

**LLOYDS
BANKING
GROUP**



SCOTTISH WIDOWS LIMITED

Supplementary Report of the

Chief Actuary

on the proposed transfer of the European
International Life Insurance Business of
Scottish Widows Limited to Scottish Widows
Europe SA.

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Chief Actuary (SWL)

4 March 2019

1	SUMMARY	3
2	INTRODUCTION	8
3	BREXIT DEVELOPMENTS	14
4	DEVELOPMENTS WITH THE COMPANIES AND TRANSFERRING POLICIES	15
5	THE SCHEME AND RELATED DEVELOPMENTS	17
6	SOLVENCY POSITION OF THE COMPANIES AND SECURITY OF BENEFITS	25
7	OTHER CONSIDERATIONS	27
8	CONCLUSION	29
9	ANNEX A – DEFINED TERMS AND ABBREVIATIONS USED WITHIN THIS REPORT .	30

SUPPLEMENTARY REPORT OF THE CHIEF ACTUARY

1 SUMMARY

Purpose

- 1.1 In my capacity as Chief Actuary, I prepared a report dated 19 November 2018 (the "Previous Chief Actuary's Report") in which I reviewed the impact on all policyholders currently in Scottish Widows Ltd ("SWL") (the "Transferor") of the proposed transfer (the "Transfer") of
 - (i) Long-term insurance business originally written primarily in Germany, Italy and Austria via International Life Division Europe ("ILDE") branches;
 - (ii) Long-term insurance business originally written via CMI Insurance (Luxembourg) S.A. ("CMIL");collectively the "Transferring Policies" to Scottish Widows Europe SA ("SWE") (the "Transferee"). These policies will be referred to as International Financial Services ("IFS") policies.
- 1.2 The Transfer is to take effect by means of an insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 ("FSMA"), (the "Scheme"). The "Scheme Effective Date" is expected to be 29 March 2019 (at 10:59pm).
- 1.3 In my Previous Chief Actuary's Report I considered the Transfer from the perspective of the transferring policyholders and whether the Transfer has any materially adverse impact on the security, benefit expectations and servicing of these policyholders. I also used the same criteria to consider the impact on those policies remaining in SWL (the "Non-Transferring Policies").
- 1.4 Following the Directions Hearing held on 26 November 2018, subsequent correspondence with policyholders and further discussions with regulatory authorities, it is intended that the High Court will be asked to approve the proposed Transfer at a hearing on 14 March 2019.

Background

- 1.5 At the point that the United Kingdom ("UK") leaves the European Union ("EU") and European Economic Area ("EEA"), UK insurance companies will no longer be authorised to carry out new business sales in Europe. Furthermore, the European Insurance and Occupational Pensions Authority ("EIOPA") indicated that the outcome of the negotiations may also result in the loss of servicing rights for existing inforce business written by UK insurance companies in any of the other twenty seven EU countries (referred to as "EU27"). Whilst the EIOPA announcement on 19 February 2019 suggests that competent authorities may apply a legal framework or mechanism to ensure an orderly run off of existing business, no such legal mechanism has yet been put in place.

- 1.6 As a result, SWL has chosen to set up a new Luxembourg Insurance company, SWE, into which existing European policies (i.e. where the policies were sold through ILDE or CMIL) can be transferred in order to continue to service those policies after the UK has left the EU.
- 1.7 SWL is a life insurance subsidiary of Scottish Widows Group Ltd ("SWG") which is itself a subsidiary of Lloyds Banking Group plc ("LBG"), the ultimate parent company. SWL was renamed SWL (it was previously named Clerical Medical Investment Group Limited ("CMIG") when all of the UK life insurance business of the insurance subsidiaries of SWG was transferred into it on 31 December 2015. This was accomplished by way of the LBG Insurance ("LBGI") 2015 Scheme ("LBGI 2015 Scheme"). All LBG's UK insurance holdings are collectively referred to as LBGI.
- 1.8 The ILDE policies were originally written through the European branch structures of CMIG. CMIG was the receiving entity under the LBGI 2015 Scheme and was renamed SWL at the time of the transfer.
- 1.9 The CMIL policies were originally written by a Luxembourg subsidiary of the LBG Insurance Group and were transferred, by Ministerial Decree, to SWL at 31 December 2015.
- 1.10 SWE is a company domiciled in Luxembourg. It is a wholly-owned subsidiary of SWL and was formed for the express purpose of receiving and servicing the Transferring Policies.
- 1.11 Since my Previous Chief Actuary's Report SWL has had further discussions with the Commissariat aux Assurances ("CAA") and obtained authorisation for SWE to undertake insurance business with the licence having been granted from the 1 February 2019.
- 1.12 SWL will transfer the Transferring Policies via the Scheme into the new insurance company SWE in Luxembourg on the Scheme Effective Date.
- 1.13 The Transferring Policies are unit-linked and unitised with-profits life and pension savings products. These products permit the investment of units into a range of SWL's unit-linked funds as well as into SWL's Clerical Medical With-Profits Fund ("CM WPF").
- 1.14 Some of these Transferring Policies have additional death benefits.
- 1.15 At maturity, a number of the Transferring Policies will vest, or have the option to vest, from a pension savings product into a with-profit annuity-in-payment. Currently, a very small number of policies had already vested into annuities-in-payment and these policies will also be transferring. This number will grow over time as more policies vest.
- 1.16 Under the Transfer, assets and liabilities, including future liabilities of the Transferring Policies, will transfer to the Transferee from the Transferor. The

assets and liabilities so transferred will be determined in accordance with the Scheme.

- 1.17 Under the Transfer, the Transferring Policies will become directly-written business of SWE. The with-profits investment element of the Transferring Policies and any with-profit annuities already in payment at the Scheme Effective Date will be reinsured back to SWL's CM WPF.
- 1.18 The cost of any guarantees related to the conversion of Transferring Policies (whether with-profits or unit-linked) to with-profit annuities will also be reinsured back to SWL.

