ReAssure

Transferring to **ReAssure**

A summary of the Scheme to transfer the insurance business of ReAssure Life Limited to ReAssure Limited

Contents

Summary of the Scheme

1 Introduction

1.1 ReAssure Life Limited (**"RLL"**) is proposing to transfer its entire business to ReAssure Limited (**"ReAssure"**) through three insurance business transfer schemes (the **"Schemes"**).

1.1.1 The main UK Scheme will be carried out through the High Court of Justice in England (the **"UK Court"** or the **"Court"**). This Scheme will transfer all of the policies of RLL to ReAssure, except where a policy is held by a customer who resides in Jersey or Guernsey (the **"UK Scheme"** or the **"Scheme"**).

1.1.2 The Guernsey Scheme will be carried out through the Royal Court of Guernsey (the **"Guernsey Court"**). This will transfer the policies of policyholders who reside in Guernsey to ReAssure (the **"Guernsey Scheme"**).

1.1.3 The Jersey Scheme will be carried out through the Royal Court of Jersey (the **"Jersey Court"**). This will transfer the policies of policyholders who reside in Jersey to ReAssure (the **"Jersey Scheme"**).

1.2 This document sets out a summary of the effect of the Schemes.

1.3 This document is only a summary. Full details of each of the Schemes can be found in the complete versions which are available free of charge online at **www.reassure.co.uk/RL-transfer** or by telephoning our dedicated helpline on 0800 072 0063, or +44 1253 599 180 if telephoning from overseas, or by writing to Part VII Team, ReAssure Life Limited, Ballam Road, Lytham St Annes, Lancashire, FY8 4JZ.

1.4 The terms of the UK Scheme are incorporated into the terms of the Guernsey Scheme and the Jersey Scheme. Accordingly, the description of the UK Scheme set out in this document applies equally to the Guernsey Scheme and the Jersey Scheme.

1.5 The Glossary at the back of this summary of the Scheme explains the words and phrases which are in italics within this document.

2 Background of ReAssure and RLL

2.1 RLL and ReAssure are both members of the Swiss Re group. Swiss Re is one of the largest global providers of reinsurance, insurance and other insurance-based forms of risk transfer. It operates through offices in more than 20 countries and employs over 10,000 people worldwide.

2.2 ReAssure is a major UK life company whose focus is on buying and administering existing policies rather than selling to new customers. Each of ReAssure and RLL principally administer long-term life and pension products, permanent health insurance, critical illness products and retirement annuities until they reach maturity, are surrendered or are otherwise terminated.

2.3 ReAssure and RLL are both authorised and regulated by the Prudential Regulation Authority (**"PRA"**) and they are also regulated by the Financial Conduct Authority (**"FCA"**). Before 1 April 2013 they were authorised and regulated by the FCA and PRA's predecessor, the Financial Services Authority.

3 Process and timings of the Schemes

3.1 Consent of the UK Court, Guernsey Court or the Jersey Court (as applicable) will be sought on the dates set out below.

	UK Scheme	Guernsey Scheme	Jersey Scheme
Court hearing	19 Dec 2016	16 Dec 2016	22 Dec 2016
Proposed **"Transfer Date"** (when the policies will transfer to ReAssure)	31 Dec 2016*	31 Dec 2016	31 Dec 2016

*it is proposed that the Transfer Date will be on 31 December 2016 at 23.59 GMT or such other date and time thereafter as the boards of RLL and ReAssure shall agree, on or before 31 March 2017, otherwise the Scheme will lapse.

3.2 The Scheme will not go ahead unless the UK Court approves it and neither the Guernsey Scheme nor the Jersey Scheme will go ahead unless the Scheme is approved by the UK Court.

3.3 If the Court imposes any change on or condition to the proposed Scheme, the Scheme will not take effect unless RLL and ReAssure consent to that change or condition.

4 The effect of the Scheme

4.1 As stated in paragraph 1 above, the Scheme is intended to transfer the entire business of RLL from RLL to ReAssure.

4.2 Policies taken out with RLL will, if the Scheme is sanctioned by the Court, become policies of ReAssure. This means that any policyholders or claimants in respect of these polices will be policyholders or claimants respectively of ReAssure following the transfer.

4.3 There will be no changes to the premiums, benefits (including ability to switch) or terms and conditions of your policy as a result of the Scheme except that if you are a with-profits policyholder please be aware that your terms and conditions would change, subject to certain protections for policyholders. These are described in paragraph 6.2.3 of this summary. An additional principle is being added to the Principles and Practices of Financial Management. RLL and ReAssure may also need to make some changes to the way your policy is administered when the majority of ReAssure policies are moved onto a single administration system in 2017 (a step which would be taken in the interests of efficient policy administration regardless of whether the Scheme becomes effective).

4.4 If the Scheme is sanctioned by the Court, it will only take effect to the extent that it is not contrary to Regulatory Requirements (which includes the requirement to treat customers fairly).

4.5 Only RLL and ReAssure (as the parties to the Scheme) may enforce the terms of the Scheme and, as a result, a policyholder may not enforce the terms of the Scheme against RLL and ReAssure.

5 Allocation of policies, assets and liabilities

5.1 Insurance companies are structured such that they operate various funds in which policies are held. Because the business of RLL is moving into ReAssure, the Scheme document contains provisions setting out how the policies, assets and liabilities being transferred will be allocated within ReAssure. Set out at (a) to (d) below is a summary of how policies, assets and liabilities will be allocated to the funds in ReAssure.

(a) all ***Transferred Policies*** and corresponding assets and liabilities which are currently allocated to the ***Guardian With-Profits Fund***, other than those policies allocated to the ***Guardian Defined UL Business*** (which will be allocated in

accordance with paragraph (b) below as more fully explained in paragraph 6.3), will be allocated to a newly created with-profits fund within ReAssure called the *Guardian Assurance With-Profits Fund*;

(b) the *Guardian Defined UL Business* which comprises unit-linked (including Hybrids) business which currently forms part of the *Guardian With-Profits Fund* shall be allocated to the *ReAssure Non-Profit Fund* (as the non-linked cash flows are currently wholly reinsured to the *Guardian Non-Profit Fund*) with any with-profits investment element being notionally reinsured to the *Guardian Assurance With-Profits Fund* (as more fully explained in paragraph 6.3 below);

(c) all *Transferred Policies* and corresponding assets and liabilities which are currently allocated to the *Guardian Non-Profit Fund* or the *Guardian PHI Fund* shall be allocated to the *ReAssure Non-Profit Fund*; and

(d) any other assets and liabilities to be transferred in accordance with the Scheme shall be allocated to the *ReAssure Shareholder Fund*; and

(e) the **"ReAssure Defined Book"** currently within the *Windsor Life With-Profits Fund* in ReAssure, shall be reallocated from that with-profits fund to the *ReAssure Non-Profit Fund*. The future profits of the ReAssure Defined Book are currently received by the *ReAssure Non-Profit Fund* (via the mechanism described in paragraph 6.3.4 below).

