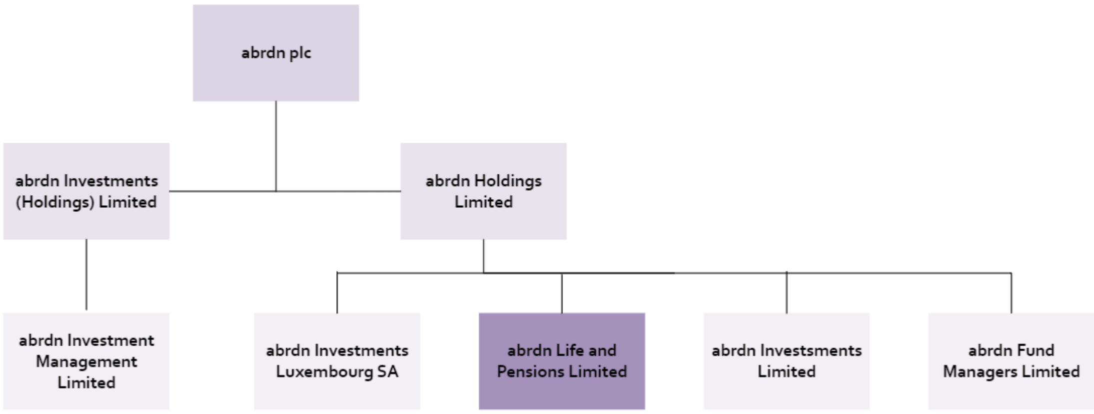
6.6 Aberdeen Asset Management PLC was established in 1983 in Aberdeen, Scotland. It focused on asset management services and built a reputation as a leading global investment management group.

6.7 In 2005, Aberdeen Asset Management PLC acquired Deutsche Asset Management Life and Pensions Limited. It was then renamed Aberdeen Asset Management Life and Pensions Limited in December of that year.

6.8 Aberdeen Asset Management Life and Pensions Limited was renamed Aberdeen Standard Investments Life and Pensions Limited in 2019. Finally, the company was renamed abrdn Life and Pensions Limited in December 2021.

Company structure

6.9 abrdn Life is a wholly owned subsidiary of abrdn Holdings Limited, which is ultimately owned by abrdn plc, alongside other subsidiaries as set out in the chart below. Together, abrdn Life and its fellow regulated subsidiaries form part of the abrdn Group.



6.10 abrdn Life outsources all business functions to the abrdn Group. Specifically, abrdn Life has a Master Services Agreement (MSA) and an Investment Management Agreement (IMA) with aIL to provide all required services to run abrdn Life.

6.11 As such, abrdn Life is exposed to some extent to the strength and stability of abrdn Group in terms of its financial strength, risk management and governance, strategic direction, regulatory compliance and reputation.

Current business

6.12 abrdn Life's current business is the provision of investment management services to institutional customers through a range of contract types. Specifically, the three contract types abrdn Life writes are:

- Trustee Investment Plans (TIPs), which are provided to trustees of occupational pension schemes through a purchase of unit-linked investment contract by trustees in order to access and invest in abrdn Life's linked funds.
- Reinsurance contracts covering the unit-linked liabilities of third-party life insurers, which are similar to TIPs, but act as a way for third-party life insurers with 'open architecture' pension products to access the internal linked funds operated by abrdn Life.
- Segregated Investment Mandates (SIMs), which involve the provision of investment management services to pension schemes in respect of their assets. Pension schemes pay investment management fees to abrdn Life for the provision of this service.

6.13 abrdn Life is authorised by the PRA to conduct Class I (Life & Annuity), Class III (Linked Long Term) and Class VII (Pension Fund Management) of long-term insurance business.

6.14 The abrdn Life policies do not have any guaranteed benefits or investment guarantees. Benefits are linked solely to the performance of the linked funds. The contracts do have annuity options (an annuity option here is an option, set out in a unit-linked policy, to buy an annuity with the policy proceeds on non-guaranteed terms). abrdn Life has not written any annuity business so far and there are no business plans to do so in future.

6.15 Fund management charges are the only charges on policies, and there are no penalties should a policyholder take a surrender value at any time. Subject to a period of notice, contracts allow abrdn Life to increase the level of fund charges.

6.16 abrdn Life can terminate any abrdn Life policies provided policyholders are given three-months' notice.

6.17 The table below shows the composition of policies in force and the value of respective AUM as at 30 June 2024, prior to the Transfer.

Composition of policies	Number in force	AUM (£m)
TIP	26	103
Reinsurance contracts	7	566
SIM contracts	2	79
Total	**35**	**748**

6.18 SIM contracts are the provision of investment management services and as such the SIM AUM does not fall under the assets or liabilities of abrdn Life, so are not included in the table below.

Financial position

6.19 The table below shows the Solvency II balance sheet of abrdn Life as at 30 June 2024.

Financial Position (£m)	abrdn Life
Total assets*	689.2
Total liabilities	674.3
Excess of assets over liabilities	14.9
Eligible Own Funds	14.9
SCR	0.8
MCR	3.5
SCR coverage	1813%
MCR coverage	427%

* Total Assets on Solvency II basis exclude SIM contracts as under these contracts abrdn Life does not bring clients' assets into its own balance sheet.

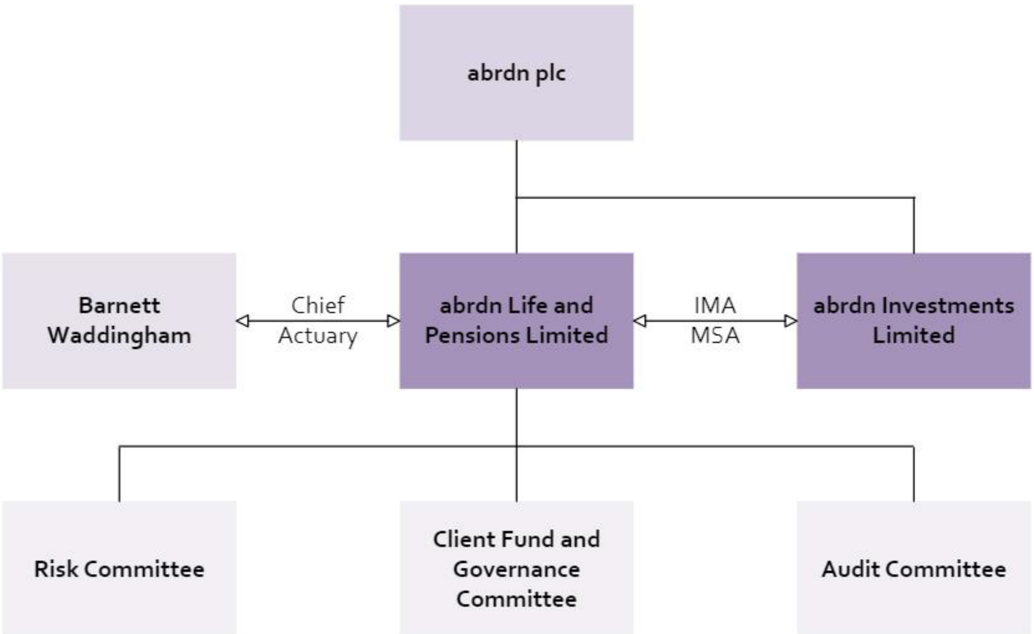
6.20 abrdn Life calculates its SCR under the Solvency II Standard Formula approach.

6.21 The figures above represent a 1813% SCR coverage and 427% MCR coverage for the abrdn Life Existing Policyholders as at 30 June 2024.

6.22 The large SCR coverage is due to the maintenance of capital in anticipation of the Transfer. The SCR is small relative to the capital available, reflecting the risk profile of abrdn Life. The SCR is smaller than the MCR and the MCR currently defines the minimum level of required capital. This is referred to as the MCR biting.

Governance arrangements

6.23 The governance framework of abrdn Life is based on the wider framework which applies to the abrdn Group. At a high level, abrdn Life's governance structure and positioning within the abrdn Group is shown in the chart below.



6.24 The abrdn Group Board has overall responsibility for the management and oversight of the abrdn Group. The responsibilities of the abrdn Group Board include but are not limited to, determining and monitoring the implementation of group level strategy, capital adequacy and allocation of decisions, risk management, significant corporate transactions, appointments, managing group performance and external and shareholder reporting, and matters escalated from subsidiary boards.

6.25 The abrdn Group Board has four Committees to which matters from the abrdn Life Board can be escalated. There are four Group level committees, which are led by and have representation of the abrdn Group Board members: Nomination and Governance, Audit, Remuneration and Risk and Capital Committees.

6.26 The abrdn Group Committees and their responsibilities are summarised below:

- Nomination and Governance: responsible for the Board and Committee composition and appointments, succession planning, governance framework, culture, diversity, equity and inclusion.
- Audit Committee: responsible for regulatory and financial reporting, non-financial reporting, internal and external audits and whistleblowing.
- Remuneration Committee: development of remuneration philosophy and policy, incentive design and benefits structure.
- Risk and Capital Committee: responsible for the risk management framework, compliance reporting, risk appetites and tolerances, transactional risk assessments, capital adequacy and anti-financial crime.

6.27 The abrdn Life Board meet quarterly and are responsible for the management of abrdn Life and overseeing the outsourcing to aIL.

6.28 The abrdn Life Board establishes additional arrangements to address the requirements of abrdn Life as a UK insurance undertaking. There are a range of key functions which are provided by aIL via the MSA and the IMA. Individuals performing key functions are established as fit and proper through a framework of initial and ongoing assessments.

6.29 The Chief Actuary function is outsourced to Barnett Waddingham LLP with John Hoskin being the Chief Actuary. John Hoskin is a partner of Barnett Waddingham LLP and is not an abrdn Life or abrdn Group Board member.

6.30 The abrdn Life Board aims to align its objectives with the abrdn Group Board. The aim of the abrdn Life Board is to focus on the long-term stability of the operations, compliance with the internal standards and relevant regulatory requirements. The abrdn Life Board is also responsible for compliance with the regulatory requirements.

6.31 The abrdn Life Board has established sub-committees, which receive input from the abrdn Group committees, as part of the group-wide governance and risk management frameworks.

6.32 abrdn Life also has independent Audit and Risk board committees, and the CFGC which is an executive management committee. Their responsibilities are summarised as follows:

- The Risk Committee is responsible for reviewing risk management information of the company and alignment with the abrdn Group's strategy to the risk appetite.

- The independent Audit Committee is responsible for monitoring the integrity of the financial statements of the company, reviewing judgements made and any significant financial reporting issues.
- The CFGC is responsible for assisting the CEO of abrdn Life in their responsibilities for oversight of activities related to customer outcomes, including activities delegated to aIL under the MSA and IMA.

6.33 Through its service agreements with aIL, abrdn Life also takes part in the abrdn Group's governance arrangements which cover fund pricing and administration via the Investor Protection Committee.

6.34 In addition to the general governance arrangements and due to Phoenix Life's and abrdn Life's joint nature of management of the Transferring Policies, additional governance is in place in the form of the TIP Forum. The TIP Forum meets quarterly, includes attendees from both companies and covers all the Transferring Policies within its scope. The Forum covers operations reporting, TIP services scorecards, product changes, investment management and distribution reports, and risk events.

Capital management policy

6.35 The capital management policy is based on the abrdn Group and abrdn Life's risk appetites. The abrdn Life risk appetite is set by the abrdn Life Board and is aligned with its capital management policy to maintain the solvency level above a set target level.

6.36 The set target level is measured under stress and scenario tests, including allowance for management actions, carried out as part of the company's ORSA. The solvency cover target level of abrdn Life currently is the greatest of 196% of the SCR, 150% of the MCR and 150% of the ORSA capital requirement.

6.37 Review and reset of the above capital management target levels, and risk appetite statements, may be done upon significant changes in abrdn Life's business model, operating model or the risk profile of the business. Examples of events that might inform change in the capital management policy could be changes in legislation or regulation, entering or writing a new class of insurance business, significant changes to business strategy, major industry changes or developments, and material key risk changes.

6.38 abrdn Life's Board has the power to cancel, amend or withhold dividends at any time prior to payment if such cancellation or amendment is necessary for abrdn Life to meet regulatory requirements or its internal targets.

6.39 Prior approval by the PRA is not required by the abrdn Life Board for any dividend payment if the risk appetite of abrdn Life is maintained. However, abrdn Life states it is committed to notifying the PRA of any dividend proposals.

Risk profile

6.40 abrdn Life writes only unit-linked insurance investment business for trustees of pension schemes, provides access to its linked funds to other insurance companies via reinsurance agreements and provides investment management services to institutional clients in relation to their pension schemes assets.

6.41 abrdn Life's portfolio consists of only unit-linked type policies and its risk profile reflects this. The paragraphs below briefly outline the main risks for abrdn Life.

Underwriting risk

6.42 abrdn Life's underwriting risk sources are persistency and expense risks. The company does not accept any other underwriting risks.

6.43 The underwriting risk is managed within the abrdn Life's risk framework. The insurer has a high tolerance for the persistency risk and a low tolerance for the expense risk.

6.44 abrdn Life aims to manage the persistency risk through the provision of a dedicated client service team with a set-up tailored to meet the needs of UK pension schemes. The expense risk is managed through a close monitoring of amounts and their justifications.

Market risk

6.45 abrdn Life is exposed to market risk through its assets: unit-linked assets, assets managed under SIM contracts and shareholder assets. The market risk on these assets is managed and mitigated separately for each asset category.

6.46 abrdn Life has a high tolerance to market risk on linked assets and assets managed under SIM contracts. abrdn Life's income directly depends on the AUM and, as a result, the income will fluctuate. This risk of income fluctuation is managed by making expenses sensitive to the volume of charges.

6.47 abrdn Life has a low tolerance to market risk on shareholder assets. The shareholder assets are used to cover the SCR, the MCR and any non-unit reserves in excess of the unit-linked assets. abrdn Life aims to minimise the risk by investing these assets in cash and short-term cash-like instruments.

Credit risk

6.48 abrdn Life has service provision, shareholder assets, linked assets and assets managed under SIM contracts under which it is exposed to credit risk.

6.49 abrdn Life has a low tolerance to credit risk in relation to third-party service providers. The risk of a service provider defaulting on its obligations is primarily managed by the initial and ongoing due diligence of the service provider together with protections included in service contract terms.

6.50 abrdn Life also has a low tolerance to credit risk in relation to shareholder assets. The risk is managed by limiting direct exposure to cash counterparties and investing other assets in a diversified portfolio of high-quality short-term assets.

6.51 The tolerance to credit risk in relation to linked assets is generally low and is managed according to individual fund mandates.

6.52 The tolerance to credit risk in relation to SIM contracts is linked to client-specific investment objectives. The risk is managed by making expenses sensitive to the volume of charges received.

Liquidity risk

6.53 abrdn Life is exposed to liquidity risk in respect of the cash outgo amounts, and time when they fall due.

6.54 abrdn Life has a low tolerance to liquidity risk in relation to shareholder assets. All shareholder assets are held in cash or in a money market fund which invests in liquid assets and allows daily dealing.

6.55 The linked assets are managed to provide appropriate liquidity, in normal circumstances, to allow policyholder redemptions to be met as they fall due. abrdn Life also has the contractual ability to suspend transactions or delay the release of funds within T&Cs if the underlying Collective Investment Scheme (CIS) takes time to be released.

6.56 The assets managed under SIM contracts remain the legal property of the client and the liquidity risk is managed under client-specific mandates.

Operational risk

6.57 abrdn Life has a low tolerance to operational risk. It is managed through outsourced service agreements with aIL and third-party suppliers. aIL and third parties are responsible for operational risk losses under their contracts. However, aIL is ultimately responsible if a third party does not compensate.

6.58 Operational risk from external events is managed by ensuring compliance with current regulations and legislation, and by maintaining the ability to react appropriately to external risks and issues.

Group risk

6.59 As part of abrdn Group, abrdn Life is exposed to the risks facing abrdn Group. These include strategic risk, financial risk, conduct risk, regulatory risk, and operational risks.

6.60 Within the Group risk, abrdn Life closely manages aIL's requirement to compensate abrdn Life should any operational risk losses occur.

6.61 In the event of any significant abrdn Group issues, abrdn Life has the ability to terminate all existing contracts at three months' notice.

Other risks

6.62 abrdn Life considers climate and currency risks as other significant risks.

6.63 All assets managed by or on behalf of abrdn Life are managed in accordance with the abrdn Group approach for managing climate change risks.

6.64 abrdn Life has limited exposure to currency risk from overseas assets held within certain unit-linked funds or managed under certain SIM contracts. The risk is managed by making expenses sensitive to the volume of charges received.

Risk management framework

6.65 The abrdn Group has an established Enterprise Risk Management Framework (ERMF). The ERMF is based on the components of accountability, culture and appetite, ensuring appropriate oversight, assessment, monitoring and control. The abrdn Life risk management framework is based on the ERMF with some additional elements added for the life business.

6.66 The Group operates the three lines of defence risk management model, which fully extends to abrdn Life. The key addition for abrdn Life is the risk register that is owned by abrdn Life's Chief Risk Officer (CRO).

6.67 The Group's three lines of defence risk management model is described below:

- The abrdn Group's business units are responsible for the identification and mitigation of risks and taking the lead with respect to implementing and maintaining appropriate controls (first line).
- Oversight functions within the Risk and Compliance function oversee compliance with regulatory and legal requirements as well as monitoring operational, investment and counterparty risk (second line).
- Independent assurance is provided by Internal Audit which recommends improvements to the control environment (third line).

6.68 The three lines of defence model is adopted by abrdn Life through its own established Board and is further supplemented by a range of risk-related committees at divisional and operational business level.

6.69 abrdn Life's operational risk is primarily managed through abrdn Group's ERMF. Any material changes to the abrdn Life business are referred to and discussed at the abrdn Life Risk Committee.

6.70 The ORSA process is actively employed to assess these and other risks and make necessary changes. A monthly monitoring process is in place to understand the operational effectiveness of the risk management process, identify and review any breaches of tolerances and review complaints.

6.71 abrdn Life carries out an ORSA annually and more frequently if and when required. The ORSA process is intended to identify, assess, monitor, manage and report on both short- and long-term risks and to determine the capital required to ensure that abrdn Life can continue to meet its solvency requirements. The ORSA enhances awareness of the risks faced by abrdn Life and the capital needed given those risk exposures.

6.72 The abrdn Life Risk Committee oversees the overall Board's risk governance process and advises the Board on risk appetite and tolerance, future strategy and direction of the business.

Outsourcing arrangements

abrdn Group

6.73 abrdn Life outsources all business functions to the abrdn Group. The outsourcing arrangements are governed by the MSA and IMA between abrdn Life and aIL. Under the MSA, aIL is liable for all operational risk losses in respect of abrdn Life business, including its own failure and third parties' unwillingness or inability to meet their commitments. aIL, in turn, may rely on other parts of the abrdn Group to carry out contracted services.

6.74 Under this arrangement abrdn Life retains a minimum of 15% of net fee income from the business, passing the remaining up to 85% of the net fee income to aIL. Net fee income refers to the fee income less any rebates less any expenses met by abrdn Life that would otherwise be chargeable to the unit-linked funds but are not due to voluntary expense caps in place.

6.75 The outsourcing arrangement is structured in such a way that the abrdn Life can retain up to 100% of the net fee income in scenarios when 15% is not sufficient to cover its costs.

Actuarial Function

6.76 The Actuarial Function is outsourced by abrdn Life to Barnett Waddingham LLP. John Hoskin currently holds the role of the Chief Actuary. John Hoskin is a qualified actuary with a number of years of insurance industry and consulting experience. John is supported in his role by other Barnett Waddingham LLP personnel.

Fund administration

6.77 Fund administration, custody and fund dealing services are provided to abrdn Life by Citi via a contract with aIL.

6.78 Transfer agency and registrar services are provided to abrdn Life by SS&C via an administration agreement held directly between the two parties.

6.79 abrdn Life operates unit-linked fund structures so that its policyholders have direct access to existing fund offerings with the abrdn Group.

Policy administration

6.80 The outsourcing arrangements for policy administration is with SS&C and are discussed in the section below.

Reinsurance arrangements

6.81 Prior to the Transfer Date, abrdn Life has no outward reinsurance arrangements.

6.82 abrdn Life issues reinsurance policies to other insurance companies covering unit-linked pension liabilities. These contracts are operating as a means for providing access to the range of abrdn Life's internal linked funds. They are classified as inward reinsurance.

Administration and servicing of abrdn Life policies

6.83 SS&C and Citi provide administration services for abrdn Life policyholders. Fund administration is managed by Citi, and transfer agency by SS&C.

6.84 Both the abrdn Life Board and Client Fund Governance Committee receive quarterly updates and management information on the performance and operational oversight of all services, including those provided by Citi and SS&C. The abrdn Life Business Manager also receives a monthly dashboard on SS&C breaches, plus copies of meeting minutes from Citi's monthly Fund Pricing Service Reviews, which provide additional oversight.

7 The Scheme

The background and motivation for the Scheme

7.1 In 2017, Aberdeen Asset Management plc and Standard Life plc merged creating a combined group Standard Life Aberdeen, of which Standard Life Assurance was part.

7.2 Most of the Transferring Policies were at the time part of SLAL with the clients having been introduced through Standard Life Investments Limited (SLI). SLI managed some of the investments and the administration, and managed client relationships.

7.3 SLAL was subsequently acquired by Phoenix Group Holdings in 2018, but SLI remained part of the now renamed abrdn Group and was renamed aIML. aIML continues to manage some of the investments, administration and client relationships for the Transferring Policies.

7.4 The above created a structure with the assets and liabilities of the Transferring Policies sitting within Phoenix Group and the administration and client relationship components sitting with abrdn Group, which was considered to be suboptimal from the perspective of managing the policyholder experience.

7.5 On 23 February 2021, the abrdn Group entered into an agreement with the Phoenix Group relating to the simplification and extension of the strategic relationship between the two parties with the intention to deliver a more cohesive experience for customers, clients and their advisors. One part of this agreement is related to the Transfer.