Key Developments

- 1.19 I have considered the various developments since my Previous Chief Actuary's Report and the impacts these have on the Transferring Policies and the Non-Transferring Policies and in my view, the key developments to note are:
- There is still a reasonable likelihood that the UK will exit the EU on 29 March 2019 without a formal agreement having been reached with the EU27 nations. This means that the Scheme is likely to be required to allow the Transferring Policies to be serviced legally.
 - SWE has obtained authorisation to undertake insurance business and the licence was granted from the 1 February 2019.
 - SWE applied on 1 February 2019 to the CAA to set up a regulatory branch in Italy and Germany. These branches are expected to be in place by the Scheme Effective Date.
 - SWL has paid €6m in to SWE as share capital and is due to pay an additional €75m in by the time of the Transfer.
 - There has been progress in the recruitment process for the management team of SWE. SWE has identified the senior staff they intend to recruit and are in the final stages of securing their services. Due to notice periods the SWE Chief Actuary is now not expected to be in place at the Scheme Effective Date. However, steps will be taken to secure the appointment of an appropriate individual to fill this role on an interim basis until the long-term candidate is available to commence their employment. Subject to CAA approval, this interim position may be undertaken by an internal or external individual.
 - The SWE Board is expected to be fully in place and operational by the Scheme Effective Date.
 - The expected Scheme Effective Date has moved from the 28 March 2019 to 29 March 2019 (at 10:59pm). This is for practical reasons only and has no impact on the operation of the Scheme other than changing the start date.
 - However, there have been no material changes to the design of the Scheme, Reinsurance Agreement and Indemnity Agreement. These are due to be signed on 5 March 2019 and will be effective from the Scheme Effective Date.

- There has been a slight amendment to the Deed of Charge so that the charge relating to the Indemnity Agreement doesn't apply to the CM WPF. This has no material adverse impact on policyholders. This means the charge applying to the Indemnity Agreement applies to SWL's Combined Fund and so the change has no impact as the assets covered by the Deed of Charge are still significantly larger (by several magnitudes) than the amount SWE has "at risk" under the Indemnity Agreement. This is also due to be signed on 5 March 2019 and will be effective from the Scheme Effective Date.
- The Servicing Agreement between SWE and Lloyds Bank plc has been fully drafted and is expected to be signed by the Scheme Effective Date. The terms of that Service Agreement do not require SWE to set up a branch in the UK.
- The Italian Revocation rights result in the Italian policyholders having the right to surrender their policies without a surrender penalty. While there is an associated cost, this does not materially adversely impact the solvency position of SWL or SWE.
- All developments required to allow SWE to operate the Transferring Policies in an appropriate manner have been completed or are due to be completed in an appropriate timescale.
- Both SWL and SWE are expected to be in a strong solvency position post Transfer. In fact SWL and SWE are still expected to be capitalised to the extent that they will continue to meet their Regulatory Requirements under the Solvency II regulations by a significant margin.
- It is still expected that the Transferring Policies, which currently have access to FSCS, will lose access to FSCS for any claim related to activities post Transfer.

Conclusions on the Scheme

1.20 I have considered the potential impact of the Scheme on the security, servicing and benefit expectations of the Transferring Policies and the Non-Transferring Policies. Based on the considerations summarised in this report and taking into account the key features of the Transfer it continues to be my view that:

- The Transferring Policies represent a non-material proportion of SWL's liabilities and the impact of the Transfer on Non-Transferring Policies will not be material.
- The security of the Transferring Policies and Non-Transferring Policies policyholders' benefits will not be materially adversely impacted as a result of the Scheme;
- The Scheme will not result in materially adverse changes to the benefit expectations of any with-profits, non-profit or unit-linked policyholders of the Transferor (including in respect of the Transferring Policies and Non-Transferring Policies).

- 1.21 I therefore continue to be of the conclusion that the Scheme will not result in a materially adverse impact on the security of policyholders or their benefit expectations compared to the status quo.
- 1.22 I continue to be satisfied that there will be no significant impact on the servicing that policyholders will receive as a result of the Scheme and that the communications plan paid due regard to the interests of policyholders and the need to treat them fairly.

2 INTRODUCTION

2.1 In my capacity as Chief Actuary, I prepared a report dated 19 November 2018 (the "Previous Chief Actuary's Report") in which I reviewed the impact on all policyholders currently in Scottish Widows Ltd ("SWL") (the "Transferor") of the proposed transfer (the "Transfer") of

(i) Long-term insurance business originally written primarily in Germany, Italy and Austria via International Life Division Europe ("ILDE") branches;

(ii) Long-term insurance business originally written via CMI Insurance (Luxembourg) S.A. ("CMIL");

collectively the "Transferring Policies" to Scottish Widows Europe SA ("SWE") (the "Transferee"). These policies will be referred to as International Financial Services ("IFS") policies.

2.2 The Transfer is to take effect by means of an insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 ("FSMA"), (the "Scheme"). The "Scheme Effective Date" is expected to be 29 March 2019 (at 10:59pm).

2.3 In my Previous Chief Actuary's Report I considered the Transfer from the perspective of the transferring policyholders and whether the Transfer has any materially adverse impact on the security, benefit expectations and servicing of these policyholders. I also used the same criteria to consider the impact on those policies remaining in SWL (the "Non-Transferring Policies").

2.4 Following the Directions Hearing held on 26 November 2018, subsequent correspondence with policyholders and further discussions with regulatory authorities, it is intended that the High Court will be asked to approve the proposed Transfer at a hearing on 14 March 2019.

2.5 Within this context, the purpose of this "Supplementary Report" is to consider:

- Any material changes that have been made to the Scheme or other material developments that have taken place in the period since my last report;
- Updated discussion of the solvency position of the Transferor and Transferee after the Transfer;
- Objections and comments on the proposal that have been received as a result of communications with policyholders and other stakeholders.
- Whether the conclusions presented in my Previous Chief Actuary's Report remain valid.

2.6 This Supplementary Report has been written for the Board of SWL in my capacity as Chief Actuary and should be read in conjunction with my Previous Chief Actuary's Report, the Scheme, the With Profits Actuary's ("WPA") Report (dated 16

November 2018, the WPA's Supplementary Report, the Independent Expert's ("IE") Report dated 19 November 2018 and the Supplementary Report of the IE.