5.2 If you would like to read the detail of the proposed allocation of *Transferred Policies*, assets and liabilities, please see paragraphs 4 to 6 of the Scheme.

6 Fund Structure

6.1 General

With the exception of the insurance business which, as explained in paragraph 6.2 below, will be allocated to the new *Guardian Assurance With-Profits Fund*, all of the insurance business of RLL will be allocated to the *ReAssure Non-Profit Fund*.

6.2 New With-Profits Fund

6.2.1 At present, certain policies (along with assets and liabilities) are located in the *Guardian With-Profits Fund*. In accordance with the Scheme, the business currently in the *Guardian With-Profits Fund* will be moved to the *Guardian Assurance With-Profits Fund*, a new with-profits fund established by the Scheme. The only insurance business currently within the *Guardian With-Profits Fund* which will not move into the *Guardian Assurance With-Profits Fund* are policies classified as the *Guardian Defined UL Business*. These will be allocated to the *ReAssure Non-Profit Fund* and more information about that reallocation is included in paragraph 6.3 below.

6.2.2 There are provisions in the Scheme which deal with what happens if the value of assets within the *Guardian Assurance With-Profits Fund* falls below certain levels. This change would constitute a change to the terms and conditions of the *Guardian Assurance With-Profits Fund* policies (including RLL policies with unitised with-profits investment).

6.2.3 If the value of assets within the *Guardian Assurance With-Profits Fund* has fallen below £375 million (increased for inflation) in the future, the Scheme gives ReAssure the option to either (a) merge the business allocated to the *Guardian Assurance With-Profits Fund* with the business of another with-profits fund or (b) convert the policies into non-profit policies with guaranteed bonuses. At a lower threshold of £75 million (increased for inflation), ReAssure is required to convert the policies into non-profit policies with guaranteed bonuses. In either case, the Scheme provides safeguards to ensure that policyholders are treated fairly, including approval of the proposed changes by the PRA and the FCA. To protect policyholders, ReAssure has a "**Fairness Committee**" which is charged with ensuring fair outcomes for policyholders. Before the Fairness Committee may approve any amendments to the

Scheme necessary to implement option (b), it must consider other available alternative courses of action from a treating customers fairly perspective (including the general interest of with-profits policyholders in remaining as with-profits policyholders).

6.2.4 Although the *Guardian Defined UL Business* (and increases) will be allocated to the *ReAssure Non-Profit Fund*, any with-profits investment element of these policies will be notionally reinsured into a with-profits fund (the *Guardian Assurance With-Profits Fund*). This means that the with-profits exposure of the with-profits investment element of *Guardian Defined UL Business* policies allocated to the *ReAssure Non-Profit Fund* is obtained from the *Guardian Assurance With-Profits Fund*.

6.2.5 Under the notional reinsurance arrangement described in paragraph 6.2.4, amounts in the *Guardian With-Profits Fund* immediately prior to the Transfer Date which relate to the with-profits investment element of policies in the *Guardian Defined UL Business* (and any future increases) will be allocated to the *Guardian Assurance With-Profits Fund* and will be treated as a reinsurance premium. When a claim is made under a relevant policy, the *Guardian Assurance With-Profits Fund* will transfer an amount representing the value of the relevant with-profits investment element to the *ReAssure Non-Profit Fund*.

6.2.6 The Scheme thus continues to provide for the ring-fencing of the *Guardian Assurance With-Profits Fund* (including its free assets or "estate") for the benefit of the former Guardian Assurance with-profits policyholders in the *Guardian Assurance With-Profits Fund*. As was the case in the *Guardian With-Profits Fund* in RLL, profits will be shared in the proportions 90:10 between with-profits policyholders and the shareholders of ReAssure following the transfer.

6.3 Defined Book Reallocation

6.3.1 Along with the more general reallocation of policies from RLL funds into ReAssure funds (or into the new *Guardian Assurance With-Profits Fund*, as the case may be), the Scheme will also effect an allocation of certain "**Defined Books**" of insurance policies, as described in paragraphs 6.3.2 and 6.3.5 below. However, RLL and ReAssure may decide not to proceed with these allocations, but agree instead to allocate the Defined Books to ReAssure with-profits funds, as described in paragraph 6.3.7 below.

6.3.2 The *Guardian Defined UL Business* is a block of unit-linked and unitised with-profits business which currently sits within the *Guardian With-Profits Fund* but the non-linked cash flows (which are cash flows other than those arising from the *Linked Funds*) of this business are wholly reinsured to the *Guardian Non-Profit Fund*. Pursuant to the Scheme, the policies and liabilities of the *Guardian Defined UL Business* will be allocated to the *ReAssure Non-Profit Fund* along with the assets comprising the investment in *Linked Funds* of the *Guardian Defined UL Business* (and the unitised with-profits liabilities of the *Guardian Defined UL Business* will be notionally reinsured to the newly-created *Guardian Assurance With-Profits Fund* where the related assets will be allocated, as described in paragraph 6.2.4).

6.3.3 Similarly, there will be a reallocation of some ReAssure Defined Book business.

6.3.4 In 2007, ReAssure received the business of NM Life Limited and NM Pensions Limited following the Court sanction of an insurance business transfer scheme on 18 December 2007 (the **"NM Scheme"**). Under the NM Scheme, policies, assets and liabilities within the ReAssure Defined Book were allocated to the *Windsor Life With-Profits Fund* (a ReAssure with-profits fund). The NM Scheme allowed for 84.25% of the surplus arising in the ReAssure Defined Book to be released to the *ReAssure Non-Profit Fund*. The remaining 15.75% of surplus arising was reinsured to the *ReAssure Non-Profit Fund* in 2012.

6.3.5 The Scheme will reallocate the policies, assets and liabilities of the ReAssure Defined Book, currently within the *Windsor Life With-Profits Fund* in ReAssure, to

the *ReAssure Non-Profit Fund* except that the unitised with-profits investments of policies in the ReAssure Defined Book shall remain allocated to the *National Mutual With-Profits Fund* (to which the unitised with-profits liabilities of the ReAssure Defined Book are reinsured).

6.3.6 In the case of both the *Guardian Defined UL Business* and the ReAssure Defined Book reallocations, the relevant cash flows (as described in paragraph 6.3.2 and paragraph 6.3.4 respectively) are already reinsured to non-profit funds, thus the reallocation of the policies themselves means that the location of the policies matches up to the economic reality that risks insured under the policies and any profit arising from that business is already borne by or for the benefit of a non-profit fund.

6.3.7 RLL and ReAssure may decide prior to the final hearing at the Court to allocate the *Guardian Defined UL Business* to the *Guardian Assurance With-Profits Fund* instead of the *ReAssure Non-Profit Fund* and leave the ReAssure Defined Book allocated to the *Windsor Life With-Profits Fund*.

