Report to the Directors of Aviva Protection UK Limited from the Chief Actuary on the Proposed Transfer of the whole of the business of Aviva Protection UK Limited to Aviva Life & Pensions UK Limited

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2 July 2025

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1. Executive Summary

This report, made in my capacity as Chief Actuary, is addressed to the Directors of Aviva Protection UK Limited[1] ("APUK") and concerns a Scheme of Transfer ("the Scheme") under Part VII of the Financial Services and Markets Act 2000. It is proposed that the whole of the business of APUK is transferred to the Non-Profit Sub-Fund ("NPSF") of Aviva Life & Pensions UK Limited ("UKLAP"), the main UK Life company of Aviva.

This report describes the business covered under the Scheme, the assets and liabilities to be transferred and operational aspects of managing the business once it has been transferred. In particular, the report considers how the Scheme impacts the benefit security and the fair treatment of:

- APUK policyholders transferring to UKLAP under the Scheme; and
- Policyholders remaining in APUK.

I conclude that:

- The financial security of the policyholders of APUK transferring to UKLAP will not be materially adversely affected by the transfer;
- The Scheme will have no material adverse impact on the expected benefits or the fair treatment of the policyholders of APUK transferring to UKLAP.

At the time of writing this Report, all policyholders are expected to transfer under the Scheme.

Michael Aitchison, FFA

Date: 2 July 2025

[1] Aviva Protection UK Limited was formerly AIG Life Limited. It was rebranded in February 2025.

2. Introduction

2.1.Purpose of the report

2.1.1.As the Chief Actuary for APUK, I have been asked to comment on the proposals for the transfer of the whole of the business currently written within APUK to UKLAP under Part VII of the Financial Services and Markets Act 2000. The proposals are set out in the Scheme. If approved, the Scheme will come into effect on the "Effective Date", which is expected to be 31 December 2025.

2.1.2.It is also proposed that the transfer of any business carried on in or from within Jersey by APUK, or the transfer of any business which comprises policies issued by APUK to persons resident in the Bailiwick of Guernsey will be effected following the approval of separate schemes in Jersey and Guernsey (referred to respectively as the "Jersey Scheme" and the "Guernsey Scheme"). These schemes will provide for the transfer of policies on substantially the same terms as the proposed Scheme and are expected to have the same Effective Date as the Scheme. The implementation of the proposed Scheme is not conditional on the approval of the Jersey Scheme or the Guernsey Scheme and the conclusions in this report are valid whether or not the Jersey and Guernsey Schemes are implemented.

2.1.3.References to the Scheme should be taken to include the Jersey Scheme and the Guernsey Scheme unless otherwise stated.

2.1.4.The objective of this report is to consider the following:

- The likely effect of the Scheme on the financial security of APUK policyholders transferring under the Scheme;
- The likely effect of the Scheme on the fair treatment of policyholders of APUK transferring under the Scheme, including their legal rights and expected benefits.

2.1.5.At the time of writing this Report, all policies are expected to transfer under the Scheme. I will revisit the position in a further report ("Supplementary Report") prior to the Sanction Hearing. If any policies are required to remain in APUK for legal reasons I will additionally consider the following:

- The likely effect of the Scheme on the financial security of policyholders remaining in APUK;
- The likely effect of the Scheme on the fair treatment of policyholders remaining in APUK, including their legal rights and expected benefits.

2.1.6.The Chief Actuary of UKLAP has prepared his own report on the likely effect of the Scheme on the financial security and benefit expectations of existing policyholders of UKLAP.

2.1.7.The Chief Risk Officer of APUK has provided me with her opinion on the Scheme which is set out in Section 2.9.

2.2.Independent Expert

2.2.1.Mr Oliver Gillespie of Milliman LLP has been jointly appointed by APUK and UKLAP as the Independent Expert for the Scheme and has been approved as such by the PRA in consultation with the FCA. I have read a draft of his report on the terms of the Scheme and considered his conclusions. A copy of this report has also been provided to Mr Gillespie who has had the opportunity to review earlier draft versions.

2.3.Guidance on Usage of this Report

2.3.1.This report is written for the Board of APUK in my capacity as Chief Actuary, and should be read in conjunction with the Scheme, the UKLAP Chief Actuary's report and the report by the Independent Expert.

2.3.2. This report does not consider the impact on existing UKLAP policyholders. This is considered in a separate report of the Chief Actuary of UKLAP.