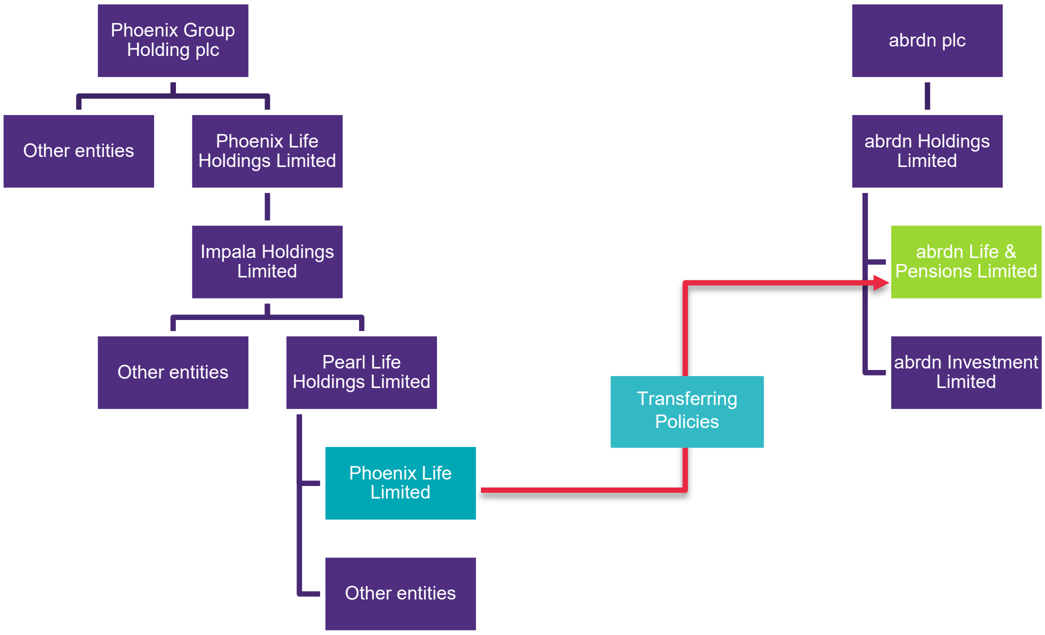
7.6 The majority of the Transferring Policies were transferred from SLAL to Phoenix Life by the 2023 Scheme, the only exception to this being a small number of policies in the Transferring Policies that were sold post the 2023 Scheme.

7.7 The agreement made on 23 February 2021 has been noted in the Independent Expert report for the Phoenix Life 2023 Scheme, which refers to the future possibility of this Transfer.

7.8 This Transfer is intended to implement part of the 23 February 2021 agreement in relation to the Transferring Policies to simplify client relationship and to further help simplify the commercial and operational arrangements between the Phoenix Group and abrdn Group. In addition, it will significantly strengthen the scale of abrdn Life.

A summary of the Scheme

7.9 The diagram below illustrates the Transfer:



Transferring Policies

7.10 The Transferring Policies comprise unit-linked investment products, most of which were originally written by SLAL (or SLAC if pre-2006, before demutualisation) and transferred to Phoenix Life under the 2023 Scheme. A few policies have been sold since the transfer to Phoenix Life.

7.11 The table below sets out the types of Transferring Policies, along with the number of policies and approximate unit fund value as at 30 June 2024.

Transferring Policies	Target Market	No. Policies	Approximate unit fund value (£billion)
Institutional Trustee Investment Plan (ITIP)	Trustees of large pension schemes (min. investment £3m)	214	3.1
Property-linked reinsurance	External insurers accessing linked funds through reinsurance agreements	5	0.1
Retail Trustee Investment Plan (RTIP)	Trustees of smaller pension schemes	31	0.02
Institutional Personal Pension Investment Plan (IPPIP)	Managers of large SIPPs provide individual members with access to the available range of Phoenix Life unit-linked funds.	52	0.03
Retail Personal Pension Investment Plan (RPPIP)	Managers of smaller SIPPs provide individual members with access to the available range of Phoenix Life unit-linked funds.	77	0.02
TIP Gateway	This is an abrdn platform for ITIPs which allows advisers and consultants to perform some operations.	1	0.5

Total		**380**	**3.8**

7.12 The administration of the Transferring Policies is currently outsourced to aIML who use Phoenix Group's TAP system. Some business administered on TAP is not within the scope of the Transfer.

7.13 Transferring Policies exclude the following policies that are administered on the TAP platform:

- Five TIP policies (c.£14.2m) that have investments in Phoenix Life Heritage WPF. These TIPs are not transferring because they have with-profits investments which abrdn Life cannot provide.
- Two corporate fund investment policies (CFIP1 and CFIP2) (c.£92.3m) that enable James Hay SIPP policyholders to access a range of Phoenix Life unit-linked funds. These are not transferring because they are not in the scope of the 2021 agreement.
- Standard Life International's Irish TIP product is provided by Standard Life International. These policies are not part of Phoenix Life and are not in the scope of the 2021 agreement.

7.14 Unlike the Existing Policies at abrdn Life, Phoenix Life does not have the contractual right to terminate the Transferring Policies by providing three months' notice. The Scheme will not change this, abrdn Life will also not have the contractual right to terminate the Transferring Policies by providing three months' notice. Note that the Transferring Policies are able to surrender their policies with no penalty applied.

Transfer of assets

7.15 The majority of unit-linked funds allocated to the Transferring Policies, with the exception of PPF funds, will be transferred from Phoenix Life to successor funds in abrdn Life, without any actual sale or repurchase of assets. The Transfer will be executed through in-specie transfer or re-registration of the ownership rights for appropriate proportions of each affected fund's assets from Phoenix Life to abrdn Life. As at 30 June 2024, the PPF exposure is approximately £308m.

7.16 There will be a small proportion of funds for which an actual sale and repurchase potentially will take place due to the fund operational restrictions, for example minimum volume for in-specie transfers. In this case, Phoenix Life and abrdn Group companies will be responsible for meeting transaction costs in their mutually agreed manner.

7.17 No PPF asset transfer will take place due to the indivisible nature of the assets and co-investment in this fund of the Transferring and Non-transferring Policyholders. From the Transfer Date, the Transferring Policyholders will continue to have access to the PPF investment through a reinsurance agreement set up between abrdn Life and Phoenix Life to enable this access.

7.18 In addition, no physical asset transfer will happen in respect of the assets invested in Schroders Life Fund. The Transferring Policyholders currently access the fund via a reinsurance agreement between Phoenix Life and Schroders. The Transferring Policyholders will continue accessing the fund via a new reinsurance agreement between Schroders and abrdn Life.

7.19 The total value of assets that will be transferred will comprise the value of transferring units at the unit prices on the Transfer Date. This excludes the PPF assets, which will not be transferring as set out in the paragraph directly above. These transferring assets will be determined by Phoenix Life and represent the total value of technical provisions in respect of this business.

7.20 The assets to be transferred under the Scheme will consist of the relevant proportion of the assets in Phoenix Life's unit-linked funds in which Transferring Policies will be invested at the Transfer Date.

7.21 abrdn Life will set up 51 new successor unit-linked funds with investment fund objectives unchanged from those of the Transferring Policies invested in at Phoenix Life. This is based on the funds held by the current in-force policies which could change. The full set of successor unit-linked funds and the allocation to these funds are available in Appendix D.

7.22 On the Transfer Date, the units of Transferring Policyholders will be deallocated from Phoenix Life funds and allocated to successor funds at abrdn Life at the 'mid' unit prices on that day (i.e., with no allowance for transaction costs). This will determine the monetary amount of the holdings for each policyholder and this amount is used to allocate units in abrdn Life funds. The unit price in the abrdn Life fund will be different, but the number of units will consequently be adjusted to maintain the overall fund value.

Outward reinsurance, inward reinsurance and floating charges

7.23 Following the Transfer, the Transferring Policies' exposure to the PPF will be provided through the reinsurance of abrdn Life's PPF liabilities to Phoenix Life. The mechanism of providing access to funds via reinsurance agreements is standard practice in the industry and is used at present by both Phoenix Life and abrdn Life.

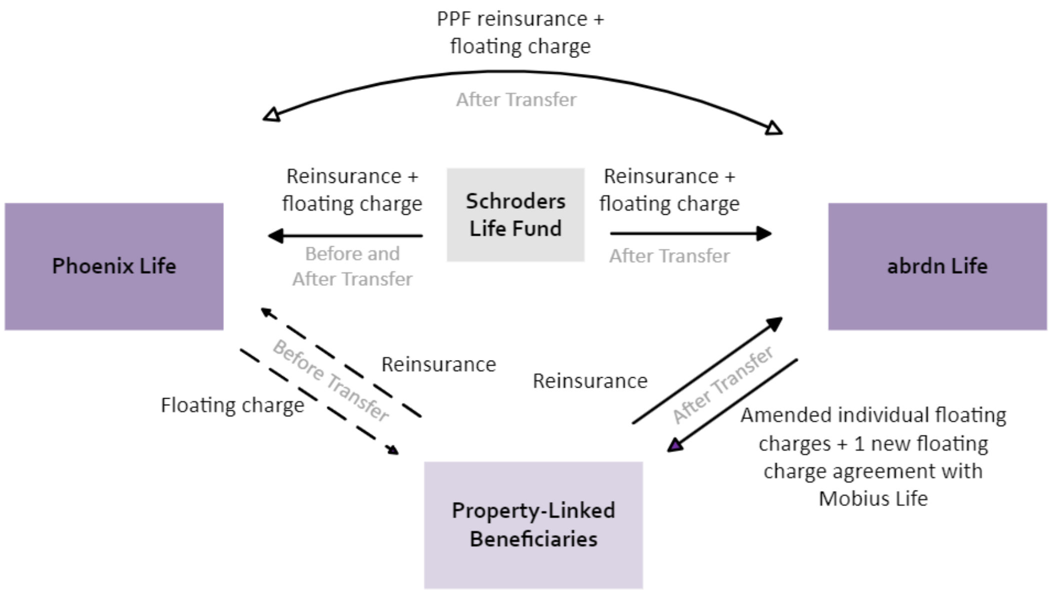
7.24 There are five property-linked inbound reinsurance policies in the Transferring Policies with a total value of c.£0.1 billion. These are reinsurance policies where Phoenix Life acts as a reinsurer to other insurers, thereby providing access to Phoenix Life's linked funds. A floating charge is in place for these reinsurance policyholders over Phoenix Life assets (the Phoenix Life floating charge).

7.25 A floating charge is a mechanism that works to rank policyholders accessing linked funds through reinsurance contracts in line with direct policyholders in the event of the insolvency of the insurer. The floating charge is required due to the current UK legislation ranking direct insurance contracts above reinsurance contracts on insolvency of the reinsurer.

7.26 abrdn Life has already granted floating charges over all of its long-term insurance business assets to each of the Property-linked Beneficiaries whom abrdn Life already has business with. abrdn Life does not have existing business with Mobius Life, so has not already granted a floating charge with Mobius Life.

7.27 There is also a total of c.£30m investment in the Schroders Life Fund in respect of the Transferring Policies as at 30 June 2024 that is accessed by Phoenix Life via a reinsurance treaty. Alongside the Scheme, abrdn Life will enter into a reinsurance agreement with Schroders on or before the Transfer Date enabling the Transferring Policyholders to access the fund. Schroders will grant a floating charge in favour of abrdn Life over its assets in respect of this reinsurance policy.

7.28 The diagram below illustrates the pre and post transfer reinsurance and floating charges that will be in place.



7.29 Before the Transfer Date, abrdn Life will:

- Amend the terms of its existing floating charges so the benefits are extended to cover the Transferring Policies.
- Set up a floating charge with Mobius Life in respect of the property-linked reinsurance policy.
- Enter into a reinsurance agreement with Schroders to enable access to its Schroders Life Fund and receive a floating charge over Schroders assets in respect of this reinsurance agreement.

7.30 As a consequence of the Scheme, on the Transfer Date:

- The Phoenix Life floating charge will cease.
- The amendments to the abrdn Life existing floating charges become effective.
- The new Mobius Life floating charge will become effective.
- A new floating charge between Phoenix Life and abrdn Life in respect of PPF reinsurance will become effective.

7.31 Where a new security interest is created by a company, there is a period of time after its creation during which the new security is vulnerable to being set aside under the provisions of the Insolvency Act 1986, should the company enter into a formal insolvency process. In essence, this means that for a period of time, certain prior transactions may be challenged by an insolvency practitioner. The period of time prior to the start of an insolvency process during which a transaction is susceptible to challenge is known as the hardening period.

7.32 The hardening period between parties that are not in the same group is 12 months. If the company granting the charge was subject to insolvency within that period, the floating charge could be invalid.

7.33 For the Transferring Policies that the floating charge is extended to include, the hardening periods for reviewable transactions under the Insolvency Act 1986 will commence on the Transfer Date, which is the date on which the extended floating charge becomes effective, in respect of the property-linked reinsurance policies. The hardening periods will not start again for the abrdn Life Existing Policies which were already covered by the floating charge in place prior to the terms being amended to include the Transferring Policies.

7.34 For the new floating charge that abrdn Life will grant to Mobius Life in respect of the transferring property-linked reinsurance policies, the hardening periods will commence on the Transfer Date when this new floating charge becomes effective.

7.35 For the PPF reinsurance floating charge that Phoenix Life will grant to abrdn Life, the hardening period will commence when this new floating charge becomes effective which will be on or before the Transfer Date.

7.36 For the Schroders reinsurance floating charge that Schroders will grant to abrdn Life, the hardening period will commence when this new floating charge becomes effective which will be on or before the Transfer Date.

Previous Schemes

7.37 Of the schemes that are currently in-force in Phoenix Life, one scheme is applicable to the Transferring Policies, namely, the Phoenix Life 2023 Scheme.

7.38 This Scheme will not alter the provisions of the Phoenix Life 2023 Scheme.

Administration changes planned alongside the Scheme

7.39 The Transferring Policies will move from the TAP platform, owned by Phoenix Group and administered by aIML, to the platform called FAST owned and administered by SS&C. FAST is already used by abrdn Life for the administration of its own TIP and reinsurance policies.

7.40 The companies are planning to align the timing of the administration platform transition and the asset transfer with the timing of the Transfer. The companies aim to complete all possible platform migration activities prior to the Final Hearing retaining only the asset transfer for the Transfer Date.

7.41 The custodian for the Transferring Policies' investments and fund administration will change from HSBC Bank to Citi, which is the custodian for the existing abrdn Life business. This will ensure consistency in custodianship for the larger abrdn Life portfolio.

7.42 During this migration, there will be a period of time where restrictions will be applied to policyholder dealing, meaning policyholders will experience some delays to their servicing and administration activities, i.e. a no-dealing period. The restrictions will only apply to purchases, withdrawals and switches, and not to death or retirement payments.

7.43 The policyholders affected are the Transferring Policyholders and the Non-transferring TIP/CFIP Policyholders. The TIP/CFIP policyholders are affected because they invest in the same fund series within the unit-linked funds as the Transferring Policies, whereas the other Non-transferring Policyholders do not.

7.44 The table below shows the proposed timeline for the client no-dealing period for this Transfer:

Date	Proposed approach for the Transfer
25 March 2025 – 30 March 2025	No client dealing, except for deaths and retirement.
31 March 2025	Non-transferring TIP/CFIP Policyholders can recommence all dealing. Transferring Policyholders can recommence buying.
02 April 2025	Transferring Policyholders can recommence selling, subject to some considerations. More details are laid out below.

7.45 From 02 April 2025, selling can begin but will be dependent on when the new custodian has full access to the linked funds' assets. Currently, this may be delayed longer for policyholders invested in the successor funds which will invest in external funds. For these, abrdn Life will be reliant on the external Transfer Agents (TAs) (19 out of 51 funds in scope) and SS&C may reject their selling instruction until the assets are available in custody.

7.46 abrdn Life and Phoenix Life will mitigate this by actively engaging with the external managers and TAs to set expectations and ask that the transactions are given priority and are processed as soon as received pre/post the transfer date.

Communication of the Scheme

7.47 The different groups of policyholders will be notified separately, as described below:

- directly notify all the Transferring Policyholders;
- directly notify the policyholders of Non-transferring Policies administered on the TAP system (as set out in paragraph 7.13), who will be affected by the no-dealing period;
- directly notify all Existing Policyholders of abrdn Life;
- directly notify Standard Life SIPP beneficiaries, i.e., members who hold IPPIP or RPPIP, for whom Phoenix Life holds contact details as it is the provider of the SIPP; and
- seek a dispensation from the notice requirement to directly notify other Non-transferring Policyholders of Phoenix Life, with the exception of those on the TAP system.

7.48 The proposed method of communication is by email for the majority of policyholders, which is the usual business contact method with policyholders. For Standard Life SIPP beneficiaries, communication will be performed by post or digital method, which will be in line with their preferred communication method. This aligns with policyholder expectations. Communications via email or other digital means are faster, and allow for delivery validation, avoiding postal mail delays.

7.49 Information about the Transfer will be accessible to all Phoenix Life customers from their normal customer service team, with a hard copy scheme leaflet provided free of charge on request and on the Phoenix Life website.

7.50 Policyholder notifications will commence on 16 December 2024 and is expected to complete on 20 December 2024.

7.51 This timing would give a policyholder at least 11 weeks before the Final Hearing to consider matters and, where necessary, request a copy of this Report or other documentation available. The Final Hearing is expected to be on 12 March 2025.

7.52 For Transferring Policyholders, notification will be sent to:

- the trustees (or the trustees' nominated contact) who are the policyholders of the transferring TIPs;

- the SIPP trustees who are the policyholders of the transferring PPIPs (or the nominated contact whose details are held for the policy);
- directly to Standard Life SIPP beneficiaries or other nominated contacts who invest via a PPIP or RPPIP; and
- the insurance companies who are the policyholders (and cedants) of the property-linked reinsurance contracts.

7.53 For abrdn Life Existing Policyholders, notification will be sent to the trustees who are the policyholders of the abrdn Life TIP, the insurers who are the policyholders of the inward reinsurance policies of abrdn Life and the pension scheme providers to whom abrdn Life provides SIM services.

7.54 A dispensation from notification requirements for the Phoenix Life Non-transferring Policyholders, other than those administered on TAP, is being sought due to the negligible impact on Phoenix Life's balance sheet and the fact there will be no changes to the Non-transferring Policyholder benefits, governance or administration as a result of the Transfer. This is also on the grounds of proportionality, and not wanting to confuse policyholders who are sensitive to non-standard communications.

7.55 A gone-away customer is a customer with whom the insurer has lost contact, which typically arises because the customer has changed address and not informed the provider. There are no gone-aways in the Transferring or Non-Transferring Policies on the TAP platform.

7.56 There are a small number of gone-aways in the abrdn Life Existing Policies (discussed in section 12), where it will not be possible to provide communications about the Scheme. abrdn Life is seeking dispensation from the notice requirements for these gone-away policies.

FSCS and Financial Ombudsman Service (FOS) protection for the Transferring Policies

7.57 The FSCS is the last resort destination to compensate eligible customers in the event of insolvency of a "Relevant Person". An insurer authorised by the PRA or FCA in this context is a Relevant Person.

7.58 The FOS is a service that settles complaints between consumers and businesses that provide financial services.

7.59 I understand that the Transferring Policyholders who meet the eligibility criteria for the FSCS and/or FOS protection at Phoenix Life will continue to be eligible for the FSCS at abrdn Life, as well as the eligible Existing Policyholders at abrdn Life. The eligibility criteria for the FSCS and/or FOS protection are not affected by the Scheme.

Costs of the Scheme

7.60 The costs and expenses incurred by Phoenix Life and abrdn Life in relation to the preparation and carrying into effect of this Scheme, whether before, on or after the Transfer Date, shall be borne by Phoenix Life and abrdn Group companies.

7.61 The costs associated with planning and executing the Scheme will include but not be limited to legal, Independent Expert and other advisory expenses, custodian and other asset ownership and physical asset transfer costs, the Court fees, policyholder communication expenses, costs associated with setting up a new suite of funds to receive the transferring assets and others.

7.62 No costs incurred by Phoenix Life with the preparation and implementation of the Scheme will be borne by any of its WPFs.

Timings and the procedure

7.63 The Scheme will be presented to the Court in London. The Directions Hearing is planned to take place on 11 December 2024 and the Final Hearing on 12 March 2025. If approved by the Court at the Final Hearing, the Transfer date is expected to be 28 March 2025.

7.64 Timetable:

Milestone	Proposed Timing
The Directions Hearing	11 December 2024
Notification of Transferring Policyholders (joint Phoenix Life / abrdn Life responsibility)	16 December 2024 - 20 December 2024
Notification of Non-Transferring Policyholders administered on TAP (Phoenix Life responsibility)	16 December 2024 - 20 December 2024
Notification of abrdn Life policyholders (abrdn Life responsibility)	16 December 2024 - 20 December 2024
The Final Hearing	12 March 2025
Transfer Date	28 March 2025

Event of non-transfer

7.65 In the scenario that the Court does not sanction the Scheme, the Transferring Policies will remain with Phoenix Life.

7.66 The Transfer requires the FAST platform to be ready to receive the Transferring Policies at the Transfer Date. In the event that readiness is not achievable by the stage gate date of 26 February 2025, the Final Hearing will be postponed to a later date until operational readiness of the FAST platform is achieved.

8 The effect of the Scheme and the administration platform migration on benefit expectations

Introduction

8.1 In this section I consider the benefit expectations of different types of policyholders pre and post the proposed Transfer, the administration platform migration, the no-dealing period and their impacts.

Benefit expectations of Transferring Policyholders

Overview of benefits

8.2 The Transferring Policies are unit-linked investment policies and property-linked reinsurance policies.

8.3 Unit-linked policyholders and Property-linked Beneficiaries will be expecting to receive on claim the value of their units, at the current unit price and net of charges set out in policy terms and conditions.

8.4 These benefits are expected to be received on partial withdrawals or surrender of policies.

8.5 Policyholders would expect no unreasonable barriers to exit. For the business concerned in the Scheme, there are no surrender charges, penalties or any other barriers to exit.

8.6 Policyholders should not have any material adverse impact when considering the benefits outlined, as a result of the Scheme being sanctioned.

Fund values

8.7 On the Transfer Date, the fund value to be transferred will be calculated using the number of units and fund price. For funds with multiple series, a calculation will be conducted for each applicable series, and the total fund value will be the cumulative total of these individual series calculations. This fund value will be divided by the abrdn Life fund prices, to obtain the new fund number of units.

8.8 The unit prices in abrdn Life funds will differ from the original Phoenix Life funds, however, the number of units held in the Phoenix Life funds will be adjusted as described in the previous paragraph such that policy values remain unchanged at the date of the Transfer.

8.9 No bid-offer spreads will be applied with the transaction costs being met by Phoenix Life and abrdn Life.

8.10 There is a risk that the policyholder fund value is incorrectly calculated at the Transfer Date, as an undervaluation will lead to lower benefits to policyholders going forward, if the error is not identified.

8.11 There is also a risk of operational mistakes in recording and using the number of units held and/or fund pricing at the time of the Transfer.

8.12 The risks in the paragraphs above are mitigated by the robustness of the pricing models. Both Phoenix Life and abrdn Life unit pricing models have been subjected to audit as part of the normal operation of the business. In the event that a historical fund pricing issue is discovered, liability ownership will depend on the ownership of the business at the time the error occurred. In summary, historical pricing issues that occurred over the time when Phoenix Group owned SLAL will be the liability of Phoenix Life. Pricing issues that occurred before the Phoenix Group acquisition of SLAL will be met by abrdn Life unless an error is due to acts or omissions by Phoenix Life.