6.4 Linked Funds

6.4.1 Index-linked or property-linked assets and any associated liabilities forming part of the business being transferred in each *Linked Fund* or part thereof of RLL prior to the Transfer Date will be allocated to a corresponding *New Linked Fund* to be established by ReAssure within the *ReAssure Non-Profit Fund*. The *New Linked Fund* will have investment objectives that are the same or as closely aligned as practicable with those of the relevant *Linked Funds* or part thereof of RLL, with units of the same aggregate value as were comprised in respect of the *Transferred Policies* in the relevant *Linked Funds* or part thereof of RLL immediately prior to the Transfer Date.

6.4.2 The investments in *Linked Funds* of any *Transferred Policies* which are to be allocated to the *Guardian Assurance With-Profits Fund* will be internally reinsured to the *New Linked Funds* established in the *ReAssure Non-Profit Fund*. Under this reinsurance arrangement, investments in *Linked Funds* of *Transferred Policies* which are allocated to the *Guardian Assurance With-Profits Fund* (including future increases) will be allocated to the *ReAssure Non-Profit Fund* and will be treated as a reinsurance premium. When a claim is made under a relevant policy, the *ReAssure Non-Profit Fund* will transfer an amount representing the value of the relevant investment in *Linked Funds* to the *Guardian Assurance With-Profits Fund*.

6.4.3 The linked funds element of the *Hybrid Policies* allocated to the *Windsor Life With-Profits Fund* is currently internally reinsured to the ReAssure Defined Book in that fund. When the ReAssure Defined Book is reallocated to the *ReAssure Non-Profit Fund*, the internal reinsurance of this *Linked Fund* will instead be to the *ReAssure Non-Profit Fund*. This variation of the internal reinsurance will not change the benefits, expectations or security of policyholders as the polices will continue to be allocated to the same *Linked Fund* within ReAssure.

6.4.4 Subject to the policyholder protections set out in this paragraph 6.4.4, ReAssure has the right to make certain changes (such as closure, merger, winding up or division) to the *New Linked Funds* in the future. ReAssure also has the right to modify or enlarge the investment objectives of any *New Linked Fund* to permit investments which are reasonably similar to, or provide reasonably similar investment exposure to, those already held or permitted on terms considered equitable as between policyholders by the ReAssure Board. Such changes may only be made if it would not breach *Regulatory Requirements*, if the ReAssure Board and Fairness Committee do not consider that it would in all reasonably foreseeable circumstances have a materially adverse effect on the interests of any relevant group of affected policyholders and if they may be made under the terms and conditions of the relevant policies (as interpreted in accordance with general law contractual principles). Where the relevant policy terms do not specify whether these changes

can be made, ReAssure would follow the usual procedure (including to comply with the law applicable to that policy) before making any changes including referring the matter to the Fairness Committee to ensure that policyholder interests are protected. If the ReAssure Board (having regard to the advice of the ReAssure Chief Actuary and the Fairness Committee) considers that any group of policyholders may be disadvantaged by any changes to be made to the ***New Linked Funds*** under the Scheme, appropriate compensation will be provided to such policyholders.

6.4.5 None of the provisions of the Scheme in relation to future changes to ***New Linked Funds*** will result in an amendment to the terms of any relevant policy. However, ReAssure is not precluded from making any amendment to relevant policies in the future in accordance with all relevant procedures (and subject to any approvals that may be required) for amending terms of Policies that may apply from time to time and then ReAssure may only make changes to ***New Linked Funds*** as set out in paragraph 6.4.4 above.

7 Benefits and claims to be paid by ReAssure after the Transfer Date

It is intended that from the Transfer Date, all of the rights and obligations arising from RLL's entire business will automatically transfer to ReAssure and will no longer rest with RLL. This means that ReAssure will be responsible for paying all benefits and meeting all the other obligations which were previously RLL's including all liabilities under policies.

8 Exceptions

Despite the intention to transfer the whole business of RLL to ReAssure, there may be a small number of policies which fall outside the Scheme. These would be **"Excluded Policies"** or **"Residual Policies"**, as described in more detail in the full version of the Scheme document. RLL and ReAssure do not expect there to be any Excluded Policies, and any Residual Policies will transfer as soon as they can.

9 Premiums and mandates

Direct debits, standing orders or other instructions or authorities payable to or from RLL will from the Transfer Date be payable to or from ReAssure.

10 Costs and expenses

None of the costs and expenses relating to the preparation of the Scheme documents, the UK Court, Guernsey Court or Jersey Court processes will be borne by the with-profits funds within ReAssure or RLL.

11 Conditions

Certain conditions must be satisfied (or waived by RLL and the ReAssure) before the Scheme takes effect. These conditions relate to obtaining certain tax clearances and ensuring that there is no objection to the transfer from the Central Bank of Ireland (in relation to the change of controller of Ark Life Assurance Company Limited, a subsidiary of RLL). RLL and ReAssure are working towards the satisfaction of these conditions.

12 Modifications or additions

RLL and ReAssure may propose modifications or additions to the Scheme (to be approved by the Court) at the Court hearing. RLL and ReAssure may also seek the Court's consent to amend the terms of the Scheme at a later date if certain requirements are met. These requirements are that: (i) the PRA and FCA have been notified of the proposed amendment; and (ii) an independent expert actuary has certified that he does not believe that the amendment will materially adversely affect the security or reasonable expectations of policyholders. The Fairness Committee would also need to approve any proposed amendment to the Scheme.

Glossary of terms used in the Summary

Within the Scheme Summary, any reference to the singular shall include a reference to the plural and vice versa.

"Guardian Assurance With-Profits Fund" the with-profits fund of ReAssure to be established and maintained pursuant to the Scheme;

"Guardian Defined UL Business" the unit-linked business, including *Hybrid Policies*, which forms part of the *Guardian With-Profits Fund* whose non-linked cash flows are 100% reassured to the *Guardian Non-Profit Fund*, namely the Choices Pension, Freedom Life and Group Money Purchase contracts;

"Guardian Non-Profit Fund" the non-profit sub-fund of RLL comprising the property and liabilities of RLL which the RLL Board shall determine from time to time as being:

(a) attributable to, arising from or held in connection with the Long-Term Insurance Business of RLL, or
(b) required for the management of the Long-Term Insurance Business of RLL;

"Guardian PHI Fund" the PHI sub-fund of RLL, which contains only permanent health business, in which 100% of the distributed profit is allocated to the shareholder;

"Guardian With-Profits Fund" the with-profits sub-fund of RLL;

"Hybrid Policy" a policy which includes the option to invest in both *Linked Funds* and *With-Profits Units*;

"Linked Funds" an internal linked fund maintained for the purposes of calculating directly or indirectly benefits payable under *Linked Policies* other than benefits determined by reference to the value of *With-Profits Units* (and any bonuses attaching to them);

"Linked Policies" policies which are invested partly or wholly, directly or indirectly, in *Linked Funds* (for the avoidance of doubt, "Guardhill" policies are not *Linked Policies*);