Overview

- 2.7 At the point that the United Kingdom ("UK") leaves the European Union ("EU") and European Economic Area ("EEA"), UK insurance companies will no longer be authorised to carry out new business sales in Europe. Furthermore, the European Insurance and Occupational Pensions Authority ("EIOPA") indicated that the outcome of the negotiations may also result in the loss of servicing rights for existing inforce business where the policy was written by UK insurance companies in any of the other twenty seven EU countries (referred to as "EU27"). Whilst the EIOPA announcement on 19 February 2019 suggests that competent authorities may apply a legal framework or mechanism to ensure an orderly run off of existing business, no such legal mechanism has yet been put in place.
- 2.8 As a result, SWL has chosen to set up a new Luxembourg Insurance company, SWE, into which existing European policies (i.e. where the policy was sold through ILDE or CMIL) can be transferred in order to continue to service those policies after the UK has left the EU.
- 2.9 SWL is a life insurance subsidiary of Scottish Widows Group Ltd ("SWG") which is itself a subsidiary of Lloyds Banking Group plc ("LBG"), the ultimate parent company. SWL was renamed SWL (it was previously named Clerical Medical Investments Group Limited ("CMIG") when all of the UK life insurance business of the insurance subsidiaries of SWG was transferred into it on 31 December 2015. This was accomplished by way of the LBG Insurance ("LBGI") 2015 Scheme ("LBGI 2015 Scheme"). All LBG's UK insurance holdings are collectively referred to as LBGI.
- 2.10 The ILDE policies were originally written through the European branch structures of CMIG. CMIG was the receiving entity under the LBGI 2015 Scheme and was renamed SWL at the time of the transfer.
- 2.11 The CMIL policies were originally written by a Luxembourg subsidiary of the LBG Insurance Group and were transferred, by Ministerial Decree, to SWL at 31 December 2015.
- 2.12 SWE is a company domiciled in Luxembourg. It is a wholly-owned subsidiary of SWL, and was formed for the express purpose of receiving and servicing the Transferring Policies.
- 2.13 Since my Previous Chief Actuary Report SWL has had further discussions with the Commissariat aux Assurances ("CAA"), and obtained authorisation for SWE to undertake insurance business and the licence having been granted from 1 February 2019.
- 2.14 SWE will not be actively seeking new business. It is possible, however, that SWE will be used in the future as a receiving entity for any further European business

that may need to be transferred from SWL or any European business that forms part of any future acquisitions made by SWL.

- 2.15 SWL will transfer the Transferring Policies via the Scheme into the new insurance company SWE in Luxembourg on the Scheme Effective Date.
- 2.16 The Transferring Policies are unit-linked and unitised with-profits life and pension savings products. These products permit the investment of units into a range of SWL's unit-linked funds as well as into SWL's Clerical Medical With-Profits Fund ("CM WPF").
- 2.17 Some of these Transferring Policies have additional death benefits.
- 2.18 At maturity, a number of the Transferring Policies will vest, or have the option to vest, from a pension savings product into a with-profit annuity-in-payment. Currently, a very small number of policies had already vested into annuities-in-payment and these policies will also be transferring. This number will grow over time as more policies vest.
- 2.19 Under the Transfer, assets and liabilities, including future liabilities of the Transferring Policies, will transfer to the Transferee from the Transferor. The assets and liabilities so transferred will be determined in accordance with the Scheme.
- 2.20 Under the Transfer, the Transferring Policies will become directly-written business of SWE. The with-profits investment element of the Transferring Policies and any with-profit annuities already in payment at the Scheme Effective Date will be reinsured back to SWL's CM WPF.
- 2.21 The cost of any guarantees related to the conversion of Transferring Policies (whether with-profits or unit-linked) to with-profit annuities will also be reinsured back to SWL.

Status and Disclosure

- 2.22 I am a Fellow of the Institute & Faculty of Actuaries, having qualified in 1998 and hold a Chief Actuary certificate issued by the Institute & Faculty of Actuaries. I joined Lloyds Banking Group as Chief Actuary in 2015. Between 1999 and 2015, I worked for Ernst & Young where I was a partner of the firm between 2005 and 2015. In my role at Ernst & Young, I advised on a number of business transfers (including acting as the Independent Actuary) and held Actuarial Function Holder and Reviewing Actuary certificates issued by the Institute and Faculty of Actuaries.
- 2.23 I am an employee of Lloyds Bank plc which is a wholly owned subsidiary of LBG.
- 2.24 I currently act in the Approved Role (under Solvency II regime as discussed in Section 3) of Chief Actuary for SWL (the parent of SWE) and of Chief Actuary for SWG.

- 2.25 I hold an individual unit-linked pensions policy with SWL, which is not included in the Transferring Policies. I have a direct interest in shares of LBG (including share options) and am a member of the LBG defined contribution pension scheme.
- 2.26 Notwithstanding my holdings described in 2.25, I consider myself to be free from conflict that would prevent me from assessing the impact of the Scheme on policyholder benefits, the security of those benefits and the servicing of those benefits.
- 2.27 In particular, whilst in my role of Chief Actuary for SWL and as Chief Actuary for SWG (the wider Scottish Widows Group), I have been involved in developing the capital policy for SWE and its ongoing relationship with SWL, I do not believe that this creates any conflict of interest. Indeed, I believe it gives greater insight and understanding for assessing the impact of the Transfer on policyholders.

Other Advice and Opinions

- 2.28 Mr Tim Roff of Grant Thornton UK LLP has continued to act in the capacity of IE. In finalising my report, I have read a draft of his Supplementary Report on the terms of the Scheme and considered his conclusions. A copy of my Supplementary Report has also been provided to Mr Roff.
- 2.29 I have read and considered the Supplementary Report of the WPA, Mr Alasdair Smith, assessing the impact of the Scheme on the holders of with-profits investments under the Transferring Policies and Non-Transferring Policies. A copy of my Supplementary Report has also been provided to Mr Smith.
- 2.30 In producing my Previous Chief Actuary's Report, I placed reliance on several assurances that I expected to be supplied by SWE's Board once they are in situ. Due to the recruitment process, and successful candidates' notice periods the SWE Board will not be in situ until the middle of March, after this report has been presented to the Court. Below I summarise the assurances and why I am confident that these assurances will be made by the SWE Board once it is in place. These are:
- 2.31 That SWE's Board intends to comply with the LBG Capital Policy (covers the amount of capital an insurance subsidiary of LBG has to hold);
- SWE as a subsidiary of SWL is an insurance company with the LBG. LBG expects SWL to comply with the LBG Capital Policy and in doing so SWL will have to include SWE within its demonstration of meeting the LBG Capital Policy. This means that SWL, as the only shareholder, will expect SWE to comply with LBG Capital Policy to support SWL's compliance.
- 2.32 After the Transfer SWE Board will comply with the assurances provided in the Scheme and will follow the decisions made by SWL with regard to bonus declarations, market value adjustments and similar matters (e.g. estate distribution, smoothing etc.) for the Transferring Policies;

The Scheme requires the SWE Board to follow the decisions made by SWL with regard to bonus declarations, etc. for the Transferring Policies provided doing so is the appropriate thing for the Transferring Policyholders. The SWE Board is due to approve the Scheme at their March Board Meeting which is before the Scheme Effective Date.

- 2.33 Assurances to be provided by SWE Board when it is in place with regards to the future administration of the Transferring Policies (in particular relating to the servicing levels to be provided to policies and the approach to be taken to reviewable policy charges).