8.13 In any case, the liability will always fall with Phoenix Life or abrdn Life who will be responsible for correcting the issue so that policyholders receive the correct benefits.

8.14 Policyholders will not incur any trading costs from the Scheme. These will be met by the Companies.

Fund range and performance

8.15 The funds that Transferring Policies are invested in Phoenix Life and the mapping of their replicated successor funds at abrdn Life can be found in Appendix D.

8.16 abrdn Life will not offer With-Profits investment options. However, this does not restrict the fund choice for the Transferring Policies as the option to switch into with-profits was removed for the Transferring Policies around the time of Standard Life's demutualisation in 2006.

Fund charges

8.17 Transferring Policyholders will expect their charges to be unaffected by the Scheme. Charges in unit-linked business represent a reduction in the overall performance of funds, which can be levied on unit prices.

8.18 The Transferring Policies will be mapped to new successor funds in abrdn Life. The successor funds are designed for policyholders to experience the same level of charges as the original funds at the Transfer Date. The annual management charge will be unchanged and the overall charges including any changes to expenses will not be materially different to before the Transfer. The only potential increase in expenses would be due to the Cost Differential which is covered in the paragraph below. Apart from a small degree to allow for rounding, abrdn Life intends to bear any increase in charges for the Transferring Policyholders. It is my opinion that any increase in charges for Transferring Policies would be immaterial. There are also no surrender charges, penalties or any other barriers to exit.

8.19 Many of the successor funds at abrdn Life will be smaller than the funds at Phoenix Life from which the assets were transferred. The smaller expected fund size may result in higher expense ratios within these funds as some expenses are incurred in monetary amounts rather than in percentage terms. These expenses are charged to the funds. To avoid detrimental impact on the Transferring Policies abrdn Life will absorb the cost of this differential in expense ratios at the Transfer Date subject to a possible increase in expense ratios of 0.02% of fund value per annum (to allow for rounding) (the Cost Differential). While abrdn Life does not guarantee to bear the Cost Differential indefinitely, it has confirmed to me that it has no current intention to pass the Cost Differential to the successor funds. abrdn Life is able to vary the charges in the future but only within the scope of the terms and conditions (T&Cs). Any changes to abrdn Life's approach to bearing the Cost Differential would be subject to its governance for changes to charges which requires consideration of the Consumer Duty and Board approval, to ensure that policyholders receive good outcomes and are treated fairly. I am content that this provides sufficient safeguards for the Transferring Policies.

8.20 Furthermore, I note that if abrdn Life does vary the charges in the future it will provide three-months' notice. Any of the Transferring Policyholders unhappy with any change will be able to surrender their funds or transfer the proceeds of their policy to another provider without penalty.

8.21 Successor funds that invest in third-party underlying funds (including those managed by other companies in abrdn Group) incur expenses associated with the underlying funds. These expenses are set by the managers of the underlying funds and can vary over time. At the Transfer Date, the third-party fund expenses incurred by the successor funds will be aligned to the third-party fund expenses incurred in the respective Phoenix Life funds, as the underlying third-party funds will be unchanged. Going forward, any change in the expenses levied by the third-party fund managers, which are not under the control of either abrdn Life or Phoenix Life, will be borne by the successor funds in accordance with the T&Cs of the Transferring Policies. This is no different from the position prior to the Transfer Date. There will be no changes to the Transferring Policyholders' T&Cs in respect of the charges.

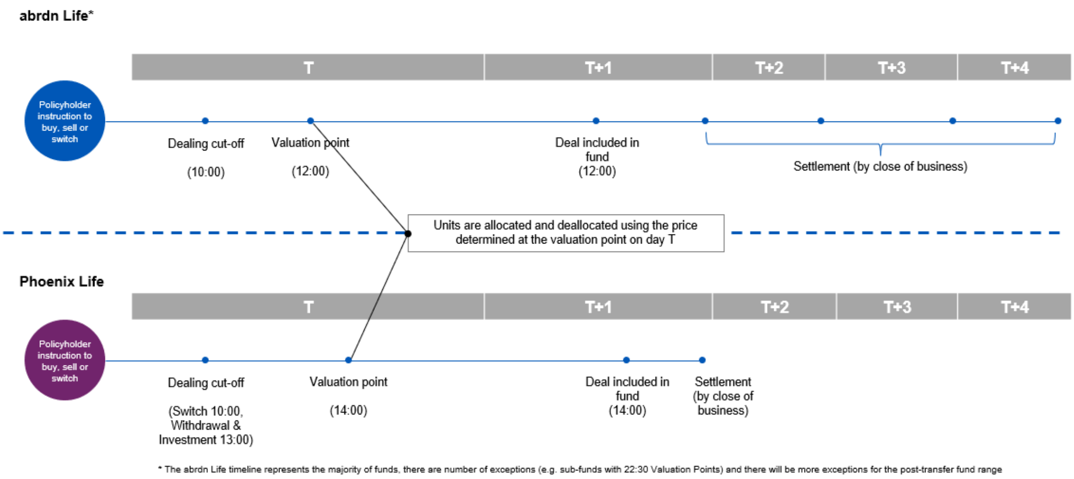
8.22 Following Transfer, abrdn Life will stop collecting some minor charges that are currently collected by Phoenix Life but will keep the rights reserved to collect these charges in the future.

Fund pricing

8.23 I have reviewed a comparison of unit pricing approaches between Phoenix Life and abrdn Life. While there are differences in certain aspects (such as unit price rounding), the approaches are consistent with each other overall and, in my opinion, these differences are not expected to have a material adverse effect on the benefit expectations of Transferring Policyholders.

8.24 Dealing cut-off times and valuation points of transactions will have some minor differences after the Transfer for the Transferring Policies. The change is due to the different business-as-usual approach to trading units that abrdn Life has adopted for its business. abrdn Life's approach is not systematically biased in either direction, meaning the fund value might be slightly higher or slightly lower at the time it is calculated, when compared to the prior dealing cut-off or valuation dates. Changes to these timings are allowed within the Transferring Policies' T&Cs. As such, it is my opinion that these changes will not have a material adverse impact on the benefit expectations of the Transferring Policyholders.

8.25 Transaction settlement timings are changing for the Transferring Policyholders, this changes the time taken for transaction proceeds to arrive in customer accounts. The picture below demonstrates the change, where T is the day of a transaction request by a policyholder.



8.26 Currently with Phoenix Life, settlement occurs the day after the trade instruction. Phoenix Life releases money to the policyholders in most cases before receiving the proceeds from the sale of assets by temporarily funding the shortfall from its liquidity funds. After the Scheme has been implemented, settlement will occur between 1 to 4 days after the trade instruction depending on the fund and its underlying investments, effectively derisking the transaction by removing the shortfall funding. This change is in line with industry practice. A table of these timing changes can be found in Appendix D.

8.27 For the PPF, settlement time remains the day after the trade instruction. However, due to operational constraints, money will be released to Transferring Policyholders the following day after settlement (i.e., two days after trade instruction).

8.28 These settlement timings, dealing cut-off and valuation points are part of abrdn Life's existing operating model, with the exception of the PPF. The longer settlement timing, where applicable, will result in the Transferring Policyholders and/or underlying beneficiaries not being able to access their transacted funds the next day after the transaction request has been placed. Instead, the Transferring Policyholders and/or ultimate beneficiaries will be able to access their traded funds 2 to 4 days after the transaction request. This delay in the ability to access the transacted funds may result in a risk of beneficiaries not being able to place instructions for further trades within these additional 2 to 4 days and therefore a need to trade later potentially at different prices. The Transferring Policyholders are likely to have a long-term view on their investment strategies. I do not anticipate the change to cause issues for the policyholders' benefit expectations.

8.29 The income distributions from the Long Lease and Ground Rent Property Funds will move from a unit redemption approach to an income share class. For operational reasons, the timing of this income distribution will move from working days 11 and 15 respectively, to the last day of the month. I do not anticipate the change to cause issues for the policyholders' benefit expectations.

Options & Guarantees

8.30 Under the original terms of the Transferring Policies, certain policyholders can request an annuity from the insurer. This is a historical option embedded in these policies and has not often been taken up in the past.

8.31 While this is an option for policyholders, the terms of the annuity are not guaranteed and are determined at the point the policyholder requests an annuity.

8.32 Should such an annuity be requested before the Transfer, a separate annuity policy would be issued using the agreed value of the fund as a single premium.

8.33 As part of the Scheme, without negating that right of the policyholder, abrdn Life may procure that an annuity is offered to the policyholder by another insurer. In doing so, abrdn Life is required to give due consideration and seek appropriate advice that such an alternative policy would not adversely affect the interests of the policyholder. As the annuity terms are not guaranteed and are to be determined at the point it is requested, whether an annuity policy is issued by abrdn Life or by another provider, it is my opinion that this will not affect the benefit expectations of the Transferring Policyholders.

8.34 There are no other options or guarantees on the Transferring Policies.

Terms & Conditions

8.35 Phoenix Life and abrdn Life have confirmed that no policy T&Cs will be changed as part of the Transfer for any of the Transferring Policyholders, policyholders remaining at Phoenix Life and the Existing Policyholders at abrdn Life.

8.36 The T&Cs of the IPPIP state that only intra-group reinsurance will be used unless holders of those plans are notified. The policyholder communication will clarify that a reinsurance arrangement with Phoenix Life will be in place post Transfer.

8.37 The sections above set out changes resulting from the Scheme and the way these will transpose into different components of the policyholder benefits. Overall, I do not consider that these changes will result in any material detriment to the Transferring

Policyholders or cause any material adverse effects on the benefit expectations of the Transferring Policyholders.

Impact of the no-dealing period on benefits

8.38 The no-dealing period is needed to have stability in the parts of the linked funds that are attributable to the Transferring Policies so that the correct shares of assets are transferred. It will have an impact on all Phoenix Life Transferring Policies and the seven Non-transferring Policies on TAP.

8.39 Phoenix Life's TIP Non-transferring Policyholders with with-profits investments and the CFIP1 and CFIP2 policies will receive targeted communications as it will not be possible to isolate their dealings from the Transferring Policyholders.

8.40 During the no-dealing period, there is a risk that there are adverse market movements which would then leave policyholders without the ability to take action.

8.41 The following steps will be taken to mitigate the impacts on policyholders:

- Policyholder communications will signpost the no-dealing period, along with further details on the no-dealing period itself. There will also be subsequent reminders of the upcoming no-dealing period.
- Prior to the no-dealing period, there will be a stage gate decision to go ahead or delay if there are any unexpected issues after the Final Hearing. This decision will take into account a number of factors including the likely market volatility over the no-dealing period. This will reduce the likelihood of the no-dealing period happening over a volatile period, however, it does not eliminate the risk entirely as future market conditions cannot be predicted. A stage gate decision point for commencing the no-dealing period is set for Monday 24 March 2025.
- The Scheme's provisions allow for the implementation to be postponed up until 1 July 2025, or such later date with the Companies and the Court's agreement.
- The abrdn Group servicing team and client relationship managers will stand ready to support policyholders and third-party suppliers (SS&C and Citi) during the no-dealing period.

8.42 The no-dealing period will disrupt timings when people can trade. In my opinion, this will not have a material adverse impact unless there is a period of significant market volatility during the no-dealing period. The final decision point before the no-dealing period acts as a control for this. Most Transferring Policyholders are more likely to have long-term investment strategies and are less likely to be making trading decisions based on short-term volatility. The no-dealing period is a key part of the communications and has been adequately communicated.

8.43 During the no-dealing period, abrdn Life will still be obliged and is committed to pay death and retirement (maturity) claims. Any other trading instructions will not be executed during the no-dealing period based on the prior communication. Trading requests will instead be directed towards relevant support contacts to help policyholders with no-dealing period timings and other queries.

8.44 Additionally, policy provisions for the Transferring Policies currently allow deferral of redemptions and switches by up to twelve months for property funds and by up to three months for all other funds when considered necessary to maintain fairness and equity among the unit holders.

8.45 For example, the PPF holds property, which is a less liquid asset, and in times of market stress, redemptions may be delayed due to it taking longer to realise these assets. However, this is unchanged from the position prior to the Transfer.

Conclusion on the effect of the Scheme on benefit expectations of Transferring Policyholders

8.46 I have considered the likely changes to the benefits of the Transferring Policyholders including implications of administrative changes and no-dealing period on benefits.

8.47 I am satisfied that the implementation of the Scheme would not have a material adverse effect on the reasonable benefit expectations of the Transferring Policyholders.

Benefit expectations of the Phoenix Life Non-transferring Policyholders

Overview of benefits

8.48 With-profits policyholders – Non-transferring Policyholders invested in with-profits funds:

- With-profits policyholders will expect to receive their benefits that have been guaranteed, annual regular bonuses, and terminal bonuses.
- The bonuses are discretionary and may be zero but are subject to policyholders' reasonable expectations. Once declared, bonuses form part of the guaranteed benefits of the policy.
- The value of the benefits will depend on the investment performance net of charges, allowing for with-profits management policies.

8.49 The five TIP policyholders that invest in with-profits funds will remain on the TAP platform with Phoenix Life and there will be no changes to the benefits of these policyholders.

8.50 The benefit expectations of the with-profits policyholders from the point above as well as the rest of the with-profits policyholders of the Heritage WPF do not materially depend on any cashflows related to the Transferring Policies. This is because the profits of almost all of the Transferring Policies currently accrue to abrdn Group as, under the existing agreements between Phoenix Life and aIML, aIML receives the annual management charges on almost all of the Transferring Policies by assets under management (AUM) net of a fee paid to Phoenix Life for providing the business. On the remainder of profits of Transferring Policies that are not transferred to abrdn Group, future charges and expenses broadly offset each other. Overall, no material profits from the Transferring Policies arise in Phoenix Life and consequently do not feed into any metrics used to determine Heritage WPF outcomes such as investment strategy and bonus policy. The Transferring Policies under the Scheme do not contribute to the value or any expectations of any guaranteed or discretionary benefits of with-profits policyholders.

8.51 Non-profit policyholders – non-transferring unit-linked policyholders with their policies invested in non-profit linked funds or conventional insurance policyholders:

- Unit-linked policyholders will expect to receive unit values in line with T&Cs on their policies.
- Conventional insurance policyholders will expect to receive values of guaranteed benefits upon insured events happening within their policy terms.

8.52 Certain charges applicable to the unit-linked funds are of a fixed nature. This could potentially lead to non-transferring policyholders in funds with assets transferring to abrdn Life bearing a larger share of the fixed expenses as a result of the transfer. However, it is my opinion that this will not make any material adverse impact due to the following reasons:

- The fixed costs are spread across the whole of the former Standard Life unit-linked fund range. This greatly dilutes the impact of changes in the volume of assets in any particular fund. Moreover, the Transferring Policies which partially invest in funds that will stay with Phoenix Life, make up only about 1% of the remaining unit-linked fund range.
- The Transfer will create some cost savings for the entire unit-linked fund range, as some high-expense funds will be fully transferred to abrdn Life.
- The unit-linked fund range attracts new investments of approximately £4bn to £5bn each year. This amount surpasses the c.£3.8bn being transferred out to abrdn Life, ensuring that the unit-linked fund range will not be significantly reduced by the Transfer.

8.53 The benefit expectations of non-profit policyholders in no way depend on any cashflows related to the Transferring Policies. The Transferring Policies under the Scheme do not contribute to the value or any expectations of any benefits of non-profit policyholders.

8.54 The only impact of the administration platform migration will be on the five TIP policies with with-profits investments and the two corporate fund investment policies, CFIP1 and CFIP2, included in the Non-transferring Policies. These are administered on TAP and will be impacted by the no-dealing period. These policies will receive targeted communications as it will not be possible to isolate their dealings from the Transferring Policies. The same steps outlined above for the Transferring Policies will be taken to mitigate the impact of the trade no-dealing period on this group of Non-transferring Policyholders.

8.55 Following the Transfer, and based on the funds held at the time of writing, nine of the unit-linked funds currently available to the Non-transferring Policies administered on the TAP platform will become empty and will be closed. However, I note that it is Phoenix Life's established business practice to close unit-linked funds that are not in use and such a closure of unit funds is allowed by the policy terms and conditions. I therefore do not consider this will have a material adverse impact on the non-transferring TIP/CFIP policyholders.

8.56 Benefit expectations of the Non-transferring Policyholders are not dependent on any cashflows or features related to the Transferring Policies and, in my opinion, will not be adversely impacted by the closure of empty funds after the Transfer. As such, there will be no change or any material adverse impact on the benefit expectations of the Non-transferring Policyholders as a result of the Scheme.

Conclusion on the effect of the scheme on benefit expectations of Phoenix Life Non-transferring Policyholders

8.57 I am satisfied that the Scheme will not, in my opinion, have a material adverse effect on the benefit expectations of the Non-transferring Policyholders of Phoenix Life.

Benefit expectations of abrdn Life Existing Policyholders

Overview of benefits

8.58 The abrdn Life Existing Policyholders are mostly unit-linked policyholders of the same type as the Transferring Policyholders (institutional pension scheme investors and insurers). There is also a small number of SIM policyholders. The number of similar type of policyholders at abrdn Life will increase as a result of the Transfer. Each policyholder's benefits are specified in their T&Cs and their benefit expectations will not be impacted by other policyholders within the insurer's unit-linked portfolio. Therefore, there will be no change or any impact on the benefit expectations of the abrdn Life Existing Policyholders as a result of the Scheme.

8.59 In the longer term there may be benefit from fixed fund costs spread over a wider pool and a wider range of fund choices.

Conclusion on the effect of the scheme on benefit expectations of abrdn Life Existing Policyholders

8.60 I am satisfied that the Scheme will not have a material adverse effect on the benefit expectations of the Existing Policyholders of abrdn Life.

9 The effect of the Scheme on benefit security

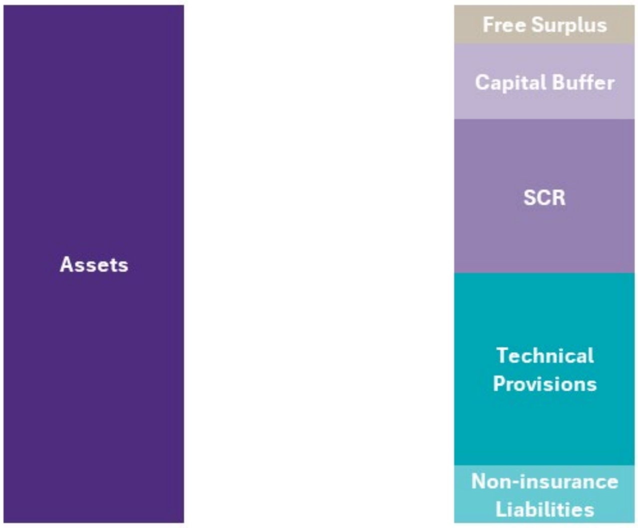
Introduction

9.1 In this section I consider the effect of the Scheme on the benefit security of different types of policyholders in the light of the UK regulatory regime for insurers.

UK insurance regulatory regime

9.2 UK insurers are regulated by the PRA and FCA. The PRA regulates UK insurers under the Solvency II regime and the FCA is responsible for the conduct supervision.

9.3 The diagram below shows the structure of a Solvency II balance sheet of an insurer.



9.4 Under Solvency II, UK policyholders benefit from a robust framework that provides multiple layers of protection. Specifically:

- Technical Provisions: Insurers maintain Technical Provisions, the value of which must correspond to the current amount that would be paid if an insurer were to transfer its insurance and reinsurance obligations to another Solvency II company. These provisions are mandated by regulatory requirements.
- SCR: In addition to Technical Provisions, insurers hold the SCR. The SCR exists with the intention of making sure the insurer's assets continue to exceed the Technical Provisions over a one-year time period with a probability of 99.5%. Compliance with the SCR is also a regulatory obligation.
- Along with the SCR the regulation sets the MCR level using a formula and with a fixed minimum floor. This is the absolute minimum capital over and above Technical Provisions. An insurer has to hold the higher of the SCR and MCR.

- Capital Buffer: Insurers further bolster their financial resilience by holding additional capital beyond the SCR (or MCR if higher). The amount of additional capital is determined by the insurer's risk appetite and is set in its Capital Policy.

9.5 Any excess capital (Free Surplus) above that set by the firm's risk appetite can in theory be distributed, hence I place no reliance on this excess when considering benefit security.

Financial impact on Phoenix Life

9.6 The table below shows Phoenix Life's financial position as at 30 June 2024 pre-transfer and estimated financial position post-transfer.

Phoenix Life	Before the transfer (£m)	After the transfer (£m)
Total assets	218,706	214,899
Total liabilities	209,231	205,424
Own Funds	9,475	9,475
Own Funds excluding ring-fenced funds	7,337	7,337
SCR	4,747	4,747
Solvency Cover Ratio – All funds	155%	155%
Solvency Cover Ratio – Shareholder view	185%	185%

9.7 The Transferring Policies form a small proportion of Phoenix Life's business, with the unit-linked assets forming around 2% of AUM. They do not contribute materially to the SCR because:

- the unit-linked assets and liabilities are matched;
- the profits of almost all of the Transferring Policies accrue to the abrdn Group under the existing agreements between Phoenix Life and aIML; and
- the remaining profits have a very small amount of VIF which is immaterial in the context of Phoenix Life's business.

9.8 The only impact the Transferring Policies have on Phoenix Life's Own Funds is a provision of c.£2m for future VAT in respect of future investment expenses for the Transferring Policies. This amount, net of the estimated expenses of c.£2m associated with the Transfer, is estimated to have zero impact on Phoenix Life's Own Funds after rounding.

9.9 Phoenix Group's Capital Policy requires it currently to maintain at least a 138% capital coverage ratio. Based on the figures above, Phoenix Life will have adequate resources to meet its capital coverage ratio set out in its Capital Policy, and regulatory capital requirement.

9.10 Phoenix Life also quantifies the impact of financial and demographic stresses to determine its ability to meet its regulatory solvency requirements and business objectives. These stress results are disclosed in Phoenix Group's publicly available SFCR for year-end 31 December 2023.

9.11 The stress results show that under all the stresses, Phoenix Life is able to meet its regulatory capital requirement and furthermore, the regulatory ratio remains within the Group appetite.

9.12 Overall, the financial strength of Phoenix Life is not expected to be materially impacted by the Scheme.

Financial impact on abrdn Life

9.13 The table below shows abrdn Life's financial position as at 30 June 2024 pre-transfer and estimated financial position post-transfer.

abrdn Life	Before the transfer (£m)	After the transfer (£m)
Total assets	689.21	4,517.86
Total liabilities	674.27	4,500.54
Own Funds	14.94	17.33
SCR	**0.82**	**6.66**
Operational risk	0.72	0.72
Market risk	0.31	2.07
Counterparty risk	0.09	4.88
Life underwriting risk	0.05	2.93
Diversification	(0.09)	(2.67)
Loss-absorbing capacity of deferred taxes	(0.26)	(1.27)
MCR	**3.49**	**3.49**
Excess of Own Funds over SCR	**1813%**	**260%**
Excess of Own Funds over MCR	**427%**	**496%**

9.14 As at 30 June 2024, abrdn Life's solvency coverage ratio was 1813% of the SCR and 427% of the MCR.

9.15 Should the proposed Transfer take place, abrdn Life's book of business will become significantly larger (currently under £1 billion and after the Transfer c.£5 billion).

9.16 The estimated position after Transfer shows that abrdn Life still retains a strong SCR coverage ratio of 260% exceeding its target capital coverage ratio of 196%. abrdn Life's Capital Policy will not be changing as a result of the Transfer. I note that the large pre-Transfer SCR coverage is due to the maintenance of capital in anticipation of the Transfer. In the pre-transfer financial position, the SCR is smaller than the MCR therefore the MCR currently defines the regulatory capital requirement, which is referred to as the 'MCR biting'. After the Transfer, this will no longer be the case. The SCR will be greater than the MCR and so the SCR will define the regulatory capital requirement.

9.17 The VIF on the Transferring Policies will contribute to abrdn Life's Own Funds.

9.18 abrdn Life has conducted sensitivity analysis to assess the resilience of the post-Transfer position to different economic and demographic stresses. It also ran a number of projection scenarios which assess the post-Transfer financial position over a five-year period.

9.19 The tables below outline the key sensitivities and projection scenarios that have been performed:

Sensitivity
£2bn fall in the Transferring Policies' AUM
Fall in the AMC on the Transferring Policies of approximately 20%
50% reduction in lapse rates
£0.5m per annum increase in unit fund expenses met by abrdn Life
20% increase in relevant expenses
1% per annum addition to the rate of expense inflation
Phoenix Life downgrade from "AA-" to "A-"
Additional £500m PPF AUM

Projection Scenario
No new business
Level AUM
Immediate fall in AUM of £1bn
10% increase in relevant expenses

Fall in AMC on the Transferring Policies of approximately 20%
Phoenix Life downgrade from “AA-” to “A-”
Additional PPF AUM that can be accommodated without abrdn Life’s SCR coverage ratio falling below its target capital coverage
Reduction in the benefit of the loss-absorbing capacity of deferred taxes (LACDT), reflecting the potential impact of a regulatory change

9.20 I am satisfied that the range of sensitivities and variety of future projection scenarios performed capture the material risks in abrdn Life’s business. I am satisfied that abrdn Life can meet its SCR, and holds additional capital in excess of the SCR requirement, under each of these sensitivities and projection scenarios, hence providing policyholders with adequate benefit security.

9.21 I note that abrdn Life is sensitive to a credit rating downgrade of Phoenix Life and significant switches into the PPF. These scenarios will lead to the solvency coverage ratio falling below the current Capital Policy target, but remaining above the regulatory capital requirements. Subsequent downgrades of Phoenix Life would likely require capital support to restore regulatory solvency.

9.22 I have challenged abrdn Life on this risk and how they will effectively manage it. My findings are summarised below.

9.23 As a shareholder of Phoenix Group, abrdn Group has a vested interest in the company’s financial health and solvency. abrdn Group will monitor the financial position of Phoenix Life, giving early warning of deterioration in Phoenix Life’s solvency position. abrdn Life will monitor the extent of the reinsurance exposure by monitoring flows into and out of the fund. This monitoring will guide abrdn Life on whether any action is needed. Actions may include placing limits on new investments or closing the fund to new investments and ultimately recapturing the reinsurance. In the event of a downgrade, the response will depend on the nature of the downgrade, such as whether it is expected to be temporary or indicative of future financial challenges to come. abrdn Life’s existing policyholders or any new policyholders will only be allowed to invest if they accept the risk of Phoenix Life default.

9.24 Credit rating agencies take a number of factors into account when assessing credit ratings, which reflect a view of the company’s probability of defaulting on its obligations. Phoenix Life is a large insurer, with strong risk management and governance, which complies with Solvency II requirements. As indicated earlier, my review of sensitivities indicates Phoenix Life to be financially resilient and well-capitalised (i.e., Phoenix Life holds capital well in excess of the regulatory requirement and above its own capital management policy). As a result of the above, the likelihood of default is low.

9.25 Should Phoenix Life’s solvency cover deteriorate, or if it suffers a credit downgrade such that abrdn Life considers the risk of default or capital requirements have increased to an unacceptable level, abrdn Life has the option to recapture the funds.

This is subject to a potential deferral period as per the terms of the reinsurance agreement, and abrdn Life has alternative property funds to offer.

9.26 Should abrdn Life need to recapture the reinsurance agreement, it has alternative property funds that PPF policies can switch into. The recapture would reduce abrdn Life's SCR thereby increasing its solvency coverage ratio. This happens because abrdn Life is holding counterparty risk capital against Phoenix Life default which would no longer be required to be held on recapture.

9.27 For Existing Policies and new policies, the default risk will be borne by the policyholder. The risk in respect of additional premiums on Transferring Business is not passed on to the policyholder, however, abrdn Life has the right to limit additional premiums, thus limiting the exposure.

9.28 abrdn Life also has in place robust processes, management and governance to monitor and manage the risk.

9.29 Overall, I see no reason to be concerned about abrdn Life's financial strength if the Scheme were to be implemented.

Capital injection

9.30 As part of the programme of transactions between the Phoenix Group and abrdn Group agreed upon in 2021, abrdn plc paid an amount to the Phoenix Group to acquire the transferring business including the Transferring Policies. This has remained to date on the abrdn plc balance sheet as a prepayment pending the proposed transfer becoming effective.

9.31 Assuming the Scheme is approved, the acquisition amount held on the abrdn plc balance sheet will be acquired by abrdn Life subject to abrdn Life paying a consideration to abrdn plc (currently estimated at £4m). The amount paid by abrdn Life relates to the cost of obtaining the Transferring Policies.

9.32 The reduction in abrdn Life's liquid assets from payment of the consideration will be offset in its balance sheet by an intangible asset of the same amount. However, the intangible asset has no value under the Solvency II regulations.

9.33 To prevent the consideration payment reducing abrdn Life's own funds, a share capital injection will be made by abrdn Holdings Limited (abrdn Life's parent company) before the Final Hearing to increase the ordinary share capital of abrdn Life by an equivalent amount (currently estimated at £4m) such that the net effect on abrdn Life's own funds from the payment to abrdn plc and the capital injection will be zero.

9.34 The financial impact analysis performed indicates that abrdn Life has sufficient financial capacity to accept the Transferring Policies without the need for further capital support from abrdn Group. I note that abrdn Group remains committed to providing capital to abrdn Life to restore its regulatory solvency position should this be required. The commitment, however, is not legally binding and I have not relied on it in my impact assessment.

9.35 We also note the Court of Appeal judgement in Prudential and Rothesay Part VII Transfer, which stated that the High Court judge should not have placed reliance on the likelihood or otherwise of resources of the wider group being available to the insurer in the future. I have not relied on the potential provision of additional capital by abrdn Group.

The Transferring Policies

Comparison of the benefit security of Phoenix Life and abrdn Life after the Transfer

9.36 As Phoenix Life does, abrdn Life holds an SCR on an ongoing basis to ensure that their assets continue to exceed their Technical Provisions over a one-year time period with a probability of 99.5%. abrdn Life's SCR coverage ratio is estimated to be about 260% after the Transfer. This is above the 196% SCR coverage ratio required by the abrdn Life's Capital Policy and well above the SCR level required by the regulation.

9.37 abrdn Life's SCR coverage ratio before the Transfer is 1813% and MCR coverage ratio of 427% as at 30 June 2024. This is a very high ratio and is well above the level seen in the insurance sector. abrdn Life has been maintaining this high ratio for a number of years in preparation for the Scheme, which upon Transfer, will bring the ratio down as the capital is deployed.

9.38 The Transferring Policies are moving from a very large insurance company with a diverse portfolio of business to a much smaller monoline unit-linked insurance fund provider. The Phoenix Life SCR is several times larger than the abrdn Life SCR, reflecting the underlying volumes of business and risk profile and the fact that when regulatory stresses of the same severity are applied to a much larger portfolio of business, a greater amount of capital in monetary terms is needed to be held to withstand the same level of severity events.

9.39 abrdn Life's Capital Policy currently requires it to hold a higher SCR coverage ratio than Phoenix Life's Capital Policy does.

9.40 In the calculation of the SCR, the correlation between different risks is recognised through diversification. Diversification usually leads to a reduction in the SCR and the level of diversification will depend on the risks involved. Phoenix Life operates a variety of business lines, while abrdn Life operates only unit-linked business. Consequently, the degree of risk diversification varies between the two companies. The diversification from which the Transferring Policies benefit will also change due to the differing risk profiles of Phoenix Life and abrdn Life.

9.41 I have also reviewed sensitivities, which shows that abrdn Life is able to meet its technical provisions, regulatory capital requirement and Capital Policy after the Transfer in a variety of scenarios. Therefore, I consider there is no material adverse impact on the benefit security of the Transferring Policyholders from the Capital Policy and the differences in sizes and levels of diversification of insurance portfolios.

Internal model compared with Standard formula

9.42 Phoenix Life has approval from the PRA to use an internal model to calculate its SCR. abrdn Life does not use an internal model but instead uses standard formula which is prescribed by Solvency II regulations.

9.43 As a result of the Scheme, the capital requirement for the Transferring Policies will move from using the internal model of Phoenix Life to the Solvency II prescribed standard formula.

9.44 Phoenix Life has large books with variety of insurance business, including with-profits, therefore uses an internal model to better estimate capital values placed and understand its risks that may not necessarily be captured by the standard formula approach.

9.45 abrdn Life by contrast only has unit-linked business and uses standard formula. As part of its ORSA, it assesses the appropriateness of standard formula. I have reviewed abrdn Life's latest assessment which takes the impacts arising from this Scheme into consideration.

9.46 The assessment concludes that the use of the standard formula materially captures and in some circumstances may overstate the risks to which abrdn Life is exposed. Based on this assessment, I see no reason to be concerned with the use of standard formula by abrdn Life after the Scheme is implemented.

9.47 The Transferring Policies are simple products and there are no onerous guarantees or options attached (the request for an annuity is not on guaranteed terms). Standard formula is common practice in the industry for assessing the risks of these simple products.

A comparison of the risk profiles

9.48 Phoenix Life is exposed to a mix of all risks related to life insurance business, reflecting the diverse range of insurance contracts in its portfolio.

9.49 abrdn Life's risk profile is currently dominated by operational risk and market risk with limited exposure to credit risk and underwriting risk (as outlined in section 6), given its insurance portfolio comprises unit-linked business with no guaranteed benefits or investment guarantees.

9.50 If the Scheme is implemented, abrdn Life's risk profile will change. While operational risk and market risk will remain key risks, abrdn Life's exposure to counterparty risk and underwriting risk will increase significantly post-transfer.

9.51 abrdn Life's exposure to underwriting risk, operational risk and market risk will increase due to the increase in the size of the portfolio brought about by the Transferring Policies and the corresponding additional VIF.

9.52 The increased underwriting and market risks SCR components primarily reflect the loss of profit under stressed conditions and the increase in these elements primarily reflects the increase in VIF.

9.53 abrdn Life will have increased exposure to counterparty default risk, reflecting the risk that Phoenix Life and/or Schroders default under their respective new reinsurance agreements.

9.54 abrdn Life's increased exposure to counterparty risk, underwriting risk and market risk will be reflected in the corresponding risk capital requirements, and in the SCR after allowing for diversification impacts, such as the diversification between market and underwriting risks.

9.55 The operational risk capital requirement will remain the same immediately after the Transfer, reflecting its calculation methodology (being a proportion of the previous year's expenses). However, when higher maintenance expenses come through from a larger portfolio of policies, the operational risk capital will increase. Despite the increase, abrdn Life's SCR estimates and projections show the company remains solvent and meets its current Capital Policy requirements in sensitivity scenarios. I also note the contractual term of the MSA in respect of aIL making good any abrdn Life losses due to operational risk events.

9.56 The differences in risk exposures arising from the implementation of the Scheme will be reflected in the SCR of both Companies and, in my opinion, will not result in any detrimental impact on the benefit security of the Transferring Policyholders.

Floating charges

9.57 The property-linked reinsurance policies are held by external insurers so that their policyholders can invest in the full Phoenix Life fund range. These currently have a Phoenix Life floating charge in place in favour of the Property-linked Beneficiaries, which will terminate on the Transfer Date.

9.58 The PPF reinsurance will commence on or before the Transfer Date and provide the Transferring Policyholders access to PPF. abrdn Life will benefit from a new Phoenix Life floating charge in favour of abrdn Life.

9.59 The current abrdn Life floating charge in respect of the Property-linked Beneficiaries will be updated and a floating charge with Mobius Life will be put in place as part of the Scheme.

9.60 The Schroders reinsurance will commence on or before the Transfer Date and provide the Transferring Policyholders access to the Schroders Life Fund. abrdn Life will benefit from a new Schroders floating charge in favour of abrdn Life.

9.61 The amendments to the abrdn Life floating charges, the new Mobius Life floating charge and the new Phoenix Life floating charge will become effective on the Transfer Date. The amendments to the abrdn Life floating charges and the new Mobius Life floating charge are equivalent to the security provided by the Phoenix

Life floating charge that applies to the Property-linked Beneficiaries prior to the Transfer Date.

9.62 In addition, the 12 month hardening period is only relevant to the Property-linked Reinsurance Policies, Schroders reinsurance and the PPF Reinsurance in the event of statutory insolvency, as opposed to just not being able to meet the PRA's regulatory capital requirements. Based on the analysis of the capital strength of the Companies, abrdn Life, Phoenix Life, and analysis of the capital strength of Schroders (Schroders analysis based on publicly available data), all three companies should be far from statutory insolvency at the Transfer Date when the amendments to the abrdn Life existing floating charges and the new Phoenix Life, Schroders and Mobius Life floating charges will take effect.

9.63 Therefore, the benefit security of the Transferring Policyholders would not, in my opinion, be materially adversely affected as a result of the changes to floating charges or hardening periods.

Financial Services Compensation Scheme

9.64 Policyholders in the UK receive additional protection through the FSCS in the event that their insurer is unable to meet its obligation under the insurance contracts.

9.65 The FSCS is the United Kingdom's statutory compensation scheme for customers of UK-authorised financial services firms. It is an operationally independent body, set up under the Financial Services and Markets Act 2000 and funded by a levy on authorised financial services firms.

9.66 As of 1 April 2024, both Phoenix Life and abrdn Life have authorisation from the Bank of England to operate in the business affected by the Scheme. This means that eligible policyholders of both entities, Phoenix Life and abrdn Life, have the same access to FSCS protection as the last resort facility. The access or the nature of the FSCS policyholder protection facility has no difference between the two insurers.

9.67 Therefore, those of the Transferring Policyholders who are eligible under the FSCS prior to the Transfer will continue to be covered and protected by the FSCS, with no difference in the level of protection or access to it, should the Scheme be sanctioned. However, I have not placed reliance on the FSCS when forming my conclusion, as this may change in the future.

Conclusion on the effect of the scheme on the benefit security of the Transferring Policyholders

9.68 I have considered the likely effects of the implementation of the proposed Scheme over the following areas:

- The financial strength, based on the current capital regime in the UK.
- The additional strength, based on abrdn Life's own risk and solvency assessment.

- The recourse to additional protection provided by the FSCS.
- The changes to the existing and new additional floating charges, and the new PPF reinsurance agreement.

9.69 I am satisfied that the implementation of the Scheme would not have a material adverse impact on the benefit security of the Transferring Policies.

Non-transferring Phoenix Life Policies

Financial strength of Phoenix Life post-transfer

9.70 The estimated financial position of Phoenix Life is not expected to be materially affected by the Scheme.

9.71 There is a very small amount of VIF held by Phoenix Life in relation to the Transferring Policies, which is immaterial in the context of Phoenix Life's remaining business. The VIF value is very small due to the outsourcing agreement between aIML and Phoenix Life under which almost all profits of the Transferring Policies accrue to the abrdn Group. The VIF of the Transferring Policies that are not transferred to aIML is immaterial. As such, the total Transferring Policies' contribution towards the financial strength of Phoenix Life is immaterial.

9.72 The benefit security of the Non-Transferring with-profits policyholders of the Heritage WPF does not materially depend on any cashflows related to the Transferring Policies. This is because, although some of the Transferring Policies are allocated to the Heritage WPF in Phoenix Life, the outsourcing agreement that transfers almost all profits of the Transferring Policies to the abrdn Group happens before any contribution to the Heritage WPF is calculated. For the remaining profits that are not transferred by the outsourcing agreement, the future charges and expenses broadly offset each other. Overall, this means that no material profits from the Transferring Policies arise in Phoenix Life and consequently do not feed any material amount to metrics used to determine Heritage WPF outcomes.

9.73 Phoenix Life is not materially exposed to risks related to the future income or expenses on the Transferring Policies as a consequence.

Conclusion on the effect of the scheme on benefit security of the Phoenix Life Non-transferring Policyholders

9.74 I have considered the impact of the Transfer on the Non-transferring Policyholders. The Transferring Policies represent a small proportion of the total Phoenix Life's insurance portfolio. Based on the Transferring Policies not contributing towards the financial strength of Phoenix Life and Phoenix Life having no exposure to risks related to the future income or expense on the Transferring Policies, I am satisfied that removal of the Transferring Policies from Phoenix Life's portfolio will not materially affect the security of benefits of the remaining Phoenix Life policyholders.

Existing abrdn Life business

Financial strength of abrdn Life post-transfer

9.75 The estimated post-Transfer solvency coverage ratio for abrdn Life's policyholders is 260% of the SCR. This is a significant reduction in SCR coverage ratio from the pre-transfer level due to the larger portfolio of business and changed risk profile. I note that the large pre-Transfer SCR coverage is due to the maintenance of capital in anticipation of the Transfer. In the pre-transfer financial position, the SCR is smaller than the MCR therefore the MCR currently defines the regulatory capital requirement, which is referred to as the 'MCR biting'. After the Transfer, this will no longer be the case. The SCR will be greater than the MCR and so the SCR will define the regulatory capital requirement.

9.76 Post Transfer abrdn Life continues meeting (and continues being over) its regulatory SCR requirement and the requirement of its own Capital Policy and risk appetite of 196% of SCR.

9.77 The sensitivity analysis provided by abrdn Life, which I have reviewed, also shows that abrdn Life is able to meet its Capital Policy and SCR in a number of different scenarios post Transfer.

9.78 The risk profile of abrdn Life will change as a result of the Transfer with a significant increase in the size of the insurance portfolio. While operational risk will remain one of the most important risks, credit risk will increase significantly, primarily due to the PPF reinsurance treaty with Phoenix Life. As long as abrdn Life's exposure to Phoenix Life under the PPF reinsurance remains material, credit risk will be the most significant risk in abrdn Life's risk profile.

9.79 abrdn Life's estimate of the capital position post-Transfer in a number of scenarios, which I reviewed, demonstrates robustness and sufficiency of the estimated capital to cover the regulatory capital requirements.

9.80 Based on the analysis set out above, it is my opinion that the abrdn Life Existing Policyholders will not be materially adversely affected as a result of the Transfer.

Exposure to reinsurer default

9.81 Following the Transfer, abrdn Life and, therefore, the abrdn Life Existing Policyholders will be exposed to the risk of either Phoenix Life or Schroders defaulting on their obligations under reinsurance agreements implemented to allow Transferring Policyholders continued access to certain investments. However, given the financial strength of both Phoenix Life and Schroders (with Schroders based on publicly available data), I am satisfied the risk of reinsurer default has no material adverse impact on the benefit security of abrdn Life Existing Policyholders.

Conclusion on the effect of the scheme on the benefit security of the abrdn Life Existing Policyholders

9.82 I have considered the impact of the Transfer on the abrdn Life Existing Policyholders. abrdn Life's insurance portfolio will become significantly larger after the Transfer. The business expansion is within the same unit-linked institutional business abrdn Life is currently writing and is experienced at dealing with. As such, I do not think the abrdn Life Existing Policyholders will be materially adversely affected by the Transfer.

10 The effect of the Scheme on administration and servicing

Introduction

10.1 In this section, I will analyse the impact of the Scheme on administration and servicing standards for different groups of policyholders. As part of this, I will include the impact of the migration from the TAP platform to the FAST platform and the no-dealing period.

10.2 abrdn Life relies on different companies within the abrdn Group for the provision of key services. I explore this reliance and the implications in more detail and set out my opinion on these arrangements in Section 13.

Impact of the no-dealing period on servicing

10.3 The impact of the no-dealing period on policyholder benefit expectations has been explored in section 8 of this Report. Here I will explore the servicing implications of the no-dealing period.

10.4 During the no-dealing period, the Transferring Policies and Non-transferring TIP/CFIP Policies will not be able to trade for a period of around a week. From a service standpoint, this will be an inconvenience to policyholders who might want to trade during the no-dealing period. Phoenix Life's other Non-Transferring Policyholders will be unaffected by the no-dealing period.

10.5 abrdn Life's Existing Policies are not involved in the asset transfer and not impacted by the trade no-dealing period prior to the Transfer Date. Post-Transfer, these policies will be subject to the same no-dealing period on the new funds as the Transferring Policies, should they want to immediately switch to the new funds.

10.6 My view is that this is acceptable as policyholders will be notified well in advance of this no-dealing period through the communication of the Scheme, so have sufficient notice to plan their trading requirements around it. I do not believe there is a reason why policyholders would have a strong preference to trade during the no-dealing period as opposed to before or after. However, should any trading requests still come through during the no-dealing period, the servicing team and client relationship management will guide policyholders on the right course of action.

The Transferring Policies

Migration of administration platform

10.7 abrdn Life's TIP and reinsurance policies are administered on the FAST platform which is owned by SS&C. SS&C is a cloud-based global provider of financial services technology solutions. It provides various products and services to financial companies, including fund administration services. abrdn Life currently outsources its administration activities to SS&C. aIL provides oversight over the delivery of SS&C services on behalf of abrdn Life through quarterly service reviews. The abrdn Life Board and CFGC also receive quarterly assurance from the team which oversights that outsource relationship.

10.8 The SS&C FAST platform requires some developments to be implemented prior to the migration of the Transferring Policies to enable operational servicing of the Transferring Policies post-migration to FAST. Development is currently underway and is planned to be completed well in advance of the migration to FAST and the Transfer Date.

10.9 To ensure a smooth transition to the new administration system the following actions are being taken:

- There is a project plan with various stage gates to assess and manage progress.
- Dry runs have been performed between September 2024 and November 2024
- Joint dress rehearsals are being held between December 2024 and March 2025.
- All stakeholders are involved, including external parties SS&C, HSBC and Citi who will participate in the dry runs and joint dress rehearsals.

10.10 The current speed of delivery of the required developments does not indicate any concerns in abrdn Life's and/or SS&C's ability to deliver the administration systems required for receiving the Transferring Policies in time for the Transfer date.

10.11 If the FAST platform is not ready in time for the Final Hearing, the Court date will be postponed. There are key points at which a decision on postponement can be made: the first opportunity is after the first dress rehearsal scheduled in December 2024, the next is at the last stage gate on 26 February 2025 to determine readiness for the Final Hearing, and then on 5 March 2025, when Board approval will be sought to proceed with the Final Hearing.

The outcome of dry runs

10.12 A total of three dry runs have been performed with the following key areas covered: dry run 1 tested client data transfer, dry run 2 tested client data transfer again and the asset transfer on a subset of the transferring fund range, and dry run 3 tested the asset transfer of the entire transferring fund range.

10.13 I note that dry run 3 did not include client data transfer in its scope but I take comfort from it having already been completed successfully before dry run 3.

10.14 In summary, all three dry runs have been successful. Minor issues did arise during each dry run, and these were either quickly resolved or addressed by the next dry run. Each dry run provided valuable lessons that highlighted opportunities for improvement and efficiency.

10.15 Dry run 3 in particular was run successfully with specific time constraints imposed on the tasks involved.

10.16 Overall, the dry runs have demonstrated successful client data transfer and the successful asset data transfer of all 51 transferring funds.

10.17 I see no reason to be concerned with the migration at this point, and I take comfort in the fact that there are dress rehearsals to come, which will provide further testing of the transfer process.

10.18 In January 2025, I will provide an update in my Supplementary Report on the status of the development and readiness, in particular the outcome of the first dress rehearsal and any implications it might have on the quality of servicing and administration, and migration readiness.

Changes to the claims process and complaints

10.19 As part of the transfer the administration of the Transferring Policies will move from aIML to SS&C. The claims and complaint process will also transfer as a result.

10.20 I have reviewed the claims and complaint handling procedures from abrdn Life and SS&C. These do not represent any material changes to the claims and complaints procedures in place prior to the Transfer. Training is planned for the servicing teams, as part of operational readiness, which will cover the complaint handling and claims processes.

10.21 It is important to note that policyholders who meet eligibility criteria will still have any rights to refer to the FOS that they had before the transfer.

Other changes

10.22 For policyholders invested in the PPF, their fund will change from the Phoenix Life PPF linked fund to the abrdn Life PPF linked fund. A reinsurance contract will be set up between Phoenix Life and abrdn Life, giving any transferring policyholder invested in the PPF access to the same pooled property assets.

10.23 Updates to policyholders' documentation will need to be made as a result of the Scheme. The updates relate to the administrative and legal details of changing the insurer, for example, a change in the policy reference number.

10.24 The table below shows the key administrative and legal details that are changing.

Change	Description of change
Change to TIP issuer	The Transferring Policies issue changes from Phoenix Life to abrdn Life.

Change to TIP Investment Manager	The Transferring Policyholders' Investment Manager changes from aIML to aIL.
Change to TIP Administrator	The Transferring Policyholders' Administrator changes from aIML to SS&C.
Changes to TIP Custodian & Fund Accountant	The Custodian and Fund Accountant for the Transferring Policyholders changes from HSBC Bank plc to Citi N.A.
Change of client service contact point	Policyholders will need to use different client service contacts. Currently, there is a single point of contact at abrdn Group, which will change to a single point of contact at SS&C. Policyholders may still continue to contact the abrdn Group client director and service manager for specific requests.
Change of Policy Plan Identifiers	The transferring policy plans will receive new identifiers/reference numbers after transferring to SS&C administration. Both abrdn Life and SS&C will have references of the old and new identifiers. Policyholders will be able to use both identifiers for queries, however, the new identifier will be referenced going forward in information shared with policyholders.
Key features documents for policy variants and their applicable fund ranges	A single, combined version of the key features document, which outlines key features of the product and the product provider, will be used for the abrdn Life Existing Policyholders and the transferring Phoenix Life policyholders with IPPIPs and ITIPs, also covering expenses disclosure and fund guidelines information. A separate version of the key features document will be used for the Transferring Policies with RPPIPs and RTIPs.

10.25 In my opinion, a change to custodian and investment manager will not lead to any noticeable change to policyholder servicing standards, unless they result in a larger number of operational issues. However, I am aware of no reason to expect that this would be the case. Citi is a reputable financial services provider of custodian services and aIL already manages abrdn Life’s Existing Policies. Furthermore, despite the change in the investment manager, the same personnel will effectively continue to carry out the investment management activities.

10.26 I have also discussed the anticipated level of service standards with abrdn Life. abrdn Life confirmed that service agreements with SS&C and Citi will be extended to cover the Transferring Policies. SS&C and Citi have also confirmed they have sufficient operational capacity to support the Transferring Policies and there will be no negative impacts on the service quality and standards being provided.

10.27 Timing and frequency of certain advisory and rebate payments will change for the Transferring Policies in order to align these with the way abrdn Life operates. The timing of advisory payments will change from the policy anniversary date to the anniversary quarter end date, and instead of a combined payment for all clients, advisors will receive individual payments for each of their clients. The methods of payment calculations will remain the same. However, as these payments are fund-related, there will likely be a small change in the calculated amounts. This change can go in either direction and is not biased. The change in timing and frequency might also lead to a small positive or negative impact but is not expected to be biased in either direction. Overall, I do not believe there will be any material adverse effects on the overall amount advisors to the business are eligible to receive. I also do not believe these changes will have any material adverse effects on the Transferring Policyholders.

10.28 In my opinion, these administrative changes will not materially affect policyholder serving standards.

Contingency planning

10.29 There will always be a risk that unforeseen events will impact the migration. The project team handling the migration has described to me the contingency plans that will be in place. I summarise the contingency plans below.

- The contingency plan depends on whether the migration has reached the point of no return (PNR) which is the time at which asset transfer begins.
- The PNR is effectively the point when Phoenix Life starts divesting and moving assets. This is scheduled to occur at 10:00 AM on 27 March 2025.
- If contingency is invoked before the PNR, Transferring Policies will continue to be serviced on TAP and if the no-dealing period (scheduled to start on 25 March 2025) has not yet begun, then there should not be any impact on the servicing. If, however, the no-dealing period has started then there could potentially be minor delays to purchases and redemptions until the no-dealing period is lifted.
- If contingency is invoked after the PNR, the administration of the Transferring Policies will continue to be migrated, and any issues will be addressed on a fix-forward basis. On this basis, policyholders may experience delays in purchases and redemptions until the issue can be resolved.

10.30 The project team has drafted contingency plans that will be in place during the migration.

10.31 I have seen these plans and have discussed them with the project team. In summary:

- the plan outlines several trigger events, each corresponding to a potential scenario (such as system downtime exceeding 30 minutes) and details the response actions for each of these events;
- the plan outlines the steps that will be taken to restore systems to their original state, in the event that significant issues arise before the PNR that cannot be resolved;
- there will be a heightened level of support, internally and externally at Citi and SS&C, and
- the plan will ensure adequate team coverage over the migration period especially access to key persons.

10.32 Steps will be taken to de-risk the migration itself. All required developments, testing and client data migration will be completed before the Final Hearing thereby leaving for the migration weekend only the asset transfer itself. The project team have confirmed that no conflicting changes are happening simultaneously at SS&C, Citi or HSBC.

10.33 I also note from my discussions with the asset transfer and migration project team that they have prior experience in projects involving asset transfers and no-dealing periods albeit these projects were not insurance business transfers.

10.34 Overall, I am satisfied that reasonable steps are being taken to ensure a smooth migration and handling of issues that may arise.

Conclusion on the Transferring Policies

10.35 At the time of writing this Report, my view is that Transferring Policies will not experience a deterioration in administration or serving as a result of the Scheme.

10.36 The project is being managed and on track to be ready by the Transfer Date. In the event that operational readiness is not achieved by the Final Hearing, then the Final Hearing will be delayed until the systems are ready.

Phoenix Life Non-transferring Policies

Non-transferring TIP/CFIP

10.37 Post-Transfer, five TIP policies that are invested fully or partially in with-profits and two CFIP policies will remain in the TAP platform. As at 30 June 2024, the five TIP policies amount to c.£14.2m, this is split between c.£2.5m of with-profits investments and c.£11.7m of unit-linked investments. The two CFIP policies amount to c.£92.3m. The level of service experienced by Phoenix Life Non-Transferring Policyholders will remain unchanged and their policies will be administered in the same way after the Transfer Date.

Other Non-transferring Policies

10.38 There are no changes planned in arrangements for the remaining Non-transferring (excluding the above) Phoenix Life Policies, therefore I do not expect any impact on the administration and serving standards as a result of the Scheme.

Conclusion on Phoenix Life Non-transferring Policies

10.39 Given that servicing and administration arrangements for Non-transferring Policies are unchanged by the Scheme, it is my opinion that Non-transferring Policyholders will not be negatively impacted in their administration and servicing standards.

abrdn Life Existing Policies

10.40 Existing abrdn Life policies are already administered and serviced by SS&C, therefore there is no change from their perspective.

10.41 There is a risk that an increased amount of business in abrdn Life could lead to a deterioration in service standards for Existing Policies.

10.42 SS&C and Citi are large financial service providers and while the scale of the Transferring Policies is large with respect to abrdn Life's existing business, it is small relative to the size of SS&C and Citi's business, who also provide similar services to other financial institutions. SS&C also already provide administration services for abrdn Group's mutual fund range, which is significantly larger than abrdn Life's business post-transfer. SS&C and Citi have confirmed they are capable and comfortable handling the increased volume of business and there will be no negative impacts on the service quality and standards being provided. I see no reason to believe that SS&C and Citi will be unable to handle the increased volume of business.

10.43 My discussions with abrdn Life on SS&C have also indicated no concerns over the existing quality of service provided. In addition, my understanding is that SS&C is undertaking full regression testing which includes the existing policyholders. The outputs of the testing will be monitored through programme governance which includes regular Steering Committee meetings with SS&C and also through the stage gate governance process, which will assess all parties' readiness to proceed.

10.44 Overall, I see no reason to expect the increased volume of business to be detrimental to administration and servicing standards for Existing Policyholders.

Conclusion on abrdn Life Existing Policies

10.45 In my opinion, there will not be a material adverse effect on the administration and servicing quality for abrdn Life Existing Policyholders.

11 The effect of the Scheme on standards of management and governance

Introduction

11.1 In the section, I consider the impact of the Scheme on policyholders with respect to capital management, risk management, management and governance.

11.2 The Transferring Policyholders will be subject to abrdn Life's governance framework from the Transfer Date onwards. abrdn Life's governance arrangements are outlined in section 6 above.

11.3 The effect of change of the governance framework from Phoenix Life to abrdn Life for the Transferring Policies will be considered in this section.

11.4 There will be no change for the policyholders that are remaining with Phoenix Life and they will continue to be subject to Phoenix Life's governance arrangements.

11.5 There will also be no change for the abrdn Life Existing Policyholders, who will continue to be subject to abrdn Life governance arrangements.

Capital management

11.6 Both Phoenix Life and abrdn Life have their own capital management policies in place. At Phoenix Life, the current Capital Policy requires an additional buffer of 38% of the SCR to be held on top of the SCR itself. At abrdn Life, the Capital Policy requires it to maintain 96% of the SCR as an additional buffer.

11.7 Phoenix Life operates with a lower target capital of 138%, whereas abrdn Life uses 196%. This is a business choice based on the underlying insurance portfolio, its risk profile, and commercial considerations, and as per my previous discussions on benefit security, the capital buffer enables both Companies to meet their regulatory capital under different conditions.

Risk management

11.8 Both Phoenix Life and abrdn Life operate the three lines of defence risk management model, and as such, their standards of risk management are similar.

11.9 The first line involves the identification and mitigation of risk. Both companies delegate responsibility for the first line from the Board to business managers or committee members who are responsible for executing the Risk Management Framework.

11.10 The second line provides independent oversight and challenge to risk management and compliance with regulatory and legal requirements. The second line reviews, challenges and provides assurance over the implementation of the Risk Management Framework.

11.11 The third line provides independent assurance through Internal Audit. This ensures the control environment is operating efficiently and improvements to the control environment are identified.

A comparison of the management and governance structures

11.12 The governance structures are similar between Phoenix Life and abrdn Life.

11.13 Both have an Audit Committee and a Risk committee, providing adequate control and risk management to the running of the business.

11.14 The Client Fund and Governance Committee of abrdn Life essentially performs the functions of the Investment Committee in Phoenix Life.

11.15 The CFGC is also a relevant committee for the proposed Transfer due to it being responsible for supporting the Chief Executive Officer in the management of activities delegated to aIL under the MSA and IMA and customer outcomes being central to transfer considerations. Administration of the Transferring Policyholders after the Transfer will also fall under the remit of the MSA and IMA and as such, this committee will oversee the Transfer-related activities.

11.16 The CFGC will take over the responsibilities and the agenda of the TIP Forum after the Transfer Date. abrdn Life performed a comprehensive comparison of the Terms of References of the TIP Forum and the CFGC and concluded that the CFGC's ToRs cover all required aspects for taking over the governance responsibility for the Transferring Policies. I have reviewed the comparison and have no reason to doubt the suitability in this respect.

11.17 The Phoenix Life With-Profits Committee is relevant to this Scheme as there are TIP policies allocated to the Heritage With-profits Fund whose impact need to be considered in the transfer.

11.18 abrdn Life does not have an equivalent With-Profits Committee and does not need one as none of the Transferring Policies are with-profits.

Phoenix Life Transferring Policies

11.19 Phoenix Life and abrdn Life operate with different levels of capital buffers which enable both firms to meet their regulatory capital requirements.

11.20 The committees that deal with the Transferring Policies in Phoenix Life are audit, risk and investment. These three committees have counterparts in abrdn Life, hence structurally the governance is similar, and I do not expect a material change to the quality of governance and management.

11.21 In addition, I have reviewed the comparison of ToRs of the TIP Forum and the CFGC and consider the CFGC to be suitable for taking over the responsibilities of the TIP Forum.

11.22 Both companies operate under the three lines of defence model, this is a standard system across the insurance industry, and therefore I expect a similar quality of risk management in promoting sound operation and risk-taking in the firms.

Conclusion on the Phoenix Life Transferring Policies

11.23 My conclusion is there is no material change for the Phoenix Life Transferring Policies. There are near-equivalent management and governance structures in place at abrdn Life, meaning they will experience similar standards after the transfer.

Phoenix Life Non-transferring Policies

11.24 All existing management and governance will remain unchanged for the Phoenix Life Non-transferring Policies.

Conclusion on the Phoenix Life Non-transferring Policies

11.25 I believe there will not be any impact on the Phoenix Life Non-transferring Policies since they will remain under the same management and governance structures as prior to the Transfer.

abrdn Life Existing Policies

11.26 The governance and management for the abrdn Life Existing Policies will not be changing as a result of the Transfer.

Conclusion on the abrdn Life Existing Policies

11.27 I do not expect there to be any impact on the abrdn Life Existing Policies as a result of the Transfer.

12 Approach to policyholder communication

Overall communication strategy

General scope

12.1 FSMA regulations require that a notice stating that an application for a transfer of insurance business has been made must be sent to every "policyholder" of the Parties (unless a waiver is granted by the Court).

12.2 For this Scheme, the Companies propose to communicate with the person(s) who hold an insurance contract directly with either Phoenix Life or abrdn Life.

12.3 Each party to the Scheme will notify their respective policyholders. The following policyholders will be directly notified of the Scheme:

- Transferring Policyholders holding Pension Investment Plans (ITIP, RTIP, IPPIP and RPPIP);
- Transferring Property-linked Beneficiaries;
- Non-transferring Policyholders whose policy is administered on the TAP platform (as set out in paragraph 7.13), who will be affected by the no-dealing period;
- Standard Life SIPP beneficiaries, i.e., members of the Standard Life SIPP whose trustee holds an IPPIP or RPPIP, and for whom Phoenix Life holds contact details; and
- Existing Policyholders of abrdn Life.

12.4 The proposed method of communication is by email for the majority of policyholders, which is the usual business contact method with policyholders. For Standard Life SIPP beneficiaries communication will be performed by post or digital method, which will be in line with their preferred communication method. This aligns with policyholder expectations. Communications via email or other digital means are faster, and allow for delivery validation, avoiding postal mail delays.

Trustee warm-up communications

12.5 A warm-up communication strategy was put in place to inform trustees about the proposed Transfer ahead of the formal communications in December 2024. This was proposed because the trustees, who are policyholders of Phoenix Life, will themselves have members. The trustees at their discretion, may or may not communicate the Scheme to members. The warm-up communication will give trustees time to consider and prepare should they decide to communicate the Scheme to their members.

12.6 Warm-up letters were sent to the trustees (Transferring Policyholders holding Pension Investment Plans) during October commencing on 21 October 2024. These letters outlined the process and explained that they would be asked to inform their members if they consider it appropriate. The letters requested a response regarding their intentions by 8 November 2024 and offered support if they decided to communicate the Scheme to their members.

12.7 I summarise the results of the warm-up communication below:

- All of the Transferring Policyholders, excluding a small number who had notified that they were divesting shortly, were contacted with the warm-up email.
- There have been 75 responses to date, and these have been fairly evenly divided between those planning to write to their members and those who do not intend to do so.
- Broadly speaking, those intending to do so are defined contribution schemes and those not intending are defined benefit schemes.
- For those who have provided a rationale for not writing to their members, the reason has been that they do not usually communicate about this type of event and that it would likely cause more confusion.
- There has been some interest in receiving a template letter to use in their usual process for communicating these changes, which the Companies agreed to provide to the Policyholders.

12.8 In addition to the warm-up letter, there will be relationship management conversations with the trustees, their consultants and advisers.

12.9 abrdn Life has relationships with a wide range of consultant firms and independent trustees. It plans to raise wider awareness through:

- attending a number of industry events and conferences;
- placing a notification in its newsletter ‘abrdn Life Institutional Investor Update’ in October, and after if deemed appropriate; and
- through its representation at a number of industry bodies.

Formal communications

12.10 Formal policyholder communication will commence on 16 December 2024 and complete on 20 December 2024. This timing would give a policyholder at least 11 weeks before the Final Hearing to consider matters and, where necessary, request a copy of this Report or other documentation available. This notice period is above the 6 to 8 weeks specified in the regulatory guidance. The Final Hearing date is expected to be 12 March 2025.

12.11 Communications will be directed to the policyholder unless other arrangements are specified (see other dispensations). Additionally, mailing packs will prompt policyholders to inform any other interested parties.

12.12 A separate notification will be issued for each policy, so trustees or providers holding multiple policies will receive multiple notices.

12.13 In the event that new policies are written and become part of the Transferring Policies after mailing packs have been issued, Phoenix Life will issue a leaflet informing them of the Scheme and that new policies will transfer to abrdn Life.

12.14 The policyholders of Transferring and Non-transferring Policies of Phoenix Life administered on the TAP platform and Existing Policies of abrdn Life are mostly institutional clients based in the UK. It is unlikely that accessibility issues around the communication will be relevant for these contacts. However, consideration will be given in the communication plans to the accessibility requirements of the underlying beneficiaries, as there may be vulnerable customers, customers with vision impairment or lack of email. In particular:

- the notification pack will contain wording to explain how a policyholder can obtain an alternative format of the Guide;
- the content of the Scheme Guide will be drafted to be suitable for both retail and corporate audiences; and
- website communications will be developed to AA-rated accessibility standards.

Dispensations

12.15 The FSMA mandates that all policyholders must be informed about the Scheme. However, there are situations where a company may be unable or unwilling to notify every policyholder, and in such cases, it can apply for dispensation. Part of my role involves assessing the reasonableness of these dispensation requests. The specific dispensations being sought are detailed below.

In relation to Phoenix Life Non-transferring Policies

12.16 For Non-transferring Policyholders of Phoenix Life, except those managed on the TAP platform, the proposal is to request a waiver from the obligation to notify them about the Transfer. The rationale for seeking this dispensation is for the reasons that:

- there will be no change to policy terms and conditions or expected benefits;
- the administration of the policies will remain unchanged;
- Phoenix Life's Capital Policy will stay the same, and it will continue to meet its Capital Policy after the Scheme is implemented;
- existing governance arrangements will remain unchanged;
- the Scheme will have a minor impact on Phoenix Life's Own Funds and SCR, thus maintaining benefit security;

- the Transferring Policies are linked business, meaning the assets and liabilities are matched, and the Scheme will not significantly affect Phoenix Life's net assets or regulatory capital position.

12.17 Given the reasons mentioned above, I believe the Scheme will have minimal to no effect on these Phoenix Life Non-transferring Policyholders. Additionally, the Transferring Policies constitute a small fraction of Phoenix Life's operations, being approximately 380 out of 9.5 million policies. Therefore, it would be disproportionate to notify these Non-transferring Policyholders about a matter that has minimal or no impact on them.

12.18 Additionally, the cost of notifying these policyholders is considered disproportionate, and there is a risk of causing unnecessary worry, especially among those who are not financially sophisticated and may be sensitive to receiving non-standard communications.

12.19 These Phoenix Life Non-transferring Policyholders will be informed about the Transfer through the company's Standard Life website and national newspaper advertisements.

12.20 All Phoenix Life Non-transferring Policyholders will have access to information about the Transfer on Phoenix Life's Standard Life branded website, including a tailored Non-transferring Policyholder leaflet and Q&A. Paper copies of the Scheme information will be available upon request via the customer website enquiry form or their usual servicing contact.

In relation to policyholders of Pension Investment Plans

12.21 Many holders of Phoenix Life and abrdn Life policies are trustees of schemes who have their own members. Phoenix Life and abrdn Life do not have the contact details of these trustees' members. In accordance with FCA Guidance Notes, these members may be viewed as policyholders for the purposes of communicating this Part VII Transfer.

12.22 Therefore, to ensure that the requirements of a Part VII transfer process are satisfied, a dispensation is to be sought on directly notifying the members of these schemes. Instead, the communications with the trustees will ask them to inform their members if they consider it appropriate. Both Phoenix Life and abrdn Life will offer support to trustees on the communication.

In relation to Property-linked Beneficiaries

12.23 Phoenix Life will be notifying their Property-linked Beneficiaries and abrdn Life will be notifying its existing reinsurance policyholders. These policies are held by insurance companies, and both Companies do not have the contact details of the underlying policyholders of the insurers. The communications will include wording to suggest that the insurers make aware any of their own policyholders, who have an interest in the proposal.

Gone-away policies

12.24 A gone-away customer is a customer with whom the insurer has lost contact, which typically arises because the customer has changed address and not informed the provider.

12.25 There are no gone-away policies in the Transferring Policies or Phoenix Life Non-transferring Policies on the TAP platform.

12.26 In 2011, abrdn Life acquired a policy book from Credit Suisse which included policyholders who were unreachable. Despite efforts to trace these individuals between 2011 and 2016, including contacting the Pensions Regulator and Pensions Tracing Service, the policyholders remain untraced. As of 2024, the unclaimed balance is around £119,000, representing 0.02% of abrdn Life's unit-linked AUM. abrdn Life is seeking dispensation from the notice requirements for these gone-away policies.

Other dispensations

12.27 For policies that have been assigned and the assignees' names and addresses have been recorded and maintained, the assignees will be contacted directly.

12.28 If policyholders have granted power of attorney or appointed an authorised representative, and contact details have been recorded and maintained, communications will be directed to the power of attorney holder or representative.

12.29 Phoenix Life will copy in, all financial advisors and employee benefit consultants listed in its electronic database as the advisor or consultant for each policy in the Transferring Policies. abrdn Life does not maintain records of financial advisors and employee benefit consultants.

12.30 Both Companies update policyholders' contact details based on received instructions and rely on the accuracy of this information. While both companies will be expecting to mail all the policyholders outlined in the communication strategy, a waiver is sought from notifying "every" policyholder on the basis of impossibility and impracticability, in that:

- the Companies may not have completely up-to-date contact information for some policyholders; and
- the Companies cannot know with certainty every person to whom a contingent payment is due, as per the FSMA definition of policyholder.

Contents of the Mailing Pack for the Transferring Policies

12.31 The Mailing pack to the Transferring Policies will contain:

- a covering letter tailored to each of the following product groups, IPPIP policyholders, RPPIP policyholders, ITIP policyholders, RTIP policyholders and Property-linked Beneficiaries;
- a covering email from aIML's Pension Investment Plan servicing team;
- a detailed guide to the Scheme which includes:
    i. a copy of the notice stating that an application for a transfer of insurance business has been made to the Court;
    ii. a statement setting out the terms of the Scheme and a tailored summary of my report; and
    iii. a set of the most likely questions and answers that policyholders may have on the Scheme; and
- a template member letter, which the trustee can adapt for their use should they wish to notify their members, and a Scheme guide targeted at members.

12.32 The individual SIPP members of the Standard Life SIPP Scheme that will also be mailed will receive a covering letter and a targeted Scheme guide, the contents of which are described above. There are no gone-aways amongst these members.

Contents of the Mailing Pack for Non-transferring Phoenix Life policies on TAP

12.33 The Mailing pack to Phoenix Life Non-transferring Policies on TAP will contain:

- a covering letter tailored to each of the following product groups, CFIP policyholders, With-profits TIP policyholders that also invest in unit-linked funds and the With-profits TIP policyholder investing entirely in with-profits;
- a covering email; and
- a non-transferring guide.

Contents of the Mailing Pack for abrdn Life Existing Policies

12.34 The Mailing pack to abrdn Life Existing Policies will contain:

- a covering letter tailored to the policyholders of abrdn Life; and
- a detailed guide to the Scheme which includes:
    i. a copy of the notice stating that an application for a transfer of insurance business has been made to the Court;

ii. a statement setting out the terms of the Scheme and a tailored summary of my report; and

iii. a set of the most likely questions and answers that policyholders may have on the Scheme.

Further publications in respect of the Scheme

Website

12.35 Phoenix Life will maintain a dedicated Scheme webpage on its website, providing free online access to:

- the Scheme document;
- my full Independent Expert Report;
- my Summary Report for all policyholders;
- sample letters sent to Transferring Policyholders;
- the Phoenix Life Chief Actuary's Report including the Phoenix Life With-Profits Actuary's Statement;
- the different versions of the Scheme guide which will include the statement, required by Regulation 3(4) of the Regulations, setting out the terms of the Scheme and containing a tailored summary of the Independent Expert's Report, including versions of the guide for the Phoenix Life Non-transferring Policyholders;
- a website enquiry form through which policyholders can submit questions to a dedicated email address and request copies of documents; and
- other relevant information, including "Frequently Asked Questions".

12.36 abrdn Life also will maintain a dedicated Scheme webpage on its website, providing free online access to:

- the Scheme document;
- my full Independent Expert Report;
- my Summary Report for all policyholders;
- sample letters sent to abrdn Life’s Existing Policyholders;
- the abrdn Life Chief Actuary's report;
- a version of the Scheme guide for abrdn Life’s Existing Policyholders, which will include the statement, required by Regulation 3(4) of the Regulations, setting out

- the terms of the Scheme and containing a targeted summary of the Independent Expert's Report;
- instructions as to how policyholders can submit questions to a dedicated email address and request copies of documents; and
- other relevant information, including "Frequently Asked Questions".

12.37 The webpages will be available from the day following the Directions Hearing for a period of no less than three months after the Transfer Date.

Social media

12.38 Enquires received via the social media accounts for Standard Life and Phoenix Life will be redirected to their corresponding company webpages or Phoenix Life technical response handling team as appropriate.

Contact centres

12.39 Phoenix Life will make arrangements for the appropriate servicing team to support enquiries from holders of Transferring Policies and Non-transferring Policies administered on TAP, and the servicing teams will receive specific training relating to the Scheme.

12.40 Enquiries from members of pension schemes investing via Transferring Policies will be handled by the Phoenix Life technical response handling team.

12.41 Enquiries from members of the SL SIPP scheme will be handled by the Priority Plus business-as-usual team.

12.42 Enquiries from Phoenix Life Non-transferring Policyholders will be handled by Phoenix Life's business-as-usual policyholder contact teams and Phoenix Life technical response handling team.

12.43 abrdn Life will also make arrangements for its business-as-usual contact centres to support enquiries from its Existing Policyholders.

12.44 In the event that queries cannot be resolved by business-as-usual teams, both Phoenix Life and abrdn Life dedicated teams of subject matter experts to whom the matter will be referred to.

National newspapers

12.45 The Notice will be published in a PRA-approved form in consultation with the FCA with the following publishers:

- the London, Edinburgh and Belfast Gazettes;
- two national newspapers in the United Kingdom (The Times and the Daily Telegraph); and

- two further national newspapers in the United Kingdom, The Mirror and The Daily Mail.

Methods for policyholders to raise queries or object

12.46 Avenues through which policyholders can raise queries about the Scheme have been described above. These options are outlined in their communication packs.

12.47 Policyholders who want to object are informed on how to do so in the mailing packs they receive. The following ways are given to policyholders:

- sending an email (for Phoenix Life policies administered on TAP and abrdn Life Existing Policies);
- submitting an enquiry through the website (for Phoenix Life only);
- contacting their business-as-usual servicing team; and
- writing to the Companies through physical mail.

12.48 Policyholders are also informed in their mailing packs, of their right to raise objections at the Court proceedings in person, or through a representative with permission from the Court to speak.

Conclusion on policyholder communications

12.49 Overall, I am satisfied with the proposed communication strategy with policyholders, including the warm-up communications with trustees, and the application for dispensations and that the communications are fair, clear, and not misleading.

13 Other considerations arising from the Scheme

Treating Customers Fairly & Consumer Duty

13.1 The Financial Conduct Authority (FCA) has introduced new Consumer Duty aimed at setting higher and clearer standards of consumer protection across financial services. This initiative requires firms to prioritise their customers' needs and deliver good outcomes for retail consumers.

13.2 A large number of the Transferring Policyholders are institutional investors (65%), which is not the target group for Consumer Duty regulations. The policyholders and pension scheme members of these investors, however, may be retail customers and therefore these policies would fall under the scope of Consumer Duty if Phoenix Life (pre-Transfer) or abrdn Life (post-Transfer) can have a material influence over customer outcomes.

13.3 The key components of Consumer Duty are:

- **Consumer Principle**: This new principle mandates firms to act in a way that delivers good outcomes for retail customers.
- **Cross-cutting rules**: These rules provide greater clarity on the FCA's expectations and help firms interpret the four outcomes.
- **Four outcomes**: The rules focus on four key outcomes that are crucial for the firm-consumer relationship. The outcomes are:
    - Products and Services: Ensuring products and services are designed to meet the needs of consumers.
    - Price and Value: Ensuring consumers receive fair value.
    - Consumer Understanding: Ensuring communications support and enable consumers to make informed decisions.
    - Consumer Support: Ensuring the support provided meets consumers' needs throughout their relationship with the firm.

13.4 This policy and guidance applies to regulated firms.

13.5 Consumer Duty came into force on a phased basis: for new and existing products or services that are open to sale or renewal, the rules took effect on 31 July 2023, while for closed products or services, the rules came into effect on 31 July 2024.

13.6 The FCA expects that firms produce an annual report to the Board to demonstrate firms' ability to provide good consumer outcomes.

13.7 In respect of Treating Customers Fairly and Consumer Duty obligations, I have considered a report by abrdn Life approved by the Board in July.

13.8 abrdn Life applies the Consumer Duty standards proportionately in accordance with its business model, reflecting the position that its direct clients are not retail customers but instead either registered pension scheme trustees or regulated insurance firms. Whilst all four Consumer Duty outcomes are considered, particular focus is placed on where abrdn Life is most likely to influence outcomes to ultimate “retail customers”, such as individual pension scheme members. The most relevant Consumer Duty outcomes in this regard are Products and Services (Outcome 1) and Price and Value (Outcome 2). Consumer Understanding (Outcome 3) and Consumer Support (Outcome 4) are focused on retail customers and delivered to the end customers via the availability and provision of products and services to abrdn Life’s professional investors. Additionally, to support Consumer Understanding (Outcome 1) and Price and Value (Outcome 2), abrdn Life provides products and services to professional investors to enable them to deliver good outcomes to their retail customers. abrdn Life’s monitoring indicates that good customer outcomes are being delivered on all four metrics.

13.9 I have been advised by abrdn Life that the same approach to the Consumer Duty standards will be applied to the Transferring Polices as currently applies to abrdn Life’s Existing Policies, including coverage of the Transferring Policies in the Consumer Duty & Conduct scorecard.

13.10 There is a joint committee, the TIP Management Forum that oversees customer outcomes for the Transferring Policyholders. This forum applies standards which are considered appropriate by Phoenix Life and abrdn Life and are consistent with the standard applied by abrdn Life’s CFGC. After the Transfer Date, abrdn Life’s CFGC will assume the responsibilities of the TIP Management Forum in respect of the Transferring Policyholders.

13.11 In preparation for the Transfer, Phoenix Life has already commenced providing all historical and legal information related to the Transferring Policies to abrdn Life. The companies are planning to complete this information sharing prior to the Transfer Date. Relevant abrdn Group subject matter experts are directly involved in validating the receipt of the historical information. abrdn Life already has a strong understanding of the historical information, including the information that needs to be provided, which is based on its experience in the manufacture, distribution, operation and governance of the Transferring Policies. This is because the Transferring Policies are already administered within the abrdn Group and will continue to be so after the Transfer, albeit that those services will be outsourced to SS&C.

Sanctioned assets and policyholders

13.12 None of the Transferring Policyholders would be prevented from transferring as a result of Russian or other sanctions.

13.13 There is one Phoenix Life linked fund which holds assets listed on the Moscow Stock Exchange (‘SL Emerging Market Equities’ fund). These assets are not sanctioned but cannot be traded and are consequently valued at nil. This SL Emerging Market Equities fund is only held by the Transferring Policyholders as a component part of the Standard Life Managed Pension fund or the Standard Life Multi-Asset Managed fund. When they were last able to be traded, before losing their value, these assets comprised approximately 0.1% of the Standard Life Managed Pension fund and 0.05% of the Standard Life Multi-Asset Managed fund. These assets cannot be transferred and will be retained by the non-transferring segment of the fund and will not subsequently be transferred to the equivalent abrdn Life linked fund. As they have been valued at nil since early 2022, these assets are unlikely to be the key factor for the policyholders or underlying beneficiaries selecting to invest in emerging markets funds. In addition, there are custodian costs associated with holding assets, even if they are valued at nil. This treatment may run for an indefinite period until the assets can be traded again and there is no guarantee these will gain any value. As such, I do not consider that the retention of these assets within the non-transferring segment of the fund will have a material adverse impact on the Transferring Policyholders.

13.14 Concerning the additional custodian costs that will be paid by Non-transferring Policyholders as a result of this approach, these will be very small. At the time of writing this Report, the transferring part of the SL Emerging Market Equities fund is c.£1.7m and the non-transferring segment is c.£440m. The Russian stock exchange assets were around 5% of the SL Emerging Market Equities fund before their loss in value, so the transferring part of the emerging markets equity fund lost an estimated £0.085m when the relevant assets were written down to £nil.

13.15 Given the small overall impact, I consider the approach of retaining the non-tradable assets with the non-transferring segment of the fund to be reasonable. I do not believe this retention will have a material adverse impact on the Non-transferring Policyholders.

13.16 Policyholders are Trustees and insurance companies, which are incorporated in the UK and do not fall under sanctions.

Event of non-transfer

13.17 I will consider the impact on policyholders in the event that the Transfer does not proceed. This could happen in the case the Scheme is not sanctioned by the Court, or if the administration platform migration is not ready to proceed prior to the Final Hearing.

13.18 In the event the Scheme does not proceed, there are no plans to change any current arrangements for the Transferring and Non-Transferring Policies in Phoenix Life, and existing business in abrdn Life.

13.19 In this scenario, the Transferring Policies will remain with Phoenix Life and continue under the same governance and management. Their benefits, benefit security and administration arrangements will remain unchanged. The same holds for Non-transferring Policies within Phoenix Life.

13.20 The Existing Policies in abrdn Life will also remain unchanged in terms of benefits, security, governance, management, and administration.

13.21 abrdn Life management may give a separate consideration to other Part VII transfer opportunities or return of some of the capital held to shareholders should no opportunities be identified. In either case, abrdn Life commits to continue maintaining its capital position in line with its Capital Policy in order to provide appropriate benefit security to its policyholders.

13.22 Based on the above, policyholders will not be detrimentally impacted in the event the Scheme does not proceed.

Taxation implications

13.23 Based on my review of the analysis carried out by the tax teams at Phoenix Life and abrdn Life, I do not anticipate the Transfer to trigger any materially adverse tax consequences in the transferring funds. In any case, should the transferring funds suffer any adverse tax consequences as a result of the transfer, I understand these costs will be borne by the Companies.

abrdn Group activities

13.24 abrdn Life is a subsidiary company within the abrdn Group and it relies on different companies within the abrdn Group for the provision of key services. abrdn Life outsources to aIL, an abrdn Group company, all management functions other than the actuarial function, which is outsourced to Barnett Waddingham. Policy administration is carried out by aIL and third-party providers. Stakeholders considering my Report, may have an interest in the implications of these arrangements with other abrdn Group companies for the servicing of the Transferring Policies.

13.25 I am aware of the transformation programme announced by abrdn Group in January 2024, which aims to drive long-term improvements by reinvesting in growth areas and implementing cost-reduction measures to enhance the Group's capital generation. This programme aims to restore the abrdn Investments business to an acceptable level of profitability and to allow for incremental reinvestment into growth areas. Examples of changes that abrdn Group have carried out as part of this programme are:

- announcing a new senior leadership structure to simplify decision-making and accelerate progress toward strategic priorities; and
- putting in place a plan to improve investment performance, under which it has begun seeing improvements across a number of asset classes this year.

The programme will seek to enhance the controls and risk management environment with the purpose of continuing to ensure the abrdn Group's operations are conducted in a way that complies with regulatory requirements and delivers good outcomes for its clients.

13.26 I note that the abrdn Life Board has been thoroughly briefed on the aims of the abrdn Group's transformation and is consulted on relevant transformation matters. The abrdn Life Board is supportive of the aims and is satisfied that risks to abrdn Life as a result of the programme are being appropriately managed.

13.27 Ultimately, any change that directly impacts abrdn Life is subject to abrdn Life Board review and approval. For indirect impacts arising from changes elsewhere in the Group, there are the MSA and IMA that are in place setting out the duties, responsibilities, and liability for any errors. The arrangements that abrdn Life has in place with aIL are fundamental to abrdn Life's ability to deliver its obligations to and meet the expectations of its policyholders. I understand that the abrdn Life Board has in place ongoing and thorough oversight in respect of the services it outsources to aIL and this will continue to be in place after the transfer. I also note that reliance on abrdn for servicing is in fact going to be reduced due to the administration moving from aIML to SS&C for the Transferring Policies.

13.28 I see no reason to believe that the servicing arrangements with abrdn Group companies and the abrdn Group's transformation programme will have a material adverse impact on servicing standards for the Transferring Policyholders.

13.29 In terms of financial matters, the abrdn Group is subject to consolidated supervision conducted by the FCA and accordingly is required to satisfy a minimum own funds requirement in accordance with the FCA's Prudential Sourcebook for MiFID Investment Firms (MIFIDPRU). I note that:

- as at 30 June 2024 (the reporting date for the abrdn Group's 2024 half year results), the abrdn Group had Common Equity Tier 1[4] (CET1) capital resources of £1,544m with coverage of 146%;
- as at 31 December 2023 the abrdn Group had CET1 capital resources of £1,466m with coverage of 139%; and
- as at 31 December 2022 the abrdn Group had CET1 capital resources of £1,301m with coverage of 123%.

[4] Common Equity Tier 1 (CET1) is a measure of regulatory capital resources under MIFIDPRU, underpinned by abrdn plc Group ordinary shareholders' funds. This is the highest quality capital available to cover capital requirement and absorb losses.

13.30 The disclosed net capital generation[5] of the abrdn Group was £104m for the first half of the financial year 2024, £178m for the full financial year 2023, and £81m for full financial year 2022.

13.31 I also note that:

- The abrdn Group credit rating was downgraded from A- to BBB+ / Stable by Standard & Poor's in August 2023, and from A3 to Baa1 / Stable by Moody's in January 2024. abrdn Life is sufficiently capitalised in accordance with its capital policy and therefore is not impacted by the abrdn Group debt position and credit rating. The credit rating downgrade had no impact on the services provided by other members of the abrdn Group to abrdn Life.
- abrdn Group pays dividends to its shareholders and this has the effect of reducing its available capital. The dividends, however, are discretionary and carefully considered in the context of the capital position of the abrdn Group.

13.32 In the unlikely event that abrdn Group needs to be wound down, abrdn Group has a wind-down plan that it has prepared in accordance with the FCA's Wind-Down Planning Guide and Thematic Review 22/1 which sets out an expectation for firms to be able to achieve an orderly wind-down and to minimise the risk of harm to clients and markets.

13.33 This wind-down plan produced in 2023, has not yet allowed for the Transferring Policies. I understand that the abrdn Group wind-down plan will be updated to allow for the Transfer in its next review, which is expected to be after the Transfer Date. The next iteration of the abrdn Group wind-down plan will cover the post-transfer wind-down operational process and financial impacts and will incorporate abrdn Life's Own Risk and Solvency Assessment (ORSA).

13.34 I note that abrdn Life is not reliant on abrdn Group capital. abrdn Life produced and provided me an ad-hoc ORSA which allowed for the Transferring Policies. In this ad-hoc ORSA, the abrdn Life Board considers plans it may need to implement if abrdn Life needs to be wound down and sets out a number of solvent exit options. The plans take into account the potential timescales involved and the capital needed to implement the plans.

13.35 As I mentioned in my earlier analysis, I have not relied on Group support when forming my conclusions regarding benefit security and I am satisfied that abrdn Life by itself, demonstrated sufficient financial strength to accept the Transferring Policies.

13.36 In summary, I am satisfied that:

[5] A performance metric designed to reflect the contribution of abrdn Group's underlying profitability to its CET1 capital resources in a financial period, net of after-tax restructuring costs.

- the abrdn Group is able to continue to provide outsourced services to abrdn Life;
- sufficient governance is in place to ensure the abrdn Group transformation programme does not result in a deterioration of servicing standards;
- abrdn Life has sufficient capital to accept the Transferring Policies, and is not reliant on abrdn Group capital;
- the credit rating downgrade did not materially impact abrdn Life; and
- the abrdn Group will update its wind down plan in due course to take account of the Transferring Policies and that, pending such update, abrdn Life has considered the management actions it would need to have in place in respect of the Transferring Policies in a wind down scenario.

As a result, my conclusions on the transfer remain unchanged.

Other business transfers

13.37 For information purposes, Phoenix Group is currently also implementing an internal business transfer between its European subsidiaries, moving the business of Phoenix Life Assurance Europe dac to Standard Life International dac. This transfer requires approval from the equivalent of the High Court in Ireland. The main regulator involved is the Central Bank of Ireland, and no involvement is needed from either the PRA or FCA. The transfer is independent of this Scheme as it involves different entities within Phoenix Group. The planned date for this business transfer is 1 January 2025.

External events

13.38 Solvency II refers to the regulatory framework and requirements that insurers in the United Kingdom must adhere to in order to demonstrate their financial strength, solvency, and ability to meet their obligations. It encompasses capital and solvency standards, risk management practices, and governance requirements designed to ensure the stability and soundness of the insurance sector.

13.39 After the UK's departure from the European Union, the UK's adaptation of Solvency II, often called "Solvency UK", is being reformed to better suit the UK insurance sector.

13.40 Some of the key areas of reform include but are not limited to:

- the matching adjustment,
- the risk margin,
- internal models, and

- disclosure requirements.

13.41 Numerous changes have already been incorporated into policy, with most of the remaining changes scheduled to take effect on 31 December 2024.

13.42 The reforms affect both Phoenix Life and abrdn Life regardless of whether the Scheme is implemented or not. abrdn Life provided me with updated financial results allowing for the impact of the reforms which showed a modest reduction in abrdn Life's SCR cover, but does not change the conclusions I have set out in Section 9 of this Report. As for Phoenix Life, the reforms are not expected to have a material impact on the balance sheet contribution of the transferring business. I will provide an update on the financial positions of both Companies in my Supplementary Report, which will take into account the impact of the reforms discussed above.

13.43 During the time of writing this Report, the UK election took place which saw the Labour Party voted into power. As with any change in government, there can be shifts in regulatory, economic, and social policies that directly affect the insurance industry. Given that the change of government has already occurred, I see no reason for it to have any impact on my conclusions with regard to the Scheme.

13.44 Finally, the economic environment can impact insurers across various aspects of their operations, including investment performance, claims experience, regulatory compliance and risk management.

13.45 Both Phoenix Life and abrdn Life have robust risk management in place to respond to the changing economic environment. My earlier analysis on benefit security has concluded that both companies are financially resilient and furthermore, the Transferring Policies being unit-linked and matched, means that market movements will impact both assets and liabilities in the same way. I see no reason for the economic environment to have any impact on my conclusions with regard to the Scheme.

Conclusion

13.46 Overall, I am satisfied that the other considerations I have examined will not have a material adverse effect on policyholders, nor impact my conclusions reached in this Report.

14 My conclusions

14.1 Throughout this Report, I have considered the effects and the impact of the Scheme on the Phoenix Life Transferring and Non-transferring Policyholders and on the abrdn Life Existing Policyholders.

14.2 In my opinion, the Scheme and the administration platform migration will not have any material adverse effect on any of the groups of policyholders mentioned above, in respect of:

- The reasonable benefit expectations;
- The benefit security;
- The standards of administration and servicing; and
- The standard of management and governance.

14.3 It is also my opinion that the underlying beneficiaries of the Transferring Policies will not be materially adversely affected by the Transfer. This is because the terms of the Transfer do not include any changes to the value or security of the underlying investments held by the Transferring Policies.

14.4 I have also analysed the approach to policyholder communications and conclude that the proposed communication strategy, including the application for dispensations, is fair, clear, and not misleading.

14.5 I conclude that my other considerations arising from the Scheme, including Treating Customers Fairly and Consumer Duty, other business transfers, sanctions, taxation and external events, do not have a material adverse effect on any of the groups of policyholders considered, nor on my conclusions reached in this Report.

S. J. Perry

Simon Perry

Fellow of the Institute and Faculty of Actuaries

Partner, Grant Thornton UK LLP

6 December 2024

A Statement of compliance

I understand that my duty in preparing my Report is to help the Court on all matters within my expertise and that this duty overrides any obligations I have to those instructing me and / or paying my fee. I confirm that I have complied with this duty.

I confirm that I am aware of the requirements applicable to experts set out in Part 35 of the Civil Procedure Rules, the Practice Direction and the Guidance for the Instruction of Experts in Civil Claims 2014 produced by the Civil Justice Council, and have complied with and will continue to comply with them. As required by Part 35 of the Civil Procedure Rules, I hereby confirm that I have understood my duty to the Court and have complied with and will continue to comply with this duty.

I confirm that I have made clear which facts and matters referred to in my report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.

I understand that proceedings for contempt of court may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief in its truth.

S.J. Perry

Simon Perry

Fellow of the Institute and Faculty of Actuaries

Partner, Grant Thornton UK LLP

6 December 2024

B Documents, data and reliances

In producing this Report, I have relied on the following materials provided by abrdn Life and Phoenix Life:

Document name	Document description	Provided by
Background material		
Arbour Part VII Project Information for IE April 2024 v1.0.pptx	Introduction PowerPoint for the Independent Expert	abrdn Life
Key Features of the Arbour Scheme April 2024 v1.1.docx	Outlines key features of the Scheme	Phoenix Life
Arbour_Scheme_DRAFT(3038391445.46).docx	The latest draft version of the Arbour Scheme	Phoenix Life
Key reports		
abrdn Life and Pensions_Part VII_CA_Report_Draftv8.0_20241011_PW.pdf	abrdn Life Chief Actuary report	abrdn Life
Phoenix Life Arbour Chief Actuary Report v0.6 (sent to SM).docx	Phoenix Life Chief Actuary report	Phoenix Life
abrdn Life and Pensions Solvency and Financial Condition Report 2023.pdf	abrdn Life's Solvency and Financial Condition Report for 2023	abrdn Life
abrdn Life Annual Reports & Financial Statements December 2023.pdf	abrdn Life's Annual Reports and Financial Statements for 2023	abrdn Life
Phoenix-group-solvency-and-financial-condition-report-31-december-2023.pdf	Phoenix Group's Solvency and Financial Condition Report for 2023	Phoenix website
Phoenix-group-annual-report-and-accounts-2023.pdf	Phoenix Group annual reports and accounts 2023	Phoenix website
pll-2023.pdf	Phoenix Life strategic report, directors' report and financial statements 2023	Phoenix website
Arbour_Transferor Witness Statement_Phoenix Life Limited (LL Draft 11.10.2024)(3038391449.56).docx	Phoenix Life's Witness Statement	Phoenix Life
Arbour_Transferee Witness Statement_abrdn Life and Pensions Limited (LL Draft 14.11.2024)(abrdn 201124 v3)(1208498.3).docx	abrdn Life's Witness Statement	Phoenix Life
Information requests		
Responses to q.16 090524 v02.xlsx	Details of the non-standard fund considerations	abrdn Life
Arbour Dealing Timeline Example May 2024 v0.1.pptx	Phoenix Life and abrdn Life dealing timeline example pre-transfer	abrdn Life
Functional GAP Status 9th May 2024.pptx	Outlines the functional gaps which abrdn Life has asked SS&C to deliver	abrdn Life
Arbour CFGC and TIP Management Forum Compare Feb 2024 v0.1.xlsx	Scope, composition and attendees of the CFGC and TIP Management Forum	abrdn Life
1 – 20240331 Summary Phoenix Group Corporate Structure Chart_final.pdf	Summary Phoenix Group structure chart	Phoenix Life
2 – 21.12.2015 – Phoenix Life Limited Mems&Arts CURRENT.pdf	Memorandum and Articles of association of Phoenix Life	Phoenix Life

3a – ITIP INVCP50 03 2019.pdf	Institutional Trustee Investment Plan document	Phoenix Life
3b – IPPIP INVCP51 03 2015.pdf	Institutional Personal Pension Investment Plan document	Phoenix Life
3c – PPIP INVCP66 03 2015.pdf	Personal Pension Investment Plan document	Phoenix Life
3d – TIP INVCP52 03 2019.pdf	Retail Trustee Investment Plan document	Phoenix Life
3e – L&G Reassurance Policy Scran.pdf	Reinsurance policy agreement between Standard Life Assurance Limited and Legal and General Assurance Limited	Phoenix Life
4 – PLL_P1 Report 2023_12_L2_v1.pdf	Solvency II Pillar 1 results as at 31 December 2023	Phoenix Life
5 – Nile IE excerpt.docx	An extract from the Project Nile Independent Expert report regarding this Transfer.	Phoenix Life
6 – HWPF WPA statement excerpt.docx	Document about how the Heritage WPF is managed.	Phoenix Life
7a – Project Arbour Holkham Life Co Board paper v1.0.docx	An update for the Life Companies Board on the Arbour Scheme	Phoenix Life
7b – WPA Arbour update for WPC.docx	An update from the With-Profits Actuary for the With-Profits Committee on the Arbour Scheme	Phoenix Life
SLAL SLI TIP Administration Services Agreement FINAL signed by SLAL.pdf	An agreement between Standard Life Assurance Limited and Standard Life Investments in respect of the UK Trustee Investment Plan	Phoenix Life
9 – Unit fund sizes.xlsx	A document showing the unit-fund sizes being transferred	Phoenix Life
10 – 2023 August Life Co Board_Consumer Duty Phase 2.pdf	A summary of the work completed by the Phoenix Group programme designed to ensure compliance with key regulatory deadlines.	Phoenix Life
Unit Pricing approach v3.1.docx	A comparison of the unit pricing approach at Phoenix Life and abrdn Life	Phoenix Life
Arbour Fund, shareclass and product mapping.xlsx	A map of the existing funds to the new funds launched for the Transfer	Phoenix Life
abrdn PSM Letter.pdf	A letter from the PRA to the abrdn Life Board of Directors discussing abrdn Life's risks to the PRA and agree a supervisory strategy	abrdn Life
abrdn Life Business Plan 2024.pptx	A PowerPoint containing abrdn Life's business plan for 2024.	abrdn Life
abrdn Life Investments Policy.pdf	A document showing abrdn Life's pension investment policy for occupational schemes	abrdn Life
abrdn Life Policy Framework.pdf	A document outlining the policy framework for abrdn Life	abrdn Life
abrdn Life Risk Management Policy February 2024.pdf	A document outlining the risk management policy for abrdn Life	abrdn Life
abrdn Life Capital Management Policy November 2023.pdf	A document outlining the capital management policy for abrdn Life	abrdn Life
abrdn Life Risk Register March 2024.pdf	A document showing abrdn Life's risk register including CEO commentary and actions required	abrdn Life
abrdn Life Solvency II valuation report YE2023.pdf	abrdn Life's actuarial function report on the Solvency II valuation at 31 December 2023	abrdn Life

abrdn Life Solvency II methodology document YE2024.pdf	abrdn Life's Solvency II methodology document	abrdn Life
140801_AAMLP_Man_Ser_Amend _AAML.pdf	A document showing the remuneration for the provision of management services between Aberdeen Asset Management Life and Pensions Limited and Aberdeen Asset Managers Limited.	abrdn Life
Amendment Agreement NO2 dated 21.11.16.pdf	An amendment agreement document regarding the document immediately above	abrdn Life
abrdn Life LACDT Policy December 2023_PW.pdf	abrdn Life's loss-absorbing capacity of deferred taxes policy	abrdn Life
Project Arbour Pillar 1 update v1.0_20240515_PW.pdf	The paper that was discussed at an abrdn Life board meeting showing details of the pro forma calculations and their projected positions	abrdn Life
11.10 Escalated Complaints.docx	A document detailing how the complaints escalation procedure.	abrdn Life
TIP Complaints Handling Process.docx	A document showing the TIP dealing and servicing complaints handling process.	abrdn Life
Complaint Handling Policy.pdf	SS&C's complaints handling policy.	abrdn Life
Complaint Handling Procedure.pdf	abrdn Life's complaints handling procedure for professional clients.	abrdn Life
Appendix A abrdn Life Funds.pdf	A document comparing the current Phoenix Life funds with the equivalent abrdn Life funds.	Phoenix Life
Arbour Part VII Operational Readiness Summary June 2024.pptx	A slide showing the Arbour operational readiness / go live engagement plan	abrdn Life
1) FUND LIST – 27TH JUNE.docx	A document comparing the current Phoenix Life funds with the equivalent abrdn Life funds.	Phoenix Life
abrdn Life and AAML intragroup agreement 2022 – signed 9 June 2022 (689505.1).pdf	The Intra Group Services Agreement between abrdn Life and Aberdeen Asset Managers Limited	abrdn Life
service schedule abrdn Life A1 abrdn Life and AAML signed 9 June 2022 (689506.1).pdf	The service schedule as defined in the intragroup agreement directly above	abrdn Life
Arbour_schemeguide_draft6_July24 _(3)_CLEAN.docx	A guide for the Transferring Policyholders regarding the Transfer	Phoenix Life
Arbour_RP_Draft7_170724_CLEAN .docx	The draft policyholder letter for RTIP customers	Phoenix Life
BW_Draft_of_Ad_Hoc_ORSA_Draft _v3.0_20240711_CleanvAMextract for IE.docx	An extract from the ORSA showing projections of abrdn Life's solvency position	abrdn Life
abrdn Life Consumer Duty Annual Report June 2024 – FINAL.pdf	The annual Consumer Duty report for abrdn Life	abrdn Life
Scheme Guide Appendix Retail Product Funds v0.1.pdf	The retail fund range document showing the dealing cut-offs, valuation points and settlement cycles for each of the funds	abrdn Life
Scheme Guide Appendix Institutional Product Funds v0.1.pdf	The institutional fund range document showing the dealing cut-offs, valuation points and settlement cycles for each of the funds	abrdn Life
PPF Reinsurance Agreement (abrdn Life) abrdn Life_PM	Unit linked reinsurance agreement for PPF	Phoenix Life

comments 24 July 2024(14878825.8).docx		
Fitch rating drivers.docx	A summary of Phoenix Group's understanding of the rating drivers used by Fitch for their most recent assessment of Phoenix Group Holdings plc	Phoenix Life
240604.Arbour_PLL_abrdn Floating Charge(1080624.3)(005)(149034687.4).docx	The deed of the floating charge between abrdn Life and Phoenix Life	abrdn Life
AL – Appropriateness of the Standard Formula_Draft_v1.0_240715_PW.pdf	Updated Standard formula appropriateness assessment	abrdn Life
Abrour_WP_Draft4_050824_CLEAN.docx	Arbour policyholder letter for non-transferring with-profits policies	Phoenix Life
Arbour_SL non-transferring schemeguide_draft 020824 for LL review.docx	Arbour draft scheme guide for non-transferring policyholders	Phoenix Life
Arbour Comms Strategy 050824.docx	Policyholder Communication Strategy proposals	Phoenix Life
(ID35) Treasury & Capital Management.pdf	Treasury and Capital Management policy for abrdn Group.	abrdn Life
Arbour Development Implementation IE Update July 2024 v0.1.pptx	An update on the technical development and implementation status of the migration	abrdn Life
Report tables for v 4 of abrdn Life CA Report.docx	Financial tables from the abrdn Life CA report	abrdn Life
15a - abrdn Life Arbour Part VII Notification Scheme Guide Draft v0.10.docx	Draft scheme guide for abrdn Life Existing Policyholders	abrdn Life
16 - abrdn Life Arbour Part VII Notification Letter v0.7.docx	Draft letter for abrdn Life Existing Policyholders	abrdn Life
SCR coverage ratio explanation v2.docx	An explanation of Phoenix Life's SCR coverage	Phoenix Life
abrdn Life ORSA V7 PRA version clean.docx	abrdn Life ORSA (pre-Arbour) dated December 2023	abrdn Life
2024-08-22 Arbour Holkham Part VII Risk Report – FINAL.pdf	Risk report provided jointly by Phoenix Life and abrdn Life to regulators	abrdn Life
ad hoc orsa clean PRA version 14 August 2024.pdf	A copy of the abrdn Life Ad Hoc ORSA that was approved by the Board and has been shared with the PRA.	abrdn Life
Arbour Part VII Contingency Planning Sep 2024 v0.4.pptx	Information on contingency planning	abrdn Life
Arbour DR1 Lessons Learned Executive Summary September 2024_.pptx	A summary of the outcome of dry run 1	abrdn Life
Solvency ratio calculations v2 – Q224 – sent to the IE.xlsx	A spreadsheet showing the position of Phoenix before and after the Arbour Scheme as at 30th June 2024	Phoenix Life
Row 8 and 17 responses v1.0.docx	Additional information regarding expenses	Phoenix Life
Developments since August submission.docx	Outlines the developments since the August submission of the IE Report	Phoenix Life
Arbour Part VII – Good Outcomes and Consumer Duty.pptx	Consumer Duty for TIP policyholders	Phoenix Life

Arbour_Trustee_options_explored_041024_Update(3).pptx	Proposed communication approach to Trustees	abrdn Life
Project Arbour-Trustees_warmup_email_draft_2_041024.docx	Draft warm-up email to Trustees	abrdn Life
Consumer Duty and FSCS.docx	Information relating to Consumer Duty and FSCS	Phoenix Life
Copy of UK TIP Services Scorecard Q2 2024.xlsx	An example spreadsheet used by the TIP Management Forum to monitor outcomes.	Phoenix Life
Copy of RAG MI for Q2 2024 TIP Meeting.xlsx	Another example spreadsheets used by the TIP Management Forum to monitor outcomes.	Phoenix Life
Arbour Consolidated Fund List October 2024 v0.1.xlsx	An updated document comparing the current Phoenix Life funds with the equivalent abrdn Life funds.	abrdn Life
Cost Diff.docx	Description of the Cost Differential	abrdn Life
Figures for PRA v1.0.xlsx	Figures on the transferring business as a percentage of the Companies' books.	Phoenix Life
11 - CS01232 Arbour_Transferring Scheme Guide_1024_v18.pdf	Latest version of the Arbour Transferring Policyholders scheme guide	Phoenix Life
CS01232 Arbour_Non-Transferring Letter_1024_v12.pdf	Latest version of the Arbour Non-transferring Policyholders letter	Phoenix Life
CS01232 Arbour_Transferring Letter_1024_v9 (004).pdf	Latest version of the Arbour Transferring Policyholders letter	Phoenix Life
CS01232 Arbour_Non-Transferring Scheme Guide_1024_v11.pdf	Latest version of the Arbour Non-transferring Policyholders scheme guide	Phoenix Life
Arbour_Scheme_member_draft4_111024.docx	Scheme guide for members of pension schemes whose trustees hold transferring policies	Phoenix Life
Arbour_Scheme_memberletter_draft6_071024_CLEAN.docx	Letter for members of pension schemes whose trustees hold transferring policies	Phoenix Life
Summary of sensitivities 24Q2 v1 70 mass lapse 20241119_SENT_PW.xlsx	abrdn Life sensitivities as at end of June 2024	abrdn Life
Summary of projection sensitivities 24Q2 v2.1_70%MassLapse_20241119_SENT_PW.xlsx	abrdn Life projections as at end of June 2024	abrdn Life
Arbour_Claim Form (LL Draft 11.10.2024)(3202370340.2).docx	Draft version of the Arbour claims form	Phoenix Life
Arbour_Directions Order (LL Draft 11.10.2024)(3202318686.5).docx	Draft version of the Arbour directions order	Phoenix Life
Arbour TIP Dry Run 2 – Closure Report Exec Summary.pptx	Dry Run 2 executive summary slides	abrdn Life
aIL Ground Rent Fund 6 November 2024.docx	Ground Rent Fund Board paper	abrdn Life
Arbour Warm Up Communications Update November 2024 v0.4.pdf	Arbour warm-up exercise responses	Phoenix Life

August 2024 FCA Capital Update – 16092024.pptx	Group capital position slides discussed with FCA	abrdn Life
Arbour Migration Event Contingency Approach_v1.0.pptx	Migration event contingency approach	abrdn Life
Arbour DR3 Closure Report Executive Summary.pptx	Dry run 3 summary outcome report	abrdn Life
Arbour Migration Event Contingency Plan November 2024 v0.1.xlsx	Contingency plan trigger event log	abrdn Life
aL&P Board update – Transformation Sept 2024 – Supporting paper.pptx	A presentation for the abrdn life board providing a transformation update	abrdn Life
aL&P Board update – Transformation Sept 2024.docx	A paper provided to the abrdn life board giving a transformation update	abrdn Life

C Compliance of this Report with regulatory guidance

PRA Guidance

Section 2 of the PRA's approach to insurance business transfers outlines what should be included in the Independent Expert's report for a Transfers of insurance business under Part VII of the Financial Services and Markets Act 2000.

Reference to the PRA's approach to business transfers (Section 2.30)	**Reference within report**
(1) who appointed the independent expert and who is bearing the costs of that appointment;	2.16 & 7.60
(2) confirmation that the independent expert has been approved or nominated by the PRA;	2.19
(3) a statement of the independent expert's professional qualifications and (where appropriate) descriptions of the experience that makes them appropriate for the role;	2.17
(4) whether the independent expert, or his employer, has, or has had, direct or indirect interest in any of the parties which might be thought to influence his independence and details of any such interest;	2.20
(5) the scope of the report;	2.21
(6) the purpose of the Scheme;	7.8
(7) a summary of the terms of the Scheme in so far as they are relevant to the report;	7.9 – 7.36
(8) what documents, report and other material information the independent expert has considered in preparing the report, whether they have identified any material issues with the information provided and whether any information that they requested has not been provided;	2.35 – 2.36 & Appendix B
(8A) any firm-specific information the independent expert considers should be included, where the applicant(s) consider it inappropriate to disclose such information, then the independent expert should explain this and the reasons why disclosure has not been possible	N/A
(9) the extent to which the independent expert has relied on:	
(a) information provided by others; and	4.14 – 4.19
(b) the judgement of others;	4.14 – 4.19
(10) the people the independent expert has relied on and why, in their opinion, such reliance is reasonable;	4.14 – 4.19
(11) Their opinion of the likely effects of the Scheme on policyholders (this term is defined to include persons with	

certain rights and contingent rights under the policies), distinguishing between:	
(a) Transferring Policyholders;	8.2 - 8.47 & 9.36 - 9.69 & 10.7 - 10.36 & 11.19 - 11.23
(b) policyholders of the transferor whose contracts will not be transferred; and	8.48 - 8.57 & 9.70 - 9.74 & 10.37 - 10.39 & 11.24 - 11.25
(c) policyholders of the transferee;	8.58 - 8.60 & 9.75 - 9.82 & 10.40 - 10.45 & 11.26 - 11.27
(d) any other relevant policyholder groupings within the above that the independent expert has identified.	12.21
(12) Their opinion on the likely effect of the Scheme on any reinsurer of a transferor, any of whose contracts of reinsurance are to be transferred by the Scheme;	5.45 - 5.46 & 7.23 - 7.36
(12A) their definition of 'material adverse' effect	2.24
(13) what matters (if any) that the Independent Expert has not taken into account or evaluated in the report that might, in their opinion, be relevant to policyholders' considerations of the Scheme; and	N/A
(14) for each opinion that the independent expert expresses in the report, an outline of their reasons.	Throughout
(15) an outline of permutations if a scheme has concurrent or linked schemes, and analysis of the likely effects of the permutations on policyholders.	N/A

FCA Guidance

Section 18.2 of the FCA's Handbook outlines the form of the Independent Expert's Report.

The FCA has also provided guidance on part VII Transfers (FG22/1), which we have followed in the ways outlined below.

Reference to the FCA's guidance on Part VII transfers (FG22/1)	Reference within Report

6.2 We expect the report to be easy to read and understandable by all its users and for the IE to pay attention to the following:	
6.2.1 Technical terms and acronyms should be defined on first use.	Section 1
6.2.2 There should be an executive summary that explains, at least in outline, the proposed transfer and the IE's conclusions.	Section 3
6.2.3 The business to be transferred should be described early in the report.	2.2
6.2.4 The detail given should be proportionate to the issues being discussed and the materiality of the Transfer when seen as a whole.	Throughout
6.2.5 IEs should prepare their reports in a way that makes it possible for non-technically qualified readers to understand.	Throughout
6.3 IE reports should have detailed analysis and critical review to support a conclusion that there is likely to be no material adverse effect on policyholder groups. IE reports should have sufficient consideration and comparison of:	
6.3.1 Reasonable benefit expectations, including impact of charges	Section 9
6.3.2 Type and level of service	Section 10
6.3.3 Management, administration and governance arrangements	Section 10 & Section 11
6.3.4 Their view of the quality of the firms' Employers' Liability tracing arrangements where the scheme includes Employers' Liability/ Public Liability claimants and Run Off Claims.	N/A
6.3.5 Where there are significant changes during the process, for example due to pandemic or economic fluctuations, we expect the IE to have adequately reflected on these in the supplementary report or for firms to consider whether the proposal has materially altered and needs a fuller reconsideration or delay to the process	
6.4 IE reports should have good balance between factual description and supporting analysis. In many cases IE reports include a great deal of detail describing the transaction itself and the background but much less analysis of the effect on each Policyholder group's reasonable expectations.	Throughout
6.5 Specific examples of the things the FCA will consider when reviewing the IE's report:	

6.5.1 The level of reliance on the Applicants' assessments and assertions	2.35 – 2.36 & 4.14 - 4.19
6.5.2 Balanced judgements and sufficient reasoning	Throughout
6.5.3 Sufficient regard to relevant considerations affecting Policyholders	Section 8 – Section 13
6.5.4 Commercially sensitive or confidential information	Throughout
6.5.5 The level of reliance placed on the work of other experts	2.35 – 2.37 & 4.14 - 4.19
6.5.6 Examples of over-reliance on the work of other experts	Reliance and limitations clearly stated in 2.35 – 2.37 & 4.14 - 4.19
6.5.7 Ambiguous language or a lack of clarity	Clear definitions and firm conclusions throughout
6.5.8 Demonstrating challenge	Challenge was provided throughout
6.5.9 Technical actuarial guidance	2.41 – 2.43 & throughout
The level of reliance on the Applicants assessments and assertations	
6.6 IEs will sometimes rely on Applications' assessments to reach their own conclusions. In these cases we expect the IE to demonstrate that they have questioned the adequacy of those assessments. We may also expect the IE to have urged the Applicants to undertake additional work or produce further evidence to support their assertions to ensure that the IE can be satisfied on a particular point.	Further information requested throughout
6.7 & 6.8 We would also expect the IE to explain any challenges made to the Applicants about such underlying information and the outcome of these within their report, rather than just stating the final position. We will question and challenge the IE where we feel they have relied on the Applicants' assertions without challenging them or asking for supporting detail or evidence.	Challenge was made throughout, and further information requested
6.9 We also expect the IE to challenge calculations carried out by the Applicants if there is cause for doubt on review of the Scheme and supporting documents. As a minimum, we will expect the IE to:	

6.9.1 Review the methodology used and any assumptions made, to satisfy themselves that the information is likely to be accurate and to challenge it where appropriate	Throughout
6.9.2 Challenge the factual accuracy of matters that, on the face of the documents or considering the IE's knowledge and experience, appear inconsistent, confusing or incomplete	Throughout
6.10 We also expect the IE to challenge the Applicants where the documents provided contain an insufficient level of detail or analysis. Specific examples include:	
6.10.1 Applicants' assertions that service levels will be maintained to at least the pre-transfer standard	Section 10
6.10.2 Where there are concerns that a change in governance arrangements in the Transferee may lead to poorer customer outcomes.	Section 11
6.10.3 Consideration of the potential post-transfer strain on resources which could affect the service standards provided to the Transferee's existing customers and/or control over conduct of business risk.	Section 10
6.10.4 Differences in regulatory requirements, or protections available to policyholders, as a result of the transfer.	7.57 – 7.59
Balanced judgements and Sufficient Reasoning	
6.11 IEs will sometimes state that they are satisfied by referencing certain features of the scheme but will not adequately explain how those features have led to their satisfaction. In these circumstances we will expect to see both the evidence and the IE's reasoning that led to their conclusion.	Throughout
6.12 We have also seen many examples of schemes where the Applicants have stated that there will be no material adverse impact to Policyholders. However, from the report it is unclear whether the IE is certain that there will most likely not be an adverse impact or whether it is their best judgement but lacks certainty. In these instances, we expect IEs to consider the following:	
6.12.1 Where the IE takes the view that there is probably no material adverse impact, we expect the IE to challenge the Applicants about further work the Applicants could undertake to enable the IE to be satisfied to a greater degree.	Challenge was provided until firm conclusions were reached throughout
6.12.2 IEs should be able to challenge the Applicants to gain the necessary level of confidence that their report's conclusions are robust. Applicants and IEs should know that	Challenge was provided until firm conclusions about

they will need to consider how any proposed changes/mitigations will effect all Policyholder groups.	all policyholder groups were reached throughout
6.13 We expect the IE to have checked that the documents they are relying, and forming judgements, on are the most up-to-date available when finalising their report.	Updated documents were reviewed once available
6.14 Market conditions may have changed significantly since the IE's analysis was carried out and they formed their judgement. In these cases, we will expect the Applicants to discuss any changes with the IE and for the IE to update their report as necessary. If the Scheme document has been finalised, the IE should give more detail in their Supplementary Report or by issuing supplementary letters to the Court to confirm whether their judgement is unchanged.	
Sufficient regard to relevant considerations affecting Policyholders	
6.15 We will expect to see IE consideration of all relevant issues for each individual group of Policyholders in all firms involved, as well as how an issue may impact each group. Our expectations include:	
6.15.1 Current and proposed future position of each of the different Policyholder groups	Section 8 – Section 11
6.15.2 Potential effects of the transfer on each of the different Policyholder groups	Section 8 – Section 11
6.15.3 Potential material adverse impacts that may affect each group of Policyholders, how these impacts are inter-related and how they will be mitigated	Section 8 – Section 11
6.16 To support this, we will expect the IE to consider whether the groups of affected Policyholders have been identified appropriately.	2.21
6.17 We will also expect the IE to review and give their opinion on administrative changes affecting Policyholders and claimants. Here we would expect the IE to include:	
6.17.1 Consideration of the impact of an outsourcing agreement entered into by the parties before the Part VII process began, where the administration duty 'moved' from the Transferor to the Transferee in preparation for the transfer.	7.39 - 7.46 & 8.54 & Section 10

6.17.2 Policyholder service level - we expect the IE and the firms not only to have consideration of the impact on Policyholder service levels due to changes in services or service providers specifically contemplated by the proposed transfer, but also to consider the possible risks associated with the transfer that may impact service levels.	Section 10
6.17.3 Also, we will not expect the IE to simply state that, because the transfer will not create any change to the administrative arrangements, there will be no material impact. The IE should consider what might happen if the transfer does not proceed and the possibility that the outsourcing agreement could be cancelled, returning the administrative arrangements to the original state.	13.17 - 13.22
6.18 Where the transferring business involves employers' liability policies, the IE should consider the quality of the firms' tracing procedures.	N/A
6.19 IEs should also review and give their opinion on all relevant issues for all Policyholder groups where reinsurance was entered into in anticipation of a transfer:	
6.19.1 Some firms pre-empt regulatory scrutiny by buying reinsurance against risks before they begin the transfer process. In these instances, the IE should consider if it is appropriate to compare the proposed Scheme with the position the Transferor would be in if they did not benefit from the reinsurance contract.	N/A
6.19.2 If the transfer is not sanctioned and the reinsurance either terminates automatically or can be terminated by the Transferee, we believe the IE should consider the Scheme as if the reinsurance was not in place.	N/A
6.20 The IE may identify particular sub-groups of Policyholders whose benefits, without other compensating factors, are likely to be adversely affected.	N/A
6.21 When a loss is expected for a subgroup of Policyholders, we will expect to see IE consideration and analysis of alternatives, even if the IE does not consider this loss to be material.	N/A
6.22 We will expect to see this analysis even if the IE is able to conclude that the Policyholder group as a whole is not likely to suffer material adverse impact, even if a minority may.	N/A
6.23 & 6.24 When an IE is assessing the potential material adverse impacts on various groups of Policyholders, we may feel they have reached their conclusion based on the balance	

of probabilities and without adequately considering the possible impact on all affected Policyholder groups.	
6.25 In summary, we expect to see the consideration, evidence of challenge, and reasoning to support the IE's opinion that a change due to the Part VII transfer will not materially and negatively affect a group of policyholders.	Section 8 – Section 11
Commercially sensitive or confidential information	
6.26 Often the IE will need to consider commercially sensitive or confidential information as part of their decision-making process. In these circumstances, we remind IEs of their duty as an independent expert to consider Policyholder interests, particularly as this information will not be publicly available.	
6.27 In these situations we expect to see the analysis and the information relied on and require it to be sent separately from the IE Report. It is also possible that the Court may wish to see that information without it being publicly disclosed. The IE may wish to consider sending a separate document with further details, solely for the Court's use and not for public disclosure.	Sensitive information relied upon will be shared with the regulators as necessary
The level of reliance on the work of other experts	
6.28 For large scale and complex insurance business transfers we accept that the IE may rely on the analytical work of other qualified professionals, often to prevent their own work becoming disproportionately time consuming. However, we would still expect the IE to have carried out their own review of this analysis to ensure they have confidence in, and can place informed reliance on, the opinions they draw from another professional's work.	
6.29 We expect the IE to have obtained a copy of relevant significant legal advice given to the Applicants, subject to appropriate arrangements to safeguard any legal professional privilege. This should be in writing or transcribed, and approved by the advisor. It should also be in a sufficiently final form for the IE to be able to review and rely on it. The IE should reflect this review, and the opinions drawn from the advice, within their report.	No legal advice provided
6.30 The IE may refer to factors that are outside their sphere of expertise and rely on advice received by the Applicants. They should consider whether or not to get their own independent advice on the relevant issue.	4.14 - 4.19
6.31 We expect that the IE will have given due consideration to whether or not they need to get their own legal advice.	

6.32 The IE's key consideration is whether it is reasonable for them to rely on the advice and whether their independence is compromised by doing so. Whether or not the legal advisor has acknowledged that it owes a duty of care to the IE will be relevant to this consideration.	4.14 – 4.19
6.34 Alternatively, the IE may need to explain why they consider that they do not need to get independent advice to be adequately satisfied on a point.	4.14 - 4.19
6.35 The IE should consider the Applicant's contingency plans if the risks identified in the legal advice occur and whether this may create negative consequences for Policyholders. This could require further legal advice to explain how Policyholders may be affected or additional proposals to mitigate the risks.	No legal advice provided
Ambiguous language or a lack of clarity	
6.42 & 6.43 At the start of the document, the IE should provide a description of where they propose to rely on information provided by the Applicants. We will look for any overly general reliance, as it indicates a lack of critical assessment or challenge.	2.35 – 2.40
6.44 In summary, where the report does not seem to reach a clear conclusion, either generally or on a specific issue, the IE report should state clearly:	
6.44.1 That the IE has considered and is satisfied about the likely level of impact on a particular point. Where uncertainty remains, the IE report needs to include details of, and reasons for, this uncertainty. It should also include any further steps the IE has taken to get clarification, such as seeking further advice from a subject matter expert.	
6.44.2 How has the IE satisfied themselves about the uncertainty they have identified and how they have formed an opinion on any potential impact.	
Demonstrating challenge	
6.45 To ensure the IE report is complete, thorough and considered we expect to see challenge from all involved parties. This includes evidence that Applicants have made appropriate challenges, especially where they believe there are issues the IE has not fully addressed.	
6.46 To ensure effective two-way challenge we will expect the IE to engage with FCA or PRA- approved senior management function holders at the Applicant firm.	We have engaged weekly with relevant

	stakeholders at Phoenix Life and abrdn Life
6.47 The Applicants should also check the draft IE report before submission to the regulators and make sure it is accurate.	Draft reports were sent to both Phoenix Life and abrdn Life prior to submission
Technical actuarial guidance	
6.48 We expect IEs who are both qualified and unqualified members of the Institute & Faculty of Actuaries to pay proper regard to the Technical Actuarial Standards (TAS) published by the Financial Reporting Council, especially those for compiling actuarial reports.	
6.49 The revised versions of the TAS which came into force with effect from 1 July 2017 (TAS 100: Principles for Technical Actuarial Work and TAS 200: Insurance) specifically applies to technical actuarial work to support Part VII transfers.	
6.50 It is important to note paragraph 5 of TAS 100 states that actuarial communications should be 'clear, comprehensive and comprehensible so that users are able to make informed decisions understanding the matters relevant to the actuarial information'. We also highlight paragraph 5.2 of TAS 100 which states that 'the style, structure and content of communications shall be suited to the skills, understanding and levels of relevant technical knowledge of users'.	
6.51 Qualified IEs and peer reviewers should also note the Actuaries' Code and Actuarial Profession Standards documents APS X2: Review of Actuarial Work and APS L1: Duties and Responsibilities of Life Assurance Actuaries. IEs and peer reviewers should adhere to the required standards of their professional body at the time when they do the work.	2.41 – 2.43

D Successor funds information

CURRENT PHOENIX LIFE LIMITED FUNDS | ABRDN LIFE & PENSIONS LIMITED EQUIVALENT FUNDS

Fund code	Fund Name	Dealing Cut Off	Valuation Point	Settlement Cycle	Fund code	Fund Name	Dealing Cut Off	Valuation Point	Settlement Cycle	Fund available to Products: ITIP & IPPIP	RTIP & RPPIP
REAL ESTATE FUNDS					REAL ESTATE FUNDS						
HV	Standard Life Long Lease Property Managed Pension Fund	10am	2pm	T+1	LF4001	abrdn Life Long Lease Property Fund	10am	12 noon	T+3	Y	
BBGB	Standard Life Commercial Ground Rent Pension Fund	10am	2pm	T+1	LF4002	abrdn Life Commercial Ground Rent Fund	10am	12 noon	T+3	Y	
0M	SL abrdn Global Real Estate Institutional Pension Fd	10am	2pm	T+1	LF4003	abrdn Life Global Real Estate Fund	10am	12 noon	T+3	Y	Y
HS	Standard Life Pooled Property Pension Fund	10am	2pm	T+1	LF4004	abrdn Life PLL Pooled Property Fund	9am	10:30pm	T+1 (subscriptions) / T+2 (redemptions)	Y	Y
ABSOLUTE RETURN FUNDS					ABSOLUTE RETURN FUNDS						
ACMP	SL abrdn Global Income Bond Pension Fund	10am	2pm	T+1	LF4005	abrdn Life Global Income Bond Pension Fund	10am	12 noon	T+3	Y	
DGNH	SL abrdn Diversified Growth and Income Pension Fund	10am	2pm	T+1	LF4006	abrdn Life Diversified Growth and income Pension Fund	10am	12 noon	T+3	Y	
ADJC	SL Schroder Life Intermediated Diversified Growth (CR2)	10am	2pm	T+1	LF4007	abrdn Life Schroder Life Intermediated Diversified Growth Fund	10am	12 noon	T+4	Y- ITIP only	
YX	SL BNYM Real Return	10am	2pm	T+1	LF4008	abrdn Life BNYM Real Return Fund	10am	12noon	T+3		Y
BFCF	SL abrdn Macro Fixed Income Pension Fd	10am	2pm	T+1	LF4009	abrdn Life Macro Fixed Income Fund	10am	12 noon	T+3	Y	
MALH	SL Ninety One Global Macro Allocation Pension Fund	10am	2pm	T+1	LF4010	abrdn Life Ninety One Global Macro Allocation Fund	10am	12 noon	T+3	Y- ITIP only	
MANAGED FUNDS					MANAGED FUNDS						
FA	Standard Life Managed Pension Fund	10am	2pm	T+1	LF4011	abrdn Life Managed Fund	10am	12 noon	T+3	Y	Y
BBEE	SL abrdn MyFolio Market I Pension Fund	10am	2pm	T+1	LF4012	abrdn Life MyFolio Market I Fund	10am	12 noon	T+3		Y
LLJE	SL abrdn MyFolio Market II Pension Fund	10am	2pm	T+1	LF4013	abrdn Life MyFolio Market II Fund	10am	12 noon	T+3		Y
AACE	SL abrdn MyFolio Market III Pension Fund	10am	2pm	T+1	LF4014	abrdn Life MyFolio Market III Fund	10am	12 noon	T+3	Y	Y
LLNB	SL abrdn MyFolio Market IV Pension Fund	10am	2pm	T+1	LF4015	abrdn Life MyFolio Market IV Fund	10am	12 noon	T+3		Y
BBIA	SL abrdn MyFolio Market V Pension Fund	10am	2pm	T+1	LF4016	abrdn Life MyFolio Market V Fund	10am	12 noon	T+3		Y
BOND FUNDS					BOND FUNDS						
G8	Standard Life UK Mixed Bond Pension Fund	10am	2pm	T+1	LF4017	abrdn Life UK Mixed Bond Fund	10am	12 noon	T+3	Y	Y
FL	Standard Life Index Linked Bond Pension Fund	10am	2pm	T+1	LF4018	abrdn Life Index Linked Bond Fund	10am	12 noon	T+3	Y	Y
G9	Standard Life Global Bond Pension	10am	2pm	T+1	LF4019	abrdn Life Global Bond Fund	10am	12 noon	T+3	Y	Y
HH	Standard Life Corporate Bond Pension Fund	10am	2pm	T+1	LF4020	abrdn Life Corporate Bond Fund	10am	12 noon	T+3	Y	Y
2E	SL abrdn High Yield Bond Pension Fund	10am	2pm	T+1	LF4021	abrdn Life High Yield Bond Fund	10am	12 noon	T+3	Y	Y
HB	Standard Life Long Corporate Bond Pension Fund	10am	2pm	T+1	LF4022	abrdn Life Long Corporate Bond Fund	10am	12 noon	T+3	Y	Y
HD	Standard Life UK Gilt Pension Fund	10am	2pm	T+1	LF4023	abrdn Life UK Gilt Fund	10am	12 noon	T+3	Y	Y
CASH FUNDS					CASH FUNDS						
G4	Standard Life Deposit and Treasury Pension Fund	10am	2pm	T+1	LF4024	abrdn Life Deposit and Treasury Pension Fund	10am	12 noon	T+3	Y	Y
EQUITY FUNDS					EQUITY FUNDS						
FY	Standard Life Asia Pacific ex Japan Equity Pension Fund	10am	2pm	T+1	LF4025	abrdn Life Asia Pacific ex Japan Equity Fund	10am	12 noon	T+3	Y	Y
FE	Standard Life European Equity Pension Fund	10am	2pm	T+1	LF4026	abrdn Life European Equity Fund	10am	12 noon	T+3	Y	Y
IKPL	SL abrdn Emerging Markets Equity Pn Fd	10am	2pm	T+1	LF4027	abrdn Life Emerging Markets Equities Pension Fund	10am	12 noon	T+3	Y	Y
FO	Standard Life International Equity Pension Fund	10am	2pm	T+1	LF4028	abrdn Life International Equity Pension Fund	10am	12 noon	T+3	Y	Y
HT	Standard Life Global Equity 50:50 Pension Fund	10am	2pm	T+1	LF4029	abrdn Life UK&Global Equity (50/50) Pension Fund	10am	12 noon	T+3	Y	Y
KKEF	SL abrdn Global Smaller Companies Pension Fund	10am	2pm	T+1	LF4030	abrdn Life Global Smaller Companies Fund	10am	12 noon	T+3	Y	Y
FKKJ	Standard Life Japanese Equity Pension Fund	10am	2pm	T+1	LF4031	abrdn Life Japanese Equity Fund	10am	12 noon	T+3	Y	Y
FK	Standard Life North American Equity Pension Fund	10am	2pm	T+1	LF4032	abrdn Life American Equity Tracker Fund	10am	12 noon	T+3	Y	Y
NM	SL abrdn UK Ethical Equity Institutional Pension Fd	10am	2pm	T+1	LF4033	abrdn Life UK Ethical Equity Fund	10am	12 noon	T+3	Y	Y
CZ	SL LF Liontrust UK Equity Pension Fund	10am	2pm	T+1	LF4034	abrdn life LF Liontrust UK Equity Fund	10am	12 noon	T+3	Y- ITIP only	
FN	Standard Life UK Equity Pension Fund	10am	2pm	T+1	LF4035	abrdn Life UK Equity Enhanced Index Fund	10am	12 noon	T+3	Y	Y
HR	Standard Life UK Equity Select Pension Fund	10am	2pm	T+1	LF4036	abrdn Life UK Equity Pension Fund [2]	10am	12 noon	T+3	Y	Y
ADKL	SL Veritas Global Focus Pension Fund	10am	2pm	T+1	LF4037	abrdn Life Veritas Global Focus Fund	9am	12noon	T+2	Y- ITIP only	
TRACKER FUNDS					TRACKER FUNDS						
H8	Standard Life Global Equity 50:50 Tracker Pension Fund	10am	2pm	T+1	LF4038	abrdn Life Global Equity (50/50) Tracker Fund	10am	10:30pm	T+2	Y	Y
H5	Standard Life Overseas Tracker Pension Fund	10am	2pm	T+1	LF4039	abrdn Life Global (ex-UK) Equity Tracker Fund	10am	10:30pm	T+2	Y	Y
LPNH	SL Vanguard FTSE Developed World (GBP Hedged) Pension Fd	10am	2pm	T+1	LF4040	abrdn Life Vanguard FTSE Developed World (GBP Hedged) Index Fund	9am	10:30pm	T+2	Y	
BFCK	SL Vanguard FTSE UK All Share Index Pension Fund	10am	2pm	T+1	LF4041	abrdn Life Vanguard FTSE UK All Share Index Fund	10am	10:30pm	T+2	Y	Y
BFAJ	SL Vanguard FTSE Developed Europe ex UK Pension Fund	10am	2pm	T+1	LF4042	abrdn Life Vanguard FTSE Developed Europe ex UK Index Fund	9am	10:30pm	T+2	Y	Y
GGMJ	SL Vanguard US Equity Index Fund	10am	2pm	T+1	LF4043	abrdn Life Vanguard US Equity Index Fund	10am	10:30pm	T+2	Y	Y
KKFK	SL Vanguard FTSE Developed World ex UK Pension Fund	10am	2pm	T+1	LF4044	abrdn Life Vanguard FTSE Developed World ex UK Index Fund	9am	10:30pm	T+2	Y	Y
BFAD	SL Vanguard Emerging Markets Stock Index Pension Fund	10am	2pm	T+1	LF4045	abrdn Life Vanguard Emerging Markets Stock Index Fund	T-1 10am	10:30pm	T+3	Y	Y
NNPG	SL Vanguard Japan Stock Index Pension Fund	10am	2pm	T+1	LF4046	abrdn Life Vanguard Japan Stock Index Fund	T-1 10am	10:30pm	T+2	Y	Y
BFDG	SL Vanguard Pacific ExJapan Stock Index Pens Fund	10am	2pm	T+1	LF4047	abrdn Life Vanguard Pacific Ex-Japan Stock Index Fund	T-1 10am	10:30pm	T+2	Y	Y
BFAE	SL Vanguard Investment Grade Bond Index Fund	10am	2pm	T+1	LF4048	abrdn Life Vanguard Investment Grade Bond Index Fund	10am	10:30pm	T+2	Y	Y
NNNG	SL Vanguard UK Government Bond Index Fund	10am	2pm	T+1	LF4049	abrdn Life Vanguard UK Government Bond Index Fund	10am	10:30pm	T+2	Y	Y
NNBD	SL Vanguard UK Long Duration Gilt Index Pension Fund	10am	2pm	T+1	LF4050	abrdn Life Vanguard UK Long Duration Gilt Index Fund	10am	10:30pm	T+2	Y	Y
GGGA	SL Vanguard UK Inflation Linked Gilt Index Pension Fund	10am	2pm	T+1	LF4051	abrdn Life Vanguard UK Inflation Linked Gilt Index Fund	10am	10:30pm	T+2	Y	Y

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