"National Mutual With-Profits Fund" the with-profits sub-fund within ReAssure created pursuant to paragraph 17 of the scheme for the transfers of the businesses of NM Life Limited and NM Pensions Limited to ReAssure sanctioned by an order dated 18 December 2007;

"New Linked Fund" an internal *Linked Fund* to be established by ReAssure pursuant the Scheme for the purposes of calculating benefits payable under Transferred Policies which are *Linked Policies*;

"ReAssure Non-Profit Fund" the non-profit sub-fund of ReAssure comprising the property and liabilities of ReAssure which the ReAssure Board shall determine from time to time as being:

(i) attributable to, arising from or held in connection with the Long-Term Insurance Business of ReAssure, or
(ii) required for the management of the Long-Term Insurance Business of ReAssure;

"Regulatory Requirements" all applicable laws, statutes, regulations, rules, orders, directives, requirements, guidance, standards, guidelines and industry codes of practice in each case having legal effect stipulated by any legal, governmental or regulatory body with powers of direction over the relevant entity, including the rules of any stock exchange or listing authority, in each case existing and in force from time to time, where relevant in the context;

"Transferred Policies" every policy written or assumed by RLL under which any liability remains unsatisfied or outstanding at the Transfer Date, but excluding the Residual Policies and the Excluded Policies;

"Unitised With-Profits Policy" any policy under which the value of the benefits is or may be measured in whole or in part by reference to the number and value of *With-Profits Units* allocated to that policy (for the avoidance of doubt, a *Hybrid Policy* may also be a *Unitised With-Profits Policy* if it meets this definition);

"Windsor Life With-Profits Fund" the with-profits sub-fund of ReAssure (other than the National Mutual With-Profits Fund) that existed immediately prior to the Transfer Date;

"With-Profits Unit" a notional unit whose value varies by reference to bonuses declared by RLL or ReAssure, as the case may be, for the purpose of calculating benefits payable under policies.

Summary of the Independent Expert's Report

1 Introduction:

The Independent Expert

1.1 When an insurance company decides to transfer some or all of its long-term insurance business to another insurance company, the law in the UK requires such a transfer to be approved by the High Court of Justice of England and Wales ("the Court"), and an Independent Expert to be appointed to report to the Court on the terms of the transfer and, in particular, to consider the effects on the holders of policies affected by the transfer.

1.2 I have been appointed by ReAssure Limited ("ReAssure") and ReAssure Life Limited ("RLL") to report as Independent Expert on the proposed transfer of the business of RLL to ReAssure, and on the proposed reallocation of certain policies between two sub-funds of ReAssure. In this report, I refer to this transfer as the "RLL Scheme".

1.3 I am a Fellow of the Institute and Faculty of Actuaries in the UK and a partner in Milliman LLP. I am an approved person on the Financial Services Register and I currently hold a number of Chief Actuary roles. I have fulfilled the role of Independent Expert in relation to a number of Part VII transfers that have subsequently been approved by the Court.

1.4 My appointment as the Independent Expert has been approved by the Prudential Regulation Authority ("PRA"), after consulting with the Financial Conduct Authority ("FCA"). I confirm that neither I nor Milliman LLP have or have had any direct or indirect interest in either ReAssure or RLL, or in other related firms that could influence my independence.

1.5 This is a summary of a more detailed report that I have written on the proposed Scheme entitled: "The Part VII transfer of the business of ReAssure Life Limited to ReAssure Limited, and the reallocation of certain policies from the Windsor Life With-Profits Fund of ReAssure Limited: The report of the Independent Expert". In this summary report, I refer to the more detailed report as "my main report".

1.6 In order to gain a full understanding of my conclusions in relation to this Scheme and the associated rationale, assumptions and limitations, policyholders should read my main report which is available on request from ReAssure and RLL, and to download from the companies' joint website (**www.reassure.co.uk**).

1.7 This summary report has been prepared on an agreed basis for ReAssure and RLL in the context of the proposed Scheme of Transfer ("the Scheme") and the limitations of liability and reliances that apply to my main report apply equally to this summary report.

1.8 The scope of my main report was agreed with the UK financial services regulators, the PRA and the FCA, and I need to consider how the different groups of policyholders are likely to be affected by the proposed Scheme. In particular I need to consider the effect of the implementation of the Scheme on:

- The security of the contractual rights of the policyholders of ReAssure and RLL, including the likelihood and potential effects should the insurer become insolvent; and
- The reasonable expectations of the ReAssure and RLL policyholders, including benefit expectations, service standards and governance applicable to policyholders.

1.9 Similar schemes are to be presented to:

- The Royal Court of Jersey to transfer any relevant long-term insurance business carried on by RLL in or from within Jersey to ReAssure; and
- The Royal Court of Guernsey with respect to any relevant policies of long-term insurance business of RLL issued to residents of Guernsey.

1.10 My main report will be presented to the Royal Court of Jersey and the Royal Court of Guernsey, respectively, to satisfy the requirement for a report by an Independent Expert on the terms of those schemes.

1.11 The conclusions in my main report apply to all policyholders of ReAssure and RLL regardless of their place of residence and/or where the policy was issued.

The Solvency II regulatory regime

1.12 A new regulatory solvency framework for the European Economic Area ("EEA") insurance and reinsurance industry came into effect on 1 January 2016. This new regime is known as Solvency II and its capital requirements and risk management practices are intended to better reflect the risks that insurers and reinsurers face and to introduce consistency across the EEA.

1.13 In Section 3 of my main report I set out some detail behind the new Solvency II regime.

1.14 Under Solvency II, a company's insurance liabilities are called the "technical provisions" and the capital that a company is required to hold in respect of the Solvency II regulations is called the SCR. The SCR is intended to be an amount that ensures the company can continue to meet its technical provisions with a probability of at least 99.5% over a one year period.

1.15 Solvency II includes the concept of a ring-fenced fund. This refers to any arrangement where an identified set of assets and liabilities are managed as though they were a separate undertaking, meaning that there are restrictions on the extent to which surplus in the ring-fenced fund may be transferred to shareholders or used to cover losses outside the ring-fenced fund. The with-profits sub-funds of ReAssure and RLL are ring-fenced funds.

1.16 Appendices 1 and 2 of my main report show the Solvency II balance sheets as at 31 December 2015 for RLL and ReAssure before and after the implementation of the proposed Scheme.

The Phoenix Annuity Scheme

1.17 A separate, but nonetheless relevant, Part VII Scheme of transfer is being undertaken by ReAssure in parallel with this Scheme. This Scheme provides for the transfer of some non-profit annuity policies of Phoenix Life Limited ("Phoenix"), an insurance company within the Phoenix Group, into ReAssure. I refer to this Scheme as the "Phoenix Annuity Scheme". If both Schemes are approved by the Court, the RLL Scheme will take place on the same day as the Phoenix Annuity Scheme, with the Phoenix Annuity Scheme taking place first, immediately followed by the RLL Scheme.