2.3.3. For the purposes of this report, the in scope business referred to throughout the document is taken to include all assets and liabilities in APUK. These are expected to transfer to UKLAP on the Effective Date with the following exceptions:

- A small amount of assets which will be retained in APUK to cover the Minimum Capital Requirement of APUK; and
- Liabilities that cannot be transferred for legal reasons. At the time of writing this Report, all policies are expected to transfer, I will revisit the position in a further report ("Supplementary Report") prior to the Sanction Hearing.

2.3.4. It should be noted that references in the report to "Solvency II" should be taken as references to the Solvency II regime as currently on-shored into the UK regulatory regime, in line with the current Prudential Regulation Authority ("PRA") guidance.

2.3.5. A list of the definitions and abbreviations that I have used in this report is included in the Appendix.

2.4. Independence

2.4.1. I am a Fellow of the Institute & Faculty of Actuaries, having qualified in 1998.

2.4.2. I am an employee of Aviva Employment Services Limited, a wholly owned subsidiary of Aviva plc. I have shares in Aviva plc and am a member of the Aviva Staff Pension Scheme. I do not hold any insurance policies issued by APUK or UKLAP.

2.4.3. I can confirm that my personal interests have not influenced me in reaching any of the conclusions detailed in this report.

2.5. Scope

2.5.1. This report is addressed to the Directors of APUK and is available for consideration by the Board of UKLAP.

2.5.2. The transfer is subject to the consent of the High Court of Justice in England and Wales ("the Court") and approval of separate schemes in Jersey and Guernsey.

2.5.3. This report and its conclusions apply to all policyholders of APUK irrespective of their place of residence and /or the jurisdiction within which the business is said to be carried on or in which their policy was issued.

2.5.4. The PRA and the Financial Conduct Authority ("FCA") have been provided with a copy of my report at an early stage in order that they may carry out an assessment of the Scheme ahead of the Directions Hearing on 16 July 2025.

2.5.5. A copy of this report will be presented to the Court so that it may be taken into account when the Court reaches its decision on whether or not to approve the Scheme.

2.5.6. This report will be provided to the Royal Court of Jersey and the Royal Court of Guernsey to assist in their deliberations in respect of the Jersey Scheme and the Guernsey Scheme, respectively.

2.5.7. A copy of this report will be available for inspection by policyholders of APUK and UKLAP during normal business hours following the publication of the notice of the transfer at the registered office of UKLAP and APUK, Wellington Row, York, YO90 1WR.

2.5.8. A copy of this report will also be accessible for viewing and/or download from our website at www.aviva.co.uk/partvii/.

2.6. Reliances

2.6.1. I have read the report prepared by Mr Andrew Carr, the Chief Actuary of UKLAP. I have considered his comments on the likely effect of the Scheme on the existing policyholders of UKLAP.

2.6.2. The financial information on APUK and UKLAP referred to in this report is based on 31 December 2024 results. I have relied on these figures being correct.

2.6.3. Other economic capital information has been provided to me. This information is confidential and has not been reproduced in this report. Nevertheless, I have reviewed this information in detail.

2.6.4. Figures have also been supplied to me on the position allowing for the proposed transfer. These have been subject to review internally, and by me in the course of writing this report. I have relied on these figures being correct.

2.6.5. This report is based on information made available to me up to 2 July 2025 and takes no account of developments after this date.

2.7. Supplementary Report

2.7.1. I will prepare a Supplementary Report prior to the Sanction Hearing to provide an update for the High Court and the Royal Courts of Jersey and Guernsey on my conclusions in respect of the effect of the proposed Transfer on the different groups of policyholders in light of any significant events subsequent to the date of the finalisation of this report.

2.7.2. My Supplementary Report will contain updates based on the latest available financial information and I shall also respond in general terms to any themes emerging from any objections or other feedback from policyholders.

2.7.3. My Supplementary Report will be available to policyholders via the website at www.aviva.co.uk/partvii/.

2.7.4. I will prepare further reports on the Scheme, should the need arise.

2.8. TAS Compliance

2.8.1. This report is technical actuarial work and hence falls within the scope of the Technical Actuarial Standards issued by the Financial Reporting Council. I consider that this report and the work underlying it meet in all material aspects the requirements of TAS 100: General Actuarial Standards and TAS 200: Insurance.

2.8.2. In addition, under the Actuarial Professional Standard X2, this report has been reviewed by Denis Cavanagh, Group Actuarial Function Director at Aviva.

2.9. Chief Risk Officer Opinion

2.9.1. This report has been reviewed by Ruth Middleton, Chief Risk Officer of APUK and her opinion is provided in this section.