There are legal agreements in place, that after the Transfer will be between SWE and the administration providers that mean the administration will be carried out by the same companies, teams and people as currently. This means that it is expected (in fact there is no reason that service levels will not be maintained) that service levels of policies will continue at the current level.

I discussed the options that will be available to the SWE Board, when it is in place, with regard to reviewable policy charges in paragraphs 8.5 to 8.10 of my Previous Chief Actuary's Report and concluded that the discretion on the unit-linked Transferring Policies is limited, and only allow reductions to the charges in the terms and conditions, the exercising of discretion will only improve the Transferring Policyholders benefits. This means that there is no reasonable reason for the SWE Board to not provide this assurance.

- 2.34 I note that a copy of this Supplementary Report, the WPA's Supplementary Report and the Independent Expert's Supplementary Report will be provided to SWL's Board. The reports will also be shared with the SWE Board.

Definitions and Abbreviations

- 2.35 A list of the defined terms and abbreviations in this report is included in Annex A.

Compliance with Technical Actuarial Standards

- 2.36 This report has been prepared in accordance with, and complies with, the Technical Actuarial Standards 100 and 200.
- 2.37 In producing this report I complied with the Actuarial Profession Standard ("APS") X1: Applying Standards to Actuarial Work and APS X2: Review of actuarial work.

Structure of Report

- 2.38 This report is structured as follows:
- Section 3 provides an overview of the developments with regard to the UK leaving the European Union ("Brexit");
 - Section 4 provides an overview of the developments in SWL and SWE since my Previous Chief Actuary's Report;

- Section 5 discusses the changes in the Scheme and other related developments since my Previous Chief Actuary's Report;
- Section 6 discusses the developments with the Transferring business and the solvency position of SWL (before and after the Transfer) and SWE;
- Section 7 considers any other areas that could potentially have an impact on the Transfer;
- Section 8 sets out my conclusions; and
- Annex A lists the defined terms and abbreviations used in this report.

3 BREXIT DEVELOPMENTS

- 3.1 Since my Previous Chief Actuary's Report the UK Parliament has rejected the proposed agreement with the other members of the European Union ("EU27").
- 3.2 As a result there remains uncertainty as to the terms and timescales in which the UK may withdraw from the EU.
- 3.3 In paragraph 1.5 of my Previous Chief Actuary's Report I noted that SWE was being formed for the express purpose of receiving the Transferring Policies in order that they can continue to be serviced legally.
- 3.4 Given the uncertainty referred to in paragraph 3.2, it is possible that the proposed Scheme could now be implemented before the UK withdraws from the EU (the point that SWE is required in order to continue to service the Transferring Policies legally) but there is currently no clarity on the position.
- 3.5 In paragraph 7.71 of my Previous Chief Actuary's Report, I noted that being able to service Transferring Policies is a much more crucial consideration for Transferring Policies than the loss of the FSCS protection.
- 3.6 I am satisfied that paragraphs 7.67 to 7.70 of my Previous Chief Actuary's Report provide adequate support for the conclusion that Transferring Policies will not be materially adversely affected by the Transfer as a result of any changes in eligibility for compensation schemes, and that the conclusion was not reliant on paragraph 7.71.
- 3.7 More generally I am satisfied that the conclusion that the proposed Scheme does not have a materially adverse impact on Transferring Policies is not reliant on the Scheme being an absolute requirement to be able to continue servicing those policies legally.

4 DEVELOPMENTS WITH THE COMPANIES AND TRANSFERRING POLICIES

- 4.1 In my Previous Chief Actuary's Report I provided an overview of SWL and SWE. Please refer to Section 3 of that report for a detailed summary.

SWL

- 4.2 Since that report there has been no significant developments in SWL that would materially impact the Transferring or Non-Transferring policyholders.
- 4.3 SWL has paid €6m of share capital into SWE and is due to pay an additional €75m in by the Scheme Effective Date.
- 4.4 After paying the share capital SWL is expected to continue to meet its LBG Capital Policy requirements.
- 4.5 The Risk Profile of SWL has not changed significantly since my Previous Chief Actuary's Report.

SWE

- 4.6 In my Previous Chief Actuary's Report I stated that SWE had submitted a final licence application to the Commissariat aux Assurances ("CAA") with regards to obtaining authorisation to undertake insurance business. The licence has been granted from 1 February 2019.
- 4.7 Since my Previous Chief Actuary's Report SWE have identified, and are in discussion with, their preferred candidates for each of the Key Function Holder roles. It is expected that two of these Key Function Holders will be in place by the time of the Transfer, although this is subject to successful completion of the recruitment process. Due to notice periods one of these Key Function Holders, the Chief Actuary, is not expected to start until after the Scheme Effective Date. However, an appropriate individual, whom the CAA has indicated is acceptable and who is already in place with SWE, has been identified to fill this role on an interim basis until the long-term candidate is available to commence their employment.
- 4.8 The SWE Board is being set up and will initially have three board members appointed, composed of the Chief Executive Officer, an LBG Executive and one independent member. The CAA has approved three members of the SWE Board. The subsequent formal appointment of the Board is in progress and is expected to be completed by the Scheme Effective Date.
- 4.9 In addition to the three Board members originally planned, the CAA has indicated that they will require a fourth Board member to be appointed to ensure that the Board has the required knowledge of financial reporting and accounting. The fourth member of the Board is expected to be appointed before the Scheme Effective Date.

- 4.10 In addition, as discussed in paragraph 4.24 of my Previous Chief Actuary's Report, SWE are in the process of setting up regulatory branches in Germany and Italy. These are expected to be in place by the time of the Transfer.
- 4.11 Since my Previous Chief Actuary's Report the Service Agreement between SWE and Lloyds Bank plc has been drafted and is expected to be signed by the Scheme Effective Date. The terms of that Service Agreement do not require SWE to set up a branch in the UK.
- 4.12 An additional agreement is being put in place with Lloyds Bank GmbH (a European bank) to provide the Human Resources and Payroll services for SWE German employees.
- 4.13 The other outsourcing agreements will be transferred from SWL to SWE at the Scheme Effective Date.
- 4.14 These activities mean that SWE is on track to have the appropriate regulatory branches and staff in place in the required timescales.

Transferring Policies

- 4.15 Since my Previous Chief Actuary's Report the number of Transferring Policies has changed due to deaths, surrenders etc. The table below shows the changes between 30 June 2018 and 31 December 2017. The Best Estimate Liabilities ("BEL") in the table is on a Solvency II basis.

Table 1: Transferring Business

	31 December 2017			30 June 2018		
	Number of Policies	BEL (investment element only) (£m)	Total BEL (£m)	Number of Policies	BEL (investment element only) (£m)	Total BEL (£m)
Transferring UWP Business	61,408	1,766	1,753*	56,807	1,571	1,600
Transferring UL Business	26,995	318	360	23,922	301	342
Total	88,403	2,084	2,113	80,729	1,872	1,942

*Note that the value of future premiums and charges are expected to be higher than cost of future claims payments.

- 4.16 The Transferring Policies at 30 June 2018 remain a non-material proportion of the SWL business as a whole (c£113bn BEL).

5 THE SCHEME AND RELATED DEVELOPMENTS

5.1 This section considers the developments that have taken place since the Previous Chief Actuary's Report in relation to:

- The Scheme itself;
- The Reinsurance Agreement between SWL and SWE related to unitised with-profits investments and the with-profit annuities;
- The Indemnity Agreement between SWL and SWE;
- The Deed of Charge agreement that will be set up so that SWE ranks *pari passu* (for the claims under the reinsurance agreement in excess of the funds withheld, and indemnity liabilities) with the other SWL policyholders in the unlikely event of SWL suffering an insolvency event.
- The update to the LBGI 2015 Scheme to allow payments out of the CM WPF under Part VII Transfers;
- The objections that have been received in response to the policyholder communication exercises;
- The Principles and Practices of Financial Management ("PPFM") of the CM WPF and the investment mandates of the funds withheld;
- Loss of the Financial Services Compensation Scheme ("FSCS");
- The loss of the UK Financial Ombudsman Service ("FOS");
- The revocation rights of Italian and Austrian Policyholders and
- Taxation.

The Scheme

- 5.2 There has been no material change to the Scheme which continues to work as discussed in my Previous Chief Actuary's Report but the expected Scheme Effective Date has been changed from 28 March 2019 to 29 March 2019 (at 10:59pm).
- 5.3 This has no impact on the actual operation of the Scheme but has practical benefits for the implementing the Transfer (as it is carried out after business on a Friday rather than a mid-week day).
- 5.4 The Scheme continues to define the policies covered by the Scheme and the related assets and liabilities transferring as a result. It sets out the obligations of SWL and SWE with regards to the Scheme. It is due to be signed on the 5 March 2019.

Reinsurance Agreement

- 5.5 There has been no change to the Reinsurance Agreement as discussed in my Previous Chief Actuary's Report.
- 5.6 The Reinsurance Agreement requires the unitised with-profits investment elements of the Transferring Policies and with-profit annuities in payment are reinsured back to SWL. The reinsurance will also cover the future with-profit annuities coming in to effect due to obligations, or the exercise of options, under the Transferring Policies (whether unit-linked or with-profits) including the costs of any guarantees related to the conversion of the funds into a with-profits annuity. The Scheme sets out the criteria for making changes, or terminating, this reinsurance arrangement to protect policyholders if either such event takes place
- 5.7 The Reinsurance Agreement is due to be signed on the 5 March 2019 and is effective from the Scheme Effective Date.

The Indemnity Agreement

- 5.8 There has been no change to the Indemnity Agreement (covering the majority of "overseas litigation claims") as discussed in my Previous Chief Actuary's Report.
- 5.9 As discussed in my Previous Chief Actuary's Report, overseas litigation claims refers to a number of complaints received by SWL, relating to policies sold by independent intermediaries principally in Germany, but also in Austria and Italy during the late 1990s and early 2000s. SWL holds provisions for these complaints in both its accounts and regulatory solvency assessment, which have been set taking into consideration relevant decisions from the Federal Court of Justice in Germany.
- 5.10 The Indemnity Agreement will be set up between SWL and SWE so that the majority of the exposure to overseas litigation claims remains with SWL.
- 5.11 The Indemnity Agreement is also due to be signed on the 5 March 2019 and is effective from the Scheme Effective Date.

Deed of Charge

- 5.12 There has been no material change to the Deed of Charge as described above and discussed in my Previous Chief Actuary's Report. There has been a slight amendment so that the Deed of Charge doesn't apply a charge in respect of the Indemnity Agreement to the CM WPF. This has no impact as the assets covered by the Deed of Charge are still significantly larger (by several magnitudes) than the amount SWE has "at risk" under the Indemnity Agreement.
- 5.13 This means the Deed of Charge agreement will still be set up so that SWE ranks pari passu (for the claims under the reinsurance agreement in excess of the funds

withheld, and indemnity liabilities) with the other SWL policyholders in the unlikely event of SWL suffering an insolvency event.

- 5.14 The Deed of Charge is due to be signed on the 5 March 2019 and will be effective from the Scheme Effective Date.

LBGI 2015 Scheme

- 5.15 SWL was renamed SWL (it was previously named CMIG) when all of the UK life insurance business of the insurance subsidiaries of SWG was transferred into it on 31 December 2015. This was accomplished by way of the LBG Insurance ("LBGI") 2015 Scheme ("LBGI 2015 Scheme"). All LBG's UK insurance holdings are collectively referred to as LBGI.
- 5.16 Legal advice obtained by SWL highlighted that a change would be required to the LBGI 2015 Scheme to allow payments from the CM WPF under Part VII Schemes if the Scheme was to go ahead as proposed.
- 5.17 The LBGI 2015 Scheme is being updated in line with this legal advice and it is proposed that this change will be approved at the Court at the same time as the Scheme is approved.
- 5.18 In my view the change to the LBGI 2015 Scheme is straight forward, follows the legal advice and does not materially impact any of the policyholders invested in the CM WPF.

Objections Received

- 5.19 As discussed in my Previous Chief Actuary's Report SWL has written out to the Transferring Policyholders, in line with the Directions Order from the Directions Hearing on 26 November 2018, telling them about the Scheme. This resulted in SWL writing out to 85,235 policyholders (or assignees) and 1,926 brokers. There has been 964 of these returned unopened at 1 March 2019. Mailings have been reissued to 527 of the unopened returns.
- 5.20 As a result there has been 5 verbal objections and 128 written objections received (as at 1 March 2018) from policyholders or brokers that object to the Transfer going ahead. The main reasons for these objections can be summarised as follows:
- Loss of the FSCS Cover (3 Verbal Objections and 81 written objections);
In these the objections are to the loss of the protection of the FSCS when there is no direct comparison in Luxembourg.
 - Tax impacts (46 written objections) and
These objections don't want the tax status of their policies to change resulting in additional tax payments.
- 5.21 With regards to the objections as a result of the FSCS Cover I considered this in my Previous Chief Actuary's Report and have revisited this in paragraphs 5.32 to 5.42

below. I remain satisfied that the loss of FSCS cover does not have a material adverse impact on the Transferring Policyholders.

- 5.22 As I discussed in my Previous Chief Actuary's Report in paragraphs 9.2 to 9.5 and in 5.60 below there is no change in the level of tax the Transferring Policyholders will have to pay as a result of the Transfer.
- 5.23 However, a result of SWE setting up an individual as Mandataire General, who is then recognised as a regulatory branch, in Germany that branch will withhold the tax due to the German government on claim payments. For the Transferring Policyholders that are domiciled in Germany this creates a timing difference in when tax payments are made but not to the amount of tax actually paid or the tax status of the Transferring Policies. As a result I have concluded that there is no material adverse impact to the policyholders.
- 5.24 I have reviewed the context of the other objections received and remain comfortable that there is no material adverse impact to the policyholders.
- 5.25 Overall, these objections are not anything that causes a material adverse impact on the Transferring Policies. As a result I do not believe that any of the objections have raised a concern that should stop the Transfer to go ahead.

CM WPF Updates

PPFM

- 5.26 As a result of the Scheme and Reinsurance Agreement that are being put in place the following updates will be made to the CM WPF's PPFM:
- Reference that the Scheme has been implemented;
 - Explain that the relevant Transferring Policies are now reinsured in to the CM WPF rather than directly invested in it.
- 5.27 These are changes to the Practices of the CM WPF; there are no changes to the Principles of the CM WPF.
- 5.28 In theory the second of these points above could be a significant change for the Transferring Policies if these policies were being treated as having left the CM WPF and reinvested in it.
- 5.29 However, as I stated in my Previous Chief Actuary's Report the Transferring Policies invested in with-profits will be treated as if they had never left. This is included within the Reinsurance Agreement.
- 5.30 The changes to the PPFM are updates to ensure that the PPFM accurately covers what is happening.
- 5.31 The changes being reflected in the CM WPF's PPFM have no materially adverse impact on the Transferring or Non-Transferring Policies that invest in with-profits.

Funds Withheld

- 5.32 In relation to the implementation of the funds withheld arrangements, the investment mandates that will be required are being finalised with the investment managers. I understand, however, that the arrangements will be in place before the Effective Date and that they will replicate the existing mandates in all material aspects. I therefore remain satisfied that there will be no material impact on the investment returns for with-profits policyholders.

Loss of FSCS

- 5.33 Since my Previous Chief Actuary's Report there have been developments with regards to the Loss of the FSCS.
- 5.34 Firstly, on further investigation it has become clear that not all of the policyholders currently qualify for FSCS cover. Policies sold through CMIIL (63 policies) and those policies sold to people who lived outside of the EU and EEA area at time of purchase (up to 165 policies) do not qualify for FSCS cover. This means that the Transfer has no impact on the eligibility of these policies for FSCS cover.
- 5.35 Secondly, the Bank of England and the PRA produced a Consultation Paper CP26/18 (dated October 2018) that discusses the potential of allowing FSCS protection being maintained for Transferring Policyholders.
- 5.36 In this the PRA proposes to continue to provide FSCS protection for policyholders that have existing insurance policies at exit date, provided the insurer continues to be a relevant person under Part XV FSMA after the exit date. This includes discussion of how companies can apply for a temporary permissions regime which allows provides that company with rights so that the EU27 insurer can continue to sell policies, or service policies, in the UK during any initial transition period post Brexit.
- 5.37 We have considered whether SWE could be a relevant person in the UK post Transfer but:
- SWE does not require such rights in order to carry out its day to day operations as the Transferring Policies will not be serviced in the UK;
 - SWE will not establish a UK branch post Transfer as it is not required for SWE to carry out its day to day business.
- 5.38 In addition paragraph 2.6 of Supervisory Statement 2/18 (dated March 2018) issued by the PRA expects third country branches to have under £500m of insurance liabilities and given that the £1,942m value of BEL of the Transferring Policies in Table 1 (under paragraph 4.15) is significantly larger than this then it is not clear that even if SWE did have a branch or passporting rights that the Transferring Policies would qualify for FSCS.
- 5.39 As a result, SWE will not be applying for a UK branch or passporting rights for the UK which means SWE will not be a relevant person under the Part XV FSMA and, after the Transfer, the Transferring Policies will lose any ongoing FSCS protection

they had prior to the Transfer (although if the claim results from an event which occurs prior to the transfer it will continue to be covered by the FSCS).

- 5.40 As discussed in my Previous Chief Actuary's Report and in Section 6 of this report, SWE will hold significant capital over its regulatory requirement ("Regulatory Capital Requirement") as it targets a capital buffer sufficient to cover a 1 in 10 year adverse stress event. As a result of holding this buffer in addition to its Regulatory Capital Requirements, SWE would have to suffer a significant loss of capital before becoming technically insolvent, i.e. unable to cover its Technical Provisions.
- 5.41 In addition, SWE will have the Tied Assets held in a separate tripartite custodian agreement overseen by the CAA and these assets will be available to meet its policyholders' claims. These assets will be the greater of the Technical Provisions on a Solvency II and Luxembourg Generally Accepted Accounting Practices ("GAAP") bases, and so are expected to meet policyholders' liabilities.
- 5.42 The risk of insolvency at SWE should be reduced further by regular regulatory oversight through which it would be expected that the CAA would be made aware by SWE, through regular management information, of any deterioration in solvency at an early stage and if necessary would take action to protect policyholders.
- 5.43 These arguments are true for life insurance and pension products, including those pension products that have converted to annuities.
- 5.44 As a result, I remain satisfied that the Transferring Policyholders will not be materially adversely affected by the Transfer as a result of any changes in eligibility for the FSCS.

Loss Of UK's Financial Ombudsman Service

- 5.45 There have been no developments with regards to the Transferring Policyholders losing the right to escalate their claims to UK's FOS.
- 5.46 However, as discussed in paragraphs 9.12 to 9.18 of my Previous Chief Actuary's Report the Transferring Policyholders will have a specified route for complaint escalation process post Transfer that will be consistent with the process they have tended to follow currently.
- 5.47 Post Transfer, the Transferring policyholders will not be likely to use the Luxembourg Alternative Dispute Resolution Bodies (other than the CAA as the Regulator) but rather would be expected to continue to raise complaints with the Regulator of the EU27 country in which their policy was written or where they are domiciled, e.g. Germany, Italy etc, as they currently do. That Regulator will then work with SWE to ensure that SWE resolves the complaint appropriately.
- 5.48 As currently if the policyholder is not satisfied with the resolution they retain the right to take their complaint to the court in the country in which their policy was written.

- 5.49 In addition, post Transfer the Transferring Policies that currently have access to the FOS can still take a complaint about activities that took place before the Scheme Effective Date to the FOS.
- 5.50 After the Transfer the Non-Transferring Policyholders will still be able to escalate their claims to the FOS.
- 5.51 I remain satisfied that the Transfer will have no materially adverse impact on the complaints escalation process for either Transferring or Non-Transferring Policyholders.

Revocation Rights

- 5.52 The Transferring Policyholders domiciled in Austria and Italy have under their countries laws additional Revocation Rights as a result of the Transfer.
- 5.53 For the Transferring Policies in Austria these additional rights are that they can choose to surrender their policies although any exit charges apply. The Austrian Transferring Policies already have these rights under their standard contract terms, and so there is no change for these policies.
- 5.54 For the Transferring Policyholders domiciled in Italy these additional rights allow the policyholders to surrender their policies with no surrender penalties applying. This is an enhancement to surrender terms compared to the current contract terms. The policyholders have 60 days to take up the surrender option from the date which the Italian insurance regulator, Istituto per la Vigilanza sulle Assicurazioni known as IVASS, publishes notice of the Transfer in its official journal.
- 5.55 Assets to cover the expected cost for the enhanced surrenders, c£20m if 100% take up, have been included in the amount transferred to SWE. This means that SWE will be able to pay these enhanced surrender values without breaching the LBG Capital Policy (as discussed in Section 6 of my Previous Chief Actuary's Report).
- 5.56 This additional cost for the enhanced surrender values is not a material amount in regards to SWL and does not materially adversely affect SWL's solvency and its ability to meet the LBG Capital Policy.
- 5.57 Based on the above, I am satisfied that paying any enhanced surrender values won't materially adversely impact the Transferring Policyholders nor the Non-Transferring Policyholders.

Tax

- 5.58 HMRC provided Part VII corporation tax pre-clearance for this Scheme on 20 November 2018. This means that HMRC accept that this Scheme is not designed for tax avoidance reasons and will not object to the Scheme.
- 5.59 A review is being carried out of this Scheme by Ernst & Young with the initial view suggesting that Transfer Pricing will apply. This suggests that the Transfer will result in a small tax liability for SWL. This tax liability is not expected to be material

for SWL and will not materially impact the solvency position of SWL. The work to finalise the position with regard to Transfer Pricing is due to be completed by mid-March.

- 5.60 This tax impact does not change my discussions in Section 6 below.
- 5.61 There have been no changes to policyholder tax implications since my Previous Chief Actuary's Report.
- 5.62 The Transfer will not lead to a change in policyholder contractual terms/conditions and will not lead to changes in the underlying qualifying status of the Transferring and Non-Transferring policyholders.
- 5.63 As a result of SWE setting up an individual as Mandataire General, who is then recognised as a regulatory branch, in Germany that branch will withhold the tax due to the German government on claim payments. For the Transferring Policyholders that are domiciled in Germany this creates a timing difference in when tax payments are made but not to the amount of tax actually paid.
- 5.64 The above means there is no material adverse impact due to tax on any of the policyholders.

6 SOLVENCY POSITION OF THE COMPANIES AND SECURITY OF BENEFITS

- 6.1 While the 30 June 2018 results produced by SWL and expected position of SWE if the Transfer had taken place on 30 June 2018 have not been formally audited and so it is not appropriate to share these publically I have reviewed these results and they have been shared with the IE.
- 6.2 These results have allowed for changes in the policies, asset values, economic environment etc. between 31 December 2017 and 30 June 2018. In addition, the results also allow for the Italian revocation costs discussed in section 5 above.
- 6.3 Under these updated results SWL is still expected to experience a reduction on its solvency position but will continue to meet its Regulatory Requirements under the Solvency II regulations by a significant margin.
- 6.4 The 30 June 2018 results for SWE show a similar picture to the position shown in paragraph 7.26 in my Previous Chief Actuary's Report. That is, after allowing for the capital add-on for overseas litigation risk, which is not strictly required under the Standard Formula, SWE will meet its requirements under the LBG Capital Policy.
- 6.5 This is to be expected as the design of the Scheme is to set up so that SWE is in a position where it meets the LBG Capital Policy requirements at outset.
- 6.6 The stress and scenario analysis for SWE, as discussed in paragraphs 7.32 to 7.39 in my Previous Chief Actuary's Report, has not been updated but I am satisfied that these continue to cover the main risks to which SWE are exposed, and that the management actions SWE can use to control its solvency in adverse conditions remain appropriate.
- 6.7 As previously, I expect that the SWE Board will consider implementing an expense inflation hedge. If implemented this would lead to a reduction in the impact of the Increased Expense Inflation sensitivity.
- 6.8 I have reviewed a draft of the 31 December 2018 results which are not finalised but there is nothing to indicate there will be a materially different outcome and these demonstrate a similar position to the previous results.
- 6.9 In addition to these results I have also reviewed SWL's ongoing solvency monitoring for 2018 which reflects up-to-date market data and the impacts that these have on SWL. This solvency monitoring is consistent with the results mentioned above.
- 6.10 Based on the discussions above and discussions in Section 7 of my Previous Chief Actuary's Report:
 - I remain satisfied that the Transfer does not have a material adverse impact on the financial position of SWL and as such does not have a material adverse impact on the security of the Non-Transferring SWL policyholders.

- I remain satisfied that, taking into account the capital policy of SWE, SWE will be capitalised to a level where the Transfer will not lead to a materially adverse impact on the security of the Transferring Policies at the point of the Transfer.
- I remain satisfied that SWE will have access to appropriate management actions to facilitate recovery of its solvency position after significantly (1 in 20 year events) adverse events.

7 OTHER CONSIDERATIONS

- 7.1 As well as all of the considerations above there were some other areas that were raised in my Previous Chief Actuary's Report that have to be reviewed in light of recent developments.

Benefit Expectations

- 7.2 As stated in paragraph 8.2 of my Previous Chief Actuary's Report, the Scheme results in no material change to:
- Terms and conditions of either the Transferring Policies or the Non-Transferring Policies (whether unit-linked, with profits or non-profit);
 - The operation of the Funds, unit-linked or with profits, available to Transferring Policies or Non-Transferring Policies; or
 - Charges applied to either the funds or the policies; again for both the Transferring Policies and Non-Transferring Policies (whether unit-linked, with-profits or non-profit);
 - There will be no change to the non-profit policies.
- 7.3 Due to the reinsurance arrangement the Transferring Policies will continue to be invested in, and hence with-profits policy benefits linked to, the CM WPF as was the case prior to the Transfer.
- 7.4 The impact of the Scheme on Transferring Policies with unit-linked investments is still as discussed in paragraphs 8.5 to 8.10 of my Previous Chief Actuary's Report.
- 7.5 The impact of the Scheme on Transferring Policies with with-profits investments is still as discussed in paragraphs 8.12 to 8.16 of my Previous Chief Actuary's Report.
- 7.6 In particular, the SWE Board are expected to resolve that the bonuses, market value adjustments and similar matters will follow the decisions made by SWL in respect of these Transferring Policies in all reasonably foreseeable circumstances.
- 7.7 As the impact of the Transfer is not material for SWL and the CM WPF will continue to operate in the same way as currently due to the reinsurance agreement, I remain satisfied there will be no material change to the way in which the Non-Transferring Policies (whether unit-linked, with-profits or non-profit) are operated or treated.
- 7.8 Taking into account the discussion in this section and in section 8 of my Previous Chief Actuary's Report I remain satisfied that the Scheme will not result in a materially adverse impact on the benefit expectations of the Transferring Policies and Non-Transferring Policies.

Administration

- 7.9 As discussed in paragraphs 9.8 and 9.9 of my Previous Chief Actuary's Report following the Transfer, the existing three servicing arrangements will transfer to

SWE and the Transferring Policies will continue to be serviced via the same outsourcing agreement as they are prior to the Transfer.

- 7.10 For the Non-Transferring Policies the existing administration is not changed by the Scheme.
- 7.11 As discussed in paragraphs 4.17 and 4.18 of my Previous Chief Actuary's Report the Swiss Re reinsurance treaties, covering death benefits and sickness/disability (mainly for waiver of premiums), will transfer from SWL to SWE under the Scheme. This means that the policies will have the same level, and service, of reinsurance as currently.
- 7.12 SWL sent formal notice of the Transfer to Swiss Re on 10 January 2018 and there has been no objection received from them as at 1 March 2019.
- 7.13 As a result of these points I remain satisfied that the Scheme will not lead to a material adverse impact on the policy servicing for the Transferring Policies and Non-Transferring Policies.

8 CONCLUSION

- 8.1 I have produced this Supplementary Report in my role as Chief Actuary for SWL, to consider whether any developments since my Previous Chief Actuary's Report have changed the conclusions I have reached in that report.
- 8.2 Based on the considerations summarised in this report and taking into account the key features of the Transfer it continues to be my view that:
- The security of the Transferring Policies and Non-Transferring Policies policyholders' benefits will not be materially adversely impacted as a result of the Scheme;
 - The Scheme will not result in materially adverse changes to the benefit expectations of any with-profits, non-profit or unit-linked policyholders of the Transferor (including in respect of the Transferring Policies and Non-Transferring Policies).
- 8.3 I therefore continue to be of the conclusion that the Scheme will not result in a materially adverse impact on the security of policyholders or their benefit expectations compared to the status quo.
- 8.4 I continue to be satisfied that there will be no significant impact on the servicing that policyholders will receive as a result of the Scheme and that the communications plan paid due regard to the interests of policyholders and the need to treat them fairly.

James Hillman FIA

Chief Actuary for SWL

4 March 2019



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9 ANNEX A – DEFINED TERMS AND ABBREVIATIONS USED WITHIN THIS REPORT

2015 Law	The Law of 7 December 2015 on the insurance sector
APS	Actuarial Professional Services
Best Estimate Liabilities or BEL	The best estimate value of liabilities as defined under Solvency II regulations.
CAA	Commissariat aux Assurances (translation: Insurance Commissioner) - The Luxembourg regulator for SWE.
CM WPF	SWL's Clerical Medical With-Profits Fund
CMIG	Clerical Medical Investment Group Ltd
CMIL	CMI Insurance (Luxembourg) S.A.
Combined Fund	Under Solvency II this is all the assets of a company excluding any ring-fenced with-profits funds
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
EU	European Union
EU27	The European Union, excluding the UK
FCA	Financial Conduct Authority
FOS	Financial Ombudsman Service
FSCS	Financial Services Compensation Scheme
FSMA	Financial Services and Market Act 2000
GAAP	Generally Accepted Accounting Principal
IE	Independent Expert
IFS	International Financial Services
ILDE	International Life Division Europe
IVASS	Italian insurance regulator, Istituto per la Vigilanza sulle Assicurazioni
LBG	Lloyds Banking Group plc
LBG Capital Policy	This is the internal approach to capital management followed by SWE or SWL
LBGI	LBG Insurance
LBGI 2015 Scheme	Legal scheme implemented on 31 December 2015 under which several of the subsidiaries of Scottish Widows Group Limited were transferred to SWL

Supplementary Report of the Chief Actuary (SWL)

Non-Transferring Policies	SWL policies which are out of scope of the Scheme
PPFM	Principles and Practices of Financial Management (of the Clerical Medical With-Profits Fund)
PRA	Prudential Regulation Authority
Previous Chief Actuary's Report	James Hillman's report on the Transfer between SWL and SWE dated 19 November 2018
Regulatory Capital Requirements	The capital over and above the Best Estimate Liabilities and Risk Margin that an insurer is required to hold under Solvency II regulations
Risk Margin	This is the additional capital that insurers have to hold under Solvency II regulations, based on the value of the projection of the non-hedgeable risks of the Regulatory Capital Requirement.
Scheme	An insurance business transfer scheme under Part VII of the FSMA
Scheme Effective Date	The date that the Scheme will come into existence, 29 March 2019 (at 10:59pm)
SWE	Scottish Widows Europe SA, the Transferee
SWG	Scottish Widows Group Limited
SWL	Scottish Widows Limited
Technical Provisions	This is the Best Estimate Liabilities plus Risk Margin
Transfer	Proposed transfer of the Transferring Policies from SWL to SWE
Transferee	Entity receiving business (SWE under the Scheme)
Transferor	Entity transferring business (SWL under the Scheme)
Transferring Policies	Inforce business originally sold by either ILDE or CMILL. These are the policies which will be transferred from SWL to SWE under this Scheme.
Transferring Policyholders	Policyholders of Transferring Policies
UK	United Kingdom
WPA	With-Profits Actuary
WPF	With-Profits Fund