1.18 I have been appointed as Independent Expert for the Phoenix Annuity Scheme and have written a report on that Scheme which is available on the ReAssure and Phoenix websites. As the RLL Scheme would take place immediately following the Phoenix Annuity Scheme, and as the two Schemes are separate and are not dependent on each other, in my main report on the RLL Scheme I consider the impact of the implementation of the Scheme under the working assumption that the Phoenix Annuity Scheme goes ahead just before the RLL Scheme. However, I also consider the contingency in which the Phoenix Annuity Scheme does not go ahead and whether that would have an impact on my conclusions.

My supplementary report

1.19 I will be preparing a further report (the "Supplementary Report") prior to the final Court Hearing to provide an update for the Court on my conclusions in respect of the effect of the implementation of the proposed Scheme on the different groups of policyholders in light of any significant events subsequent to the date of the finalisation of my main report.

1.20 My Supplementary Report will be available to policyholders on the ReAssure and RLL joint website.

2 ReAssure and RLL: The companies involved in the proposed Scheme

ReAssure

2.1 ReAssure is a UK-based insurance company whose immediate parent is Admin Re UK Limited ("ARUK"). ReAssure and ARUK are part of the Swiss Re Group. ReAssure's principal activity is long-term insurance business.

2.2 ReAssure currently has two ring-fenced funds as defined under Solvency II. These are:

- The Windsor Life With-Profits Fund (the "WLWPF"); and
- The National Mutual With-Profits Fund (the "NMWPF").

2.3 ReAssure refers to the assets, liabilities and insurance policies outside the ring-fenced funds as the ReAssure Non-Profit Fund (the "RNPF") business.

2.4 The WLWPF contains an identified set of policies, referred to as the ReAssure Defined Book (the "DB"). The DB is a book of non-profit annuities, and hybrid investment policies, under which policyholders have a choice of unit-linked and unitised with-profits ("UWP") funds. Whilst the DB is a part of the WLWPF, inter-fund arrangements exist such that:

- The investment performance of the UWP elements of the DB business is linked to the NMWPF; and
- The non-unit cash flows on the DB accrue to the RNPF so that all other surplus or loss arising on the DB business belongs to the RNPF.

The ReAssure Capital Policy

2.5 In addition to its regulatory solvency requirements, ReAssure has a capital policy ("the ReAssure Capital Policy" or "RCP"), which is a policy adopted by the Board of Directors of ReAssure that provides for a capital management buffer to be maintained over and above the capital required under the Solvency II regulatory regime. The RCP states that ReAssure should have sufficient capital to cover the ReAssure SCR and 20% of the RNPF SCR. ReAssure believes that this 20% buffer is broadly equivalent to a 90% probability of being able to continue to cover its SCR over a one year period.

2.6 More information on ReAssure is given in Section 4 of my main report.

RLL

2.7 RLL is a UK-based insurance company whose immediate parent is Guardian Financial Services Holdings UK Limited ("GFSHUKL"). Like ReAssure, GFSHUKL is a subsidiary of ARUK, and therefore ReAssure and RLL are both part of the Swiss Re Group. RLL was previously named Guardian Assurance Limited ("GAL"), but was renamed ReAssure Life Limited on 23 June 2016 following the acquisition of GAL by ARUK. RLL's principal activity is long-term insurance business.

2.8 RLL has a Republic of Ireland based insurance subsidiary, Ark Life Assurance Company Limited ("Ark").

2.9 RLL currently has one ring-fenced fund as defined under Solvency II: the Guardian With-Profits Fund ("GWPF"). RLL refers to the assets, liabilities and insurance policies outside the GWPF as the Guardian Non-Profit Fund (the "GNPF") business and I follow this convention in my report.

2.10 The GWPF contains an identified set of policies, referred to as the Guardian Defined Unit-Linked Business ("GDUB"). The GDUB is a book of hybrid investment policies, under which policyholders have a choice of unit-linked and UWP funds. The non-unit cash

flows of the GDUB accrue to the GNPF under an inter-fund arrangement so that all other surplus or loss arising on the GDUB business belongs to the GNPF.

2.11 RLL, and specifically the GNPF, is currently the reinsurer of 100% of the investment and longevity risks associated with the annuities to be transferred to ReAssure under the Phoenix Annuity Scheme.

RLL's capital policy

2.12 RLL's capital policy was changed in March 2016 to update it for Solvency II and to align it with that of ReAssure. This means that RLL's and ReAssure's capital policies are the same, save that RLL's capital buffer relates to the GNPF whereas ReAssure's applies to the RNPF.

3 The Proposed Scheme

3.1 If the Scheme is approved by the Court, then on the Transfer Date, the long-term insurance policies of RLL, together with the associated assets and liabilities, will transfer from RLL to ReAssure. In particular

- The policies in the GNPF on the Transfer Date will transfer to the RNPF;
- The GDUB policies, currently allocated to the GWPF, will be transferred to the RNPF. The investment elements of the UWP components of the hybrid GDUB policies will be linked to the newly created Guardian Assurance With-Profits Fund ("GAWPF");
- The remaining policies in the GWPF on the Transfer Date will be allocated to a newly created ring-fenced fund in ReAssure: the GAWPF; and
- The DB business will be reallocated to the RNPF. The investment elements of the UWP components of the hybrid DB business will continue to be linked via an inter-fund arrangement to the NMWPF.

3.2 If the Phoenix Annuity Scheme has gone ahead, the reinsurance of the transferred annuities from ReAssure to RLL will terminate as the business of RLL transfers into ReAssure. If the Phoenix Annuity Scheme has not gone ahead, then the Phoenix annuities will remain policies of Phoenix, and the RLL Scheme will result in ReAssure becoming the reinsurer of the Phoenix annuities, in place of RLL.

4 The effect of the Scheme on the transferring RLL policies

Introduction

4.1 Under the proposed Scheme, the business of RLL will transfer into ReAssure. I consider the effect of the implementation of the Scheme on the transferring RLL policies in Section 7 of my main report. The policies of RLL can be divided into the following groups:

- The GNPF policies;
- The GDUB policies;
- The GWPF policies (excluding the GDUB); and

4.2 Section 7 of my main report also considers the effect of the implementation of the Scheme on the policies of Ark (RLL's Irish subsidiary).

The GNPF policies

The security of policyholder benefits

4.3 The policies of the GNPF currently achieve security for their guaranteed benefits from the assets attributed to the GNPF.

4.4 Following the RLL Scheme, the GNPF policies will become part of the RNPF which is subject to the same regulatory solvency requirements as the GNPF, and its technical provisions, SCR and capital policy buffer are calculated in a way that is materially consistent with the current approach taken in the GNPF.

4.5 Therefore, following the implementation of the Scheme, the security provided by the technical provisions, SCR and capital policy will be broadly equivalent to that provided before the Scheme's implementation.

4.6 The capital policies of ReAssure and RLL are set by the respective Boards of ReAssure and RLL and could therefore be changed by those Boards. In my main report I compare the governance surrounding changes to the capital policies, but in summary ReAssure has agreed that a change to the capital policies would not be implemented without the non-objection of the PRA.

4.7 I discuss the security available to the GNPF policies in more detail in my main report, but in summary I am satisfied that the proposed Scheme will not have a material adverse effect on the GNPF policies.

The reasonable expectations of the GNPF policyholders

4.8 The implementation of the Scheme will not change:

- The terms and conditions of the GNPF policies (except that the policies will become policies of ReAssure);
- The methodology used to calculate the surrender values of the GNPF policies;
- The charges that apply to the GNPF policies;
- The exercise of discretion in respect of the management of the unit-linked funds;
- The outsourcing and asset management arrangements for the policies of RLL and the governance around these, including the performance standards of RLL to which these outsourcing and asset management arrangements are held;

4.9 The transferring GNPF business is currently managed by, and subject to the governance of, the Board of RLL. Following the implementation of the Scheme, the transferring GNPF business will be subject to the governance of the ReAssure Board. ReAssure and RLL are part of the same business unit of the Swiss Re Group, and the Boards and senior management of ReAssure and RLL have a number of individuals in common. In addition, the business of the RNPF is similar to that of the GNPF.

4.10 The GNPF business will also be overseen by ReAssure's Fairness Committee, which has a similar remit to RLL's With-Profits Committee in relation to the fair treatment of customers (including non-profit customers as described in Section 7 of my main report).

4.11 The GNPF policies are all currently administered and serviced by GCSL, with some outsourcing to third party administration firms. Immediately after the implementation of the RLL Scheme these policies will continue to be serviced from the same systems and by the same administration teams.

4.12 In my Supplementary Report I shall review any proposed changes in relation to unit-linked funds and related investment objectives that will occur as a result of the implementation of the Scheme (including as at the Transfer Date).

4.13 I am satisfied for the reasons set out above that the implementation of the Scheme will not have a material adverse effect on the reasonable expectations of the transferring GNPF policyholders.

Conclusions for the GNPF policies

4.14 I am satisfied that the implementation of the Scheme will not have a material adverse effect on:

- The security of benefits under the GNPF policies;
- The reasonable expectations of the GNPF policyholders in respect of their benefits; or
- The service standards, governance and management applicable to the GNPF policies.

The GDUB policies

4.15 The GDUB is a block of unit-linked and UWP business that is currently allocated to the GWPF. The non-unit cash flows of the GDUB accrue to the GNPF under an inter-fund arrangement.

4.16 If the RLL Scheme is implemented then all of the GDUB (unit-linked and UWP elements) will be transferred to the RNPF and the UWP element of the GDUB policies will be linked into the GAWPF via an inter-fund arrangement.

The financial strength available to provide security of benefits

4.17 The financial strength supporting the security of the guaranteed benefits under the GDUB policies is currently provided by assets in the GWPF (supporting the unit-linked and UWP liabilities of policyholders) and assets in the GNPF.

4.18 Following the Scheme, the GDUB policies will be allocated to the RNPF and will rely on the financial strength of this fund for its security of guaranteed benefits, as well as the strength of the GAWPF to support the UWP elements of the GDUB. The RNPF and GAWPF are subject to the same regulatory solvency requirements as the GWPF and the GNPF, and their technical provisions, SCR and capital policy buffer will be calculated in a way that is materially consistent with the current approach taken in RLL.

4.19 I am satisfied that the implementation of the Scheme will not have a material adverse effect on the financial strength that will provide security of the guaranteed benefits under the GDUB policies.

The reasonable expectations of the GDUB policyholders

4.20 The implementation of the proposed Scheme will lead to the following changes to the terms and conditions of the GDUB policies:

- The policies will become policies of ReAssure; and
- For those GDUB policies with a UWP element a change will result from the introduction of the clauses in relation to the GAWPF regarding the "Fund Merger Threshold" and the "Non-Profit Threshold" as described in paragraph 7.85 of my main report.

4.21 The implementation of the proposed RLL Scheme will not change:

- The terms and conditions of the GDUB policies (except for as mentioned above);
- The principles and practices used in the management of the UWP elements of the GDUB with the exception of the clauses introduced in relation to the GAWPF in relation to the introduction of a "Fund-Merger Threshold" and a "Non-Profit Threshold" as described in paragraph 7.85 of my main report;
- The rights of the UWP GDUB policies to any future distributions from the estate;
- The methodology used to calculate asset shares and surrender values of the UWP GDUB policies;
- The bonus and pay-out policies applied to the UWP GDUB policies;
- The investment strategy applicable to the UWP GDUB policies;
- The charges that apply to the GDUB policies; or
- The outsourcing and asset management arrangements for the GDUB policies.

4.22 The GDUB is currently managed by, and subject to the governance of, the Board of RLL. Following the implementation of the Scheme, the GDUB will be subject to the governance of the ReAssure Board. ReAssure and RLL are part of the same business unit of the Swiss Re Group, and the Boards and senior management of ReAssure and RLL have a number of individuals in common.

4.23 The GDUB will also be overseen by ReAssure's Fairness Committee, which has a similar remit to RLL's With-Profits Committee ("WPC") in relation to the fair treatment of customers.

4.24 The GDUB policies are all currently administered and serviced by GCSL, with some outsourcing to third party administration firms. After the implementation of the RLL Scheme these policies will continue to be serviced from the same systems and by the same administration teams.

4.25 In my Supplementary Report I shall review any proposed changes in relation to unit-linked funds and related investment objectives that will occur as a result of the implementation of the Scheme (including as at the Transfer Date).

4.26 I am satisfied for the reasons set out above that the implementation of the Scheme will not have a material adverse effect on the reasonable expectations of the GDUB policyholders.

Conclusions for the GDUB policies

4.27 I am satisfied that the implementation of the Scheme will not have a material adverse effect on:

- The security of benefits under the GDUB policies;
- The reasonable expectations of the GDUB policyholders in respect of their benefits; or
- The service standards, governance and management applicable to the GDUB.

The GWPF policies (excluding the GDUB policies)

4.28 The GWPF policies are currently in a ring-fenced fund in RLL and, if the RLL Scheme is implemented, will be transferred to ReAssure where the GDUB policies will be allocated to the RNPF and the rest of the GWPF policies will be allocated to another ring-fenced fund called the GAWPF.

4.29 The GAWPF will have all the business that is currently in the GWPF except the GDUB and no other business will be transferred in to the GAWPF.

The security of benefits of the GWPF policies (excluding the GDUB policies)

4.30 There will be little change from the perspective of the GWPF policies, as they are to be transferred to a new ring-fenced fund in ReAssure (the GAWPF) that will contain no business other than the business of the GWPF. All of the assets, policies and liabilities of the GWPF, except those corresponding to the GDUB, will be transferred to the GAWPF. In addition, under the inter-fund reinsurance agreement, the future non-unit surpluses of the GDUB have been allocated to the GNPF and so the transfer out of the GDUB business would have an immaterial economic effect on the GWPF.