2.9.2. I have considered the likely effect of the proposed Scheme on the benefit security, benefit expectations and the fair treatment of APUK policyholders. In doing so I have considered: various information that I have been provided with, taking this as being accurate and complete; my knowledge of the companies involved; and also the opinions of the Chief Actuary of APUK, the Chief Actuary of UKLAP, and the Independent Expert, though I have not relied on these opinions.

2.9.3. I am satisfied that the Scheme is unlikely to have a material adverse effect on benefit security, benefit expectations, or the fair treatment of APUK policyholders.

2.9.4. I see no reason why the Scheme should not proceed.

3. Background

3.1. Acquisition of APUK by Aviva

3.1.1. In September 2023 Aviva announced the acquisition of APUK, which was known at the time as AIG Life Limited, from Corebridge Financial, Inc., a quoted subsidiary of American International Group, Inc. The transaction was subsequently completed on 8 April 2024.

3.1.2. The announcement noted that the combined individual and group protection businesses will benefit from APUK's propositions in the small & medium enterprises and high net worth markets.

3.2. Rationale for the Part VII Scheme

3.2.1. For operational and capital optimisation reasons, it is planned to transfer the whole of the APUK business into the Non-Profit Sub-Fund of UKLAP under Part VII of the Financial Services and Markets Act 2000 ('FSMA').

4. Overview of APUK[2]

4.1. Background

4.1.1. APUK was established in 2008 as Fortis Life, an innovative provider of long-term life insurance, critical illness and income protection products sold through Independent Financial Advisers, intermediaries and distribution partners.

4.1.2. The company was purchased by AIG Europe Holdings Limited ("AEHL", later AIG Holdings Europe Limited "AHEL"), part of American International Group, Inc ("AIG"), on 31 December 2014.

4.1.3. On 31 December 2018, the company bought the group protection business (Ellipse) from Munich Re.

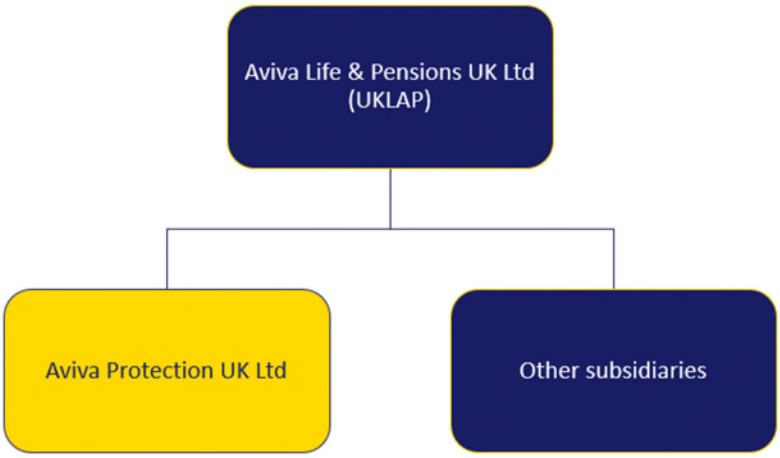
4.1.4. On 26 October 2020, AIG announced plans to separate its Life and Retirement group from the rest of AIG. On 1 May 2021, the company moved from being owned by AHEL to being owned by SAFG, a holding company within AIG's Life and Retirement group of companies. On 2 November 2021, AIG sold 9.9% of SAFG to Argon Holdings LLC, a wholly owned subsidiary of Blackstone Inc.

4.1.5. On 28 March 2022, it was announced that SAFG was to be renamed Corebridge Financial. Corebridge Financial completed an initial public offering on 19 September 2022, reducing AIG's share of ownership to 77.7% as at 31 December 2022. In 2023, there were three subsequent secondary offerings in June, November and December, to further divest AIG's stake in the business.

4.1.6. As at 31 December 2023, the ultimate parent company remained AIG which owned 52.2% of the common stock of Corebridge Financial. Section A.1.1 of the 2024 SFCR[3] summarises the separation of the Life and Retirement group from AIG.

4.1.7. In September 2023 Aviva announced the intended acquisition of APUK from Corebridge Financial, Inc.. The transaction was subsequently completed on 8 April 2024.

4.1.8. On completion of the deal, APUK became a subsidiary of UKLAP. The following shows the legal structure prior to the planned Part VII Transfer.[4]



[2] Aviva Protection UK Limited was formerly AIG Life Limited. It was rebranded in February 2025.
[3] The 2024 SFCR can be found at www.aviva.com/investors/regulatory-returns/
[4] Group Risk Services ("GRS") is not shown on the structure chart as a subsidiary company of APUK as GRS is expected to be liquidated ahead of the Part VII transfer.

4.1.9.In June 2024, APUK and Aviva announced the outcome of the review of the combined Protection business new business strategy which resulted in the closure of a number of APUK's core propositions to new business in August 2024.

4.1.10.During 2024, UKLAP provided capital and liquidity support to APUK.

4.2.Nature of business written

4.2.1.APUK is a provider of term assurance, whole of life, critical illness and income protection insurance in the individual and group markets.

4.2.2.The APUK book contains a range of individual and group protection products, with c1.3m individual protection policies and c1.2m group protection members.

4.2.3.Products are sold to residents of the UK, the Channel Islands, the Isle of Man and Gibraltar. The company is PRA authorised and regulated by the PRA and the FCA.

4.2.4.There are a small number of policies sold to UK expatriates to cover a UK Liability, such as a mortgage for a property in the UK or to cover an inheritance tax liability.

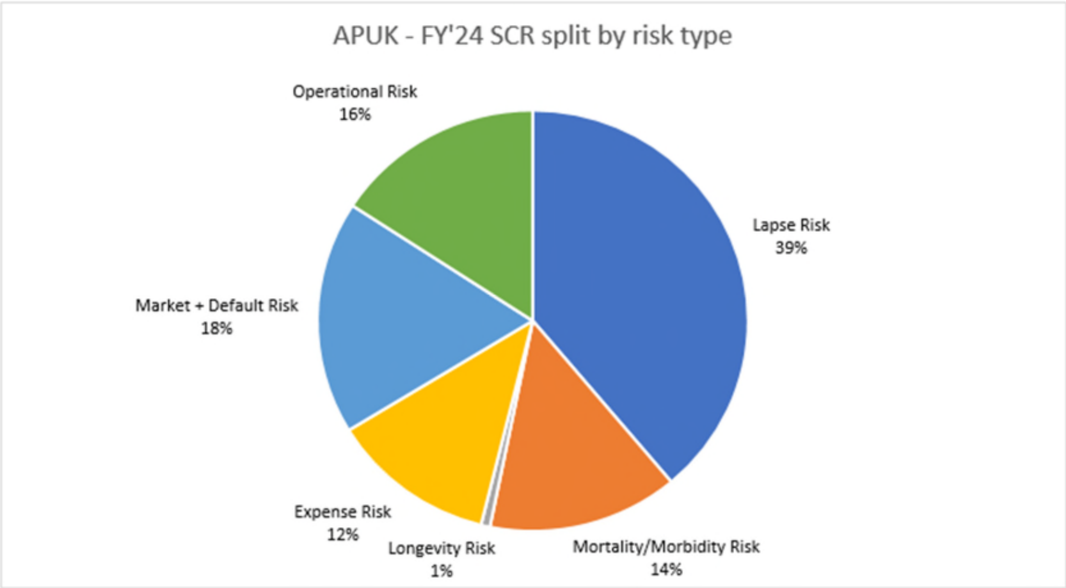
4.2.5.APUK Solvency II technical provisions were c.£567m, on 31 December 2024.

4.2.6.APUK does not have any with-profits business.

4.2.7.APUK holds investments which are a mixture of government bonds and cash.

4.3.Risk profile of APUK's business

4.3.1.APUK calculates its Solvency Capital Requirement (SCR) using the Standard Formula under Solvency II.



4.3.2.In terms of SCR, APUK's main risks are:

- Life and Health Insurance risks arising from potential future adverse experience on lapse rates, mortality/morbidity and expense experience, with lapse rate risk being the biggest driver;
- Market and default risks arising from potentially adverse interest rate movements, currency risk and the unexpected default or deterioration in the credit standing of independent counterparties and debtors, mainly driven by reinsurers; and

- Operational risk arising from inadequate or failed internal processes, personnel or systems, or from external events.

4.3.3.APUK manages Life and Health Insurance risks primarily by the use of external reinsurance. APUK has reinsurance arrangements to mitigate mortality, morbidity, lapse and catastrophe risks with over forty different reinsurers. The key counterparties are Pacific Life, SCOR and Swiss Re. Mortality and morbidity reinsurance is typically based on a quota share with maximum retention limits per life and is spread across the different reinsurers depending upon the type of cover.

4.4.Solvency position

4.4.1.The table below shows the Solvency II financial position (in £ millions), of APUK as at 31 December 2024 (pre-Transfer).

Solvency Component (£m)	31 December 2024
Own Funds	345
SCR	203
Surplus	**142**
Solvency II Cover Ratio	170%

4.5.Capital Management Policy and Solvency Risk Appetite

4.5.1.APUK has a Capital Management Policy in place which is approved by the Board, concerned with all matters relating to the capital level and capital structure of the company. It establishes a formal capital assessment and management framework in order to achieve the following objectives:

- Ensuring adequate capital is maintained within the company to meet regulatory requirements and ensuring capital is available to support strategic plans.
- Optimising the company's sources and usage of capital.
- Ensuring that excess capital is returned to the Group on a timely basis without compromising the other objectives, as above.

4.5.2.The APUK Target Solvency Ratio specifies the internal minimum capital levels. It is designed to ensure the company can meet its regulatory capital requirements after a 1 in 10 year stress. This is above that required in the solvency regulations prescribed to withstand a 1-in-200-year event.

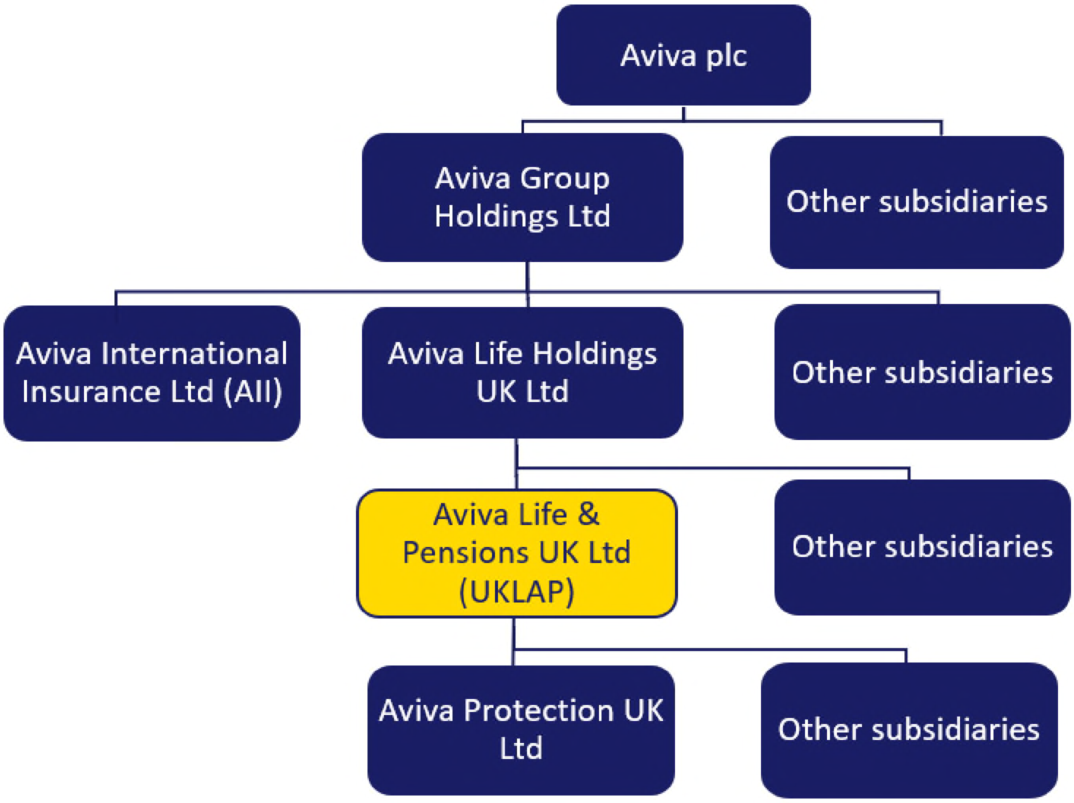
4.6.Subsequent Events

4.6.1.In February 2025, APUK's loan facility with UKLAP was extended for another 12 months. This allows for borrowing up to £135m.

5. Overview of UKLAP

5.1.Background

5.1.1. Aviva plc is the ultimate holding company for UKLAP, which transacts long-term insurance business, predominantly in the UK. A highly simplified company structure chart is shown below.[5]



5.1.2. CGU plc was formed on 2 June 1998 following the merger of General Accident plc and Commercial Union plc. CGNU plc was formed on 30 May 2000 following the merger of CGU plc and Norwich Union plc and renamed Aviva plc in 2002.

5.1.3.Subsequently, Norwich Union Life Holdings Limited and its subsidiary Norwich Union Life & Pensions Limited, both originally subsidiaries of Norwich Union plc prior to the formation of CGNU plc, were renamed Aviva Life Holdings UK Limited and Aviva Life & Pensions UK Limited (UKLAP) in 2009.

5.1.4.The life assurance business of Friends Life Limited and Friends Life and Pensions Limited was transferred into UKLAