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Summary of the Independent Expert's Report
Phoenix Life Limited

Introduction

As set out in this guide, Phoenix Group proposes to carry out an insurance business transfer in order to combine four of its life insurance companies into one company (the one referred to as Phoenix) in order to simplify its corporate structure. This requires the approval or consent of the High Court (in England) and the Court of Session (in Scotland). I have been appointed by Phoenix Group as the Independent Expert under the relevant legislation to consider and report to the courts on this proposed transfer, and I have been approved to carry out this role by the PRA in consultation with the FCA.

I am a Fellow of the Institute and Faculty of Actuaries, and a Principal in Milliman LLP, part of Milliman Inc., which is a global consulting firm. I have over 35 years of experience in the UK life insurance industry and I have previously carried out the role of Independent Expert for transfers of life insurance business, including those involving with-profits business. My independence to carry out this role for this transfer has been set out separately within this guide.

I have produced a full and detailed report (my "Full Report"), which considers the effects of the transfer on all of the policyholders in all four companies and which sets out my conclusions, and includes my reliances and limitations in producing the report. My Full Report is available to all policyholders and to any interested party who wishes to see it, and can be viewed at **www.phoenixlife.co.uk/transfer23**. Alternatively, my Full Report can be obtained as set out within Section 8 of this guide.

I have produced a number of summary reports, each tailored to specific groups of policyholders. This tailored summary report is for the policyholders of Phoenix, other than those holding policies written under the Phoenix Wealth, SunLife, and Phoenix Corporate Investment Services brands, for whom separate summary reports have been produced.

The Chief Actuary and the relevant With-Profits Actuaries of Phoenix have produced reports on the proposed transfer. I have considered those reports, and I have consulted with the Chief Actuary and the relevant With-Profits Actuaries in the course of carrying out my work.

Set out below is a summary of my considerations and conclusions under the following headings:

- Summary of the Scheme.
- Determination of policy benefits and benefit expectations.
- Security of policy benefits.
- Other aspects, including standards of policy administration and service.

I will produce a Supplementary Report prior to the final court hearings. My Supplementary Report will provide updates as necessary to my analyses and considerations, and will comment on any queries, issues or objections arising from any of the policyholders involved or from other interested parties. My Supplementary Report will also provide any applicable updates to the conclusions reached in my Full Report.

Summary of the Scheme

The Scheme is the legal document which gives effect to the transfer. It essentially provides for all the assets, liabilities and policies of PLAL, SLAL and SLPF (which is a small subsidiary of SLAL) to be transferred to Phoenix. All current Phoenix policyholders will remain within Phoenix, and (subject to the clarification below in respect of the NPI With-Profits Fund) each of the current with-profits funds within Phoenix, including how they operate, will remain unchanged.

The Scheme replaces a number of previous schemes and also incorporates a number of practical updates to the previous schemes to which I refer as necessary below. The Scheme makes no change to any policy terms and conditions. All of the costs of carrying out the Scheme will be borne by the Phoenix Group shareholders, and no such costs will be borne either directly or indirectly by any policyholders.

Determination of policy benefits and benefit expectations

For policyholders holding with-profits policies of all types, the determination of policy benefits will continue as currently, with no changes to the determination of the asset mixes which affect policyholder benefits. The published Principles and Practices of Financial Management (known as the PPFM) which governs the operation of the Phoenix with-profits funds will be combined into a single document with the PPFM of the PLAL with-profits funds, but with separate sections for each fund. Other than the closure provisions as explained below, the PPFM as it applies to the Phoenix with-profits funds will fundamentally remain unchanged in all material respects. References within the PPFM to previous schemes will be updated to refer instead to the current Scheme.

The NPI With-Profits Fund within Phoenix will no longer exist following the implementation of the Scheme. The with-profits benefits provided by this fund are currently fully reinsured to and thus determined by the Pearl With-Profits Fund within PLAL, and the Pearl With-Profits Fund is being transferred into Phoenix by the Scheme. The need for the reinsurance will thus fall away, and the with-profits benefits of the relevant policyholdes will be determined directly by the Pearl With-Profits Fund. I am satisfied that this arrangement fully preserves the current with-profits benefit expectations for these polcyholders.

The Scheme includes changes to the closure provisions for each of the Phoenix with-profits funds. These closure provisions (often referred to as sunset clauses) set out what happens when a with-profits fund has reduced to a certain size. The main changes are to move from the existing "must close" provisions when a with-profits fund reaches a certain size to "may close" provisions. This change may allow a with-profits fund to continue as with-profits for longer provided that this is in the interests of the with-profits policyholders in that fund. The changes also allow for greater flexibility on the available options when a with-profits fund is closed. I am satisfied that appropriate protections have been included and that these changes are beneficial to the Phoenix with-profits policyholders.

For policyholders holding unit-linked policies, the determination of policy benefits will continue as currently, including the approaches and standards used for the determination of unit prices. The Scheme includes updated provisions for unit-linked funds to be closed to new investments, merged with or replaced by other unit-linked funds, and for unit-linked investment objectives to be modified, where this is not inconsistent with the relevant policy terms. This will enable Phoenix to continue to manage the enlarged unit-linked business to best meet policyholder needs efficiently as unit-linked funds grow or decline. I note that for unit-linked funds in the Abbey Life and Phoenix Wealth fund ranges, Phoenix currently has all of these rights and there is thus no actual change. The Scheme includes appropriate protections to ensure that the terms of any unit-linked fund mergers or replacements or modifications to investment objectives are fair to policyholders. The changes described here do not apply to the funds in the Hill Samuel and Target Life fund ranges due to their policy terms. The changes described here also do not apply to policies where unit-linked benefits are determined by reference to externally managed funds, as any changes here are the responsibility of the external manager.

For both with-profits and unit-linked policies, the determination and application of charges and expenses to the funds and policies will be the same as currently. Given that Phoenix, PLAL, and SLAL already have common management approaches and governance structures, I can see no reason why the future consideration of charges and expenses within the enlarged Phoenix following the implementation of the Scheme would be materially different to that which currently applies.

For policyholders holding policies with fixed benefits (or benefits linked to an inflation index), there will be no change to such benefits.

Hence, for all Phoenix policyholders, I conclude that the Scheme will have no material adverse effect on the determination of policyholder benefits or on expectations in respect of policyholder benefits.

Security of policy benefits

The security of policy benefits is provided through the following:

- The reserves and capital which the PRA requires all life companies to hold to meet expected outcomes and to cover adverse circumstances and events in relation to the risks to which the company is exposed.
- The additional capital, over and above the PRA's requirements, which a particular life company elects to hold. This is often referred to as the capital buffer or the capital policy requirement.
- The governance processes which a life company uses to run its business and to manage the risks to which it is exposed.

I consider each of these aspects below.

Regulatory capital requirements

The normal UK regulatory capital requirements will apply to the enlarged Phoenix following the implementation of the Scheme. These regulatory capital requirements are intended to ensure that a life company can withstand adverse circumstances and events equivalent to a 1-in-200 year event. There will be material capital efficiency benefits arising from combining the four life companies into one, and I have thus reviewed this aspect carefully.

Capital policy
Currently Phoenix, PLAL and SLAL adopt essentially the same capital policy. In particular, a capital buffer is held sufficient to enable Phoenix, PLAL and SLAL to meet their regulatory capital requirements (including the 1-in-200 year event requirement) following a 1-in-10 year adverse event. This same level of capital buffer (i.e. ability to meet regulatory capital requirements following a 1-in-10 year adverse event) will apply to the enlarged Phoenix following the implementation of the Scheme. Phoenix is required by the Scheme to adopt and comply with this capital policy, including the 1-in-10 year level of capital buffer and other aspects contained within the Scheme. My Full Report contains analyses which show that the enlarged Phoenix would have been able as at 31 December 2022 to meet its capital policy had the Scheme been effective at that date.

Currently, all SLAL policyholders benefit from certain additional capital protections, which derive from the demutualisation of Standard Life in 2006. These additional capital protections are incorporated into the Phoenix capital policy within the Scheme, and will benefit all policyholders (including current Phoenix policyholders) in the enlarged Phoenix following the implementation of the Scheme.

The current provisions for the shareholder to provide capital support to the Phoenix with-profits funds in certain circumstances are maintained under the Scheme.

Governance processes
There will be no material change to the governance processes of Phoenix as a result of the Scheme.

Summary in relation to the security of policy benefits
Taking all of the above aspects into consideration, I conclude that for all Phoenix policyholders the Scheme will have no material adverse effect on their security of benefits.

Other aspects (including standards of policy administration and service)

In addition to the key aspects of policy benefits and the security of policy benefits, I have considered a number of further aspects, including the possible effects of the Scheme on standards of policy administration and service, the ability of Phoenix to implement the transfer in practical terms and to deal with queries arising from policyholders, and the availability of protections such as the UK Financial Services Compensation Scheme. I am satisfied that the Scheme will have no material adverse effect on policyholders in these areas.

Overall Conclusion

Taking all of the above considerations into account, I conclude that the Scheme will have no material adverse effects on any of the Phoenix policyholders.

My other summary reports contain this same conclusion in respect of the other groups of policyholders to whom each summary report is applicable.

I have provided all the relevant Independent Expert certificates to allow the Scheme to replace the previous schemes.

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