4.31 I am satisfied that the implementation of the proposed Scheme will not have a material adverse effect on the financial strength available to support the security of the guaranteed benefits of the GWPF policies (not including the GDUB).

The reasonable expectations of the policyholders of the GWPF policies (excluding the GDUB policies)

4.32 The implementation of the proposed Scheme will lead to the following changes to the terms and conditions of the other GWPF policies:

- The policies will become policies of ReAssure; and
- The introduction of the “Fund Merger Threshold” and the “Non-Profit Threshold” as described in paragraph 7.85 of my main report.

4.33 The implementation of the proposed RLL Scheme will not change:

- The terms and conditions of the other GWPF policies (except for as mentioned above);
- The principles and practices used in the management of the GWPF when it becomes the GAWPF, with the exception of the introduction of a “Fund-Merger Threshold” and a “Non-Profit Threshold” as described in paragraph 7.85 of my main report;
- The rights of the GWPF policies to any future distributions from the GWPF estate;

- The methodology used to calculate asset shares and surrender values of the GWPF policies;
- The bonus and pay-out policies applied to the GWPF with-profits policies;
- The investment strategy applicable to the GWPF with-profits policies;
- The charges that apply to the existing policies of the GWPF;
- The operation of GWPF;
- The internal arrangement of vesting annuities in the GAWPF being written in the RNPF; and
- The capital policy and risk appetite to which the RNPF is managed.

4.34 The implementation of the proposed RLL Scheme will not change the practices used in the management of the business of the GWPF, including the with-profits business, except for the introduction of a "Fund-Merger Threshold" and a "Non-Profit Threshold". These provide for the merger of the GAWPF with another with-profits fund and for the conversion of the GAWPF to a non-profit basis once the size of the fund drops below specified thresholds. I discuss this further in Section 7 of my main report and conclude that the introduction of these thresholds would not have a material adverse effect on the GWPF policyholders.

4.35 The GWPF business is currently managed by, and subject to the governance of, the Board of RLL and subject to the oversight of the RLL WPC. Following the implementation of the Scheme, the GAWPF business will be subject to the governance of the ReAssure Board and the ReAssure Fairness Committee. ReAssure and RLL are part of the same business unit of the Swiss Re Group, and the Boards and senior management of ReAssure and RLL have a number of individuals in common. ReAssure's Fairness Committee has a similar remit to RLL's With-Profits Committee in relation to the fair treatment of customers.

4.36 The GWPF policies are all currently administered and serviced by a service company within Swiss Re, with some outsourcing to third party administration firms. After the implementation of the RLL Scheme these policies will continue to be serviced from the same systems and by the same administration teams.

4.37 I am satisfied for the reasons set out above that the implementation of the Scheme will not have a material adverse effect on the reasonable expectations of the GWPF policyholders.

Conclusions for the GWPF (excluding the GDUB) policies

4.38 I am satisfied that the implementation of the Scheme will not have a material adverse effect on:

- The security of benefits under the other GWPF policies;
- The reasonable expectations of the other GWPF policyholders in respect of their benefits; or:
- The service standards, governance and management applicable to the other GWPF policies.

The policies of Ark

4.38 For the reasons set out in my main report, I am satisfied that the implementation of the Scheme will not have a material adverse effect on:

- The security of benefits under the Ark policies;
- The reasonable expectations of the Ark policyholders in respect of their benefits; or
- The service standards, governance and management applicable to the Ark policies.

5 The effect of the Scheme on the ReAssure policies

Introduction

5.1 I consider the impact of the Scheme on existing ReAssure policies in Section 8 of my main report. The policies of ReAssure can be divided into the following groups:

- The RNPF policies;

- The DB policies; and
- The other policies in the ReAssure ring-fenced funds (the WLWPF and the NMWPF).

RNPF policies

The security of policyholder benefits

5.2 The policies of the RNPF will remain in the RNPF after the transfer and the regulatory solvency requirements and the capital policy buffer attributable to the RNPF will not change as a result of the implementation of the Scheme. Therefore, following the implementation of the Scheme, the security provided by the technical provisions, SCR and capital policy will be broadly equivalent to that provided before the transfer.

5.3 The only change will be the other policies (GNPF policies, GDUB policies and the DB policies) that will be transferred into the RNPF. However, as set out in my main report, the RNPF is projected to remain within the capital requirements of the RCP.

5.4 I am satisfied that the implementation of the proposed Scheme will not have a material adverse effect on the financial strength available to provide security for the RNPF policies.

The governance and management of the RNPF policies

5.5 There will be no change to the governance, management and oversight arrangements of the RNPF business as a result of the Scheme.

5.6 I am therefore satisfied that the implementation of the Scheme will not have a material adverse effect on the standards of governance and management applicable to the transferring RNPF business.

The reasonable expectations of the RNPF policyholders

5.7 The implementation of the proposed RLL Scheme will not change:

- The terms and conditions of the existing RNPF policies;
- The methodology used to calculate the surrender values of the transferring RNPF business;
- The charges that apply to the RNPF business;
- The exercise of discretion in respect of the management of the unit-linked funds;
- The operation of ReAssure, the ReAssure ring-fenced funds or the RNPF;
- The outsourcing and asset management arrangements for the policies of ReAssure and the governance around these including the performance standards of ReAssure to which these outsourcing and asset management arrangements are held;
- The governance and management of the RNPF policies which will continue to be the responsibility of the ReAssure Board; or
- The risk appetite to which ReAssure is managed.

5.8 ReAssure management has discretion with regard to the level of charges on existing unit-linked RNPF business. The extent of this discretion will not be affected by the Scheme.

5.9 There will be no change to the governance, management and oversight arrangements of the RNPF business as a result of the Scheme.

5.10 In my Supplementary Report I shall review any proposed changes in relation to unit-linked funds and related investment objectives that will occur as a result of the implementation of the Scheme (including as at the Transfer Date).

5.11 I am satisfied that the implementation of the RLL Scheme will not have a material adverse effect on the reasonable benefit expectations of the policyholders of the RNPF business or on the governance, management and service standards that apply to the RNPF business.

Conclusions for the RNPF policies

5.12 I am satisfied that the implementation of the Scheme will not have a material adverse

effect on:

- The security of benefits under the RNPF policies;
- The reasonable expectations of the RNPF policyholders in respect of their benefits; or
- The service standards, governance and management applicable to the RNPF policies.

The DB business

5.13 The DB is currently allocated to the WLWPF. 100% of the non-unit cash flows of the DB business are allocated to the RNPF under the terms of a previous scheme and under an inter-fund arrangement. The UWP element of the DB business is linked to the NMWPF from the WLWPF.

5.14 If the RLL Scheme is implemented then all of the DB business (unit-linked and UWP) will be transferred to the RNPF and the UWP element of the DB policies will be reinsured into the NMWPF.

The financial strength available to provide security of benefits

5.15 The financial strength supporting the security of the guaranteed benefits under the DB policies is currently provided by assets in the WLWPF, the NMWPF and the RNPF.

5.16 However, the excess assets in the WLWPF would only be called upon to support policyholder benefits in the extreme event of the insolvency of ReAssure, and this will remain the case after the implementation of the Scheme.

5.17 Similarly to the RNPF policies, there will be no change in the regulatory solvency requirements, nor to the capital policy, to which the DB is subject as a result of the implementation of the Scheme.

5.18 For the reasons set out above, as well as those in my main report, I am satisfied that the implementation of the Scheme will not have a material adverse effect on the financial strength that will provide security of the guaranteed benefits under the DB policies.

The reasonable expectations of the DB policyholders

5.19 The implementation of the proposed RLL Scheme will not change:

- The terms and conditions of the DB policies;
- The principles and practices used in the management of the UWP DB business;
- The rights of the UWP DB policies to any future distributions from the inherited estate;
- The methodology used to calculate asset shares and surrender values of the UWP DB policies;
- The bonus and pay-out policies applied to the UWP DB policies;
- The investment strategy applicable to the UWP DB policies;
- The charges that apply to the DB policies;
- The outsourcing and asset management arrangements for the DB policies;
- The management and governance of the DB policies as a result of the Scheme; or
- The administration and service standards of the DB policies.

5.20 In my Supplementary Report I shall review any proposed changes in relation to unit-linked funds and related investment objectives that will occur as a result of the implementation of the Scheme (including as at the Transfer Date).

5.21 Therefore, I am satisfied that the implementation of the RLL Scheme will not have a material adverse effect on the reasonable benefit expectations of the DB policyholders or on the governance, management and service standards that apply to the transferring business.

Conclusions for the DB policies

5.22 I am satisfied that the implementation of the Scheme will not have a material adverse effect on:

- The security of benefits under the DB policies;
- The reasonable expectations of the DB policyholders in respect of their benefits; or
- The service standards, governance and management applicable to the DB business.

The policies of the ReAssure ring-fenced funds (the WLWPF and the NMWPF)

The security of benefits of the policies of the ReAssure ring-fenced funds

5.23 Under the RLL Scheme, there will be no business transferred into the WLWPF or the NMWPF. The DB business will be transferred out of the WLWPF but, under the terms of the NM Scheme and the subsequent inter-fund arrangement, the future non-unit surpluses have been allocated to the RNPF and so the transfer out of the DB business would have an immaterial economic effect. The UWP elements of the DB will remain linked to the NMWPF, so there is no change from the perspective of the NMWPF in this regard.

5.24 Therefore, for the reasons set out above and in my main report, I am satisfied that the implementation of the RLL Scheme will not have a material adverse effect on the security of the benefits of the policyholders within the WLWPF or the NMWPF.

The reasonable expectations of the policyholders of the ring-fenced funds

5.25 Under the terms of a previous scheme, the NMWPF may be merged with another ring-fenced fund in ReAssure once the value of its assets falls below a specified threshold. This will not change as a result of the implementation of the RLL Scheme. However, the creation of the GAWPF and the analogous provision around fund mergers for the GAWPF described in paragraph 4.21 means that it is possible that the NMWPF could be merged with the GAWPF at a future point. The RLL Scheme stipulates that any such merger should be subject to approval by the PRA, the FCA and the ReAssure Fairness Committee and that an independent expert would be required to provide a certificate stating that any such merger shall not materially adversely affect the interests and reasonable expectations of policyholders of the merging funds.

5.26 For the reasons set out above and in my main report, I am satisfied that the implementation of the RLL Scheme will not have a material adverse effect on the reasonable benefit expectations of the policyholders of the ReAssure ring-fenced funds or on the governance, management and service standards that apply to the policies of the ReAssure ring-fenced funds.

Conclusions for the policies of the ReAssure ring-fenced funds

5.27 I am satisfied that the implementation of the Scheme will not have a material adverse effect on:

- The security of benefits under the policies of the ReAssure ring-fenced funds;
- The reasonable expectations of the policyholders of the ReAssure ring-fenced funds in respect of their benefits; or
- The service standards, governance and management applicable to the ReAssure ring-fenced funds.

5.28 I am satisfied that the implementation of the Scheme will not have a material adverse effect on the security of the benefits under the policies of the ReAssure ring-fenced funds or on the reasonable benefit expectations of the policyholders of the ReAssure ring-fenced funds.

6 The effect of the RLL Scheme if the Phoenix annuity Scheme does not proceed

6.1 As described in paragraph 1.17, a separate Part VII transfer (the Phoenix Annuity Scheme) is scheduled to be implemented immediately prior to the RLL Scheme, under which some of the non-profit annuities of Phoenix will be transferred to the RNPF.

6.2 Section 9 of my main report sets out my analysis of the impact of this scenario on the affected groups of policyholders, but in summary I am satisfied that the non-implementation of the Phoenix Annuity Scheme would not affect my conclusions in relation to the RLL Scheme.

7 Other considerations arising from the Scheme

The approach to communication with policyholders

7.1 Regulations require a communication regarding the implementation of the proposed Scheme to be sent to every policyholder of the parties under the Scheme. However, consideration may be given to the practicality and costs of sending notices against the likely benefits for policyholders of receiving such communications.

7.2 In addition to the information pack sent out to transferring policyholders, ReAssure and RLL will publish a notice in a form approved by the PRA in various UK newspapers.

7.3 ReAssure and RLL have been granted waivers from the requirements to communicate directly with the existing policyholders of ReAssure in relation to the proposed Scheme. In Section 10 of my main report I set out why I am satisfied that the proposed approach to communication with policyholders, including the application for the waiver, is fair and reasonable.

The costs of the Scheme

7.4 In my main report I set out why I am satisfied that the allocation of the costs of the Scheme is reasonable.

The Financial Services Compensation Scheme and Financial Ombudsman Service

7.5 The implementation of the Scheme will have no impact on the rights of the policyholders of RLL or ReAssure in relation to the Financial Services Compensation Scheme or Financial Ombudsman Service.

Future corporate transactions

7.6 In my main report I set out why I am satisfied that any acquisitions that are made by ARUK would be subject to an appropriate level of due process and scrutiny to ensure that they do not have a material adverse effect on the policies of ReAssure and RLL.

8 Conclusions

8.1 I confirm that I have considered the issues affecting the policyholders of RLL, and of ReAssure separately (as set out in Sections 4, 5, 6 and 7 of this summary report, and in Sections 7, 8, 9, 10 and 11 of my main report) and that I do not consider further subdivisions (other than those in my main report) to be necessary.

8.2 I am satisfied that the implementation of the Scheme will not have a material adverse effect on:

- The security of benefits of the policyholders of RLL and ReAssure;
- The reasonable expectations of the policyholders of RLL and ReAssure with respect to their benefits; or
- The service standards and governance applicable to the RLL and ReAssure policies.

8.3 My conclusions also hold in the scenario in which the Phoenix Annuity Scheme is not implemented.

Oliver Gillespie
Fellow of the Institute and Faculty of Actuaries

5 September 2016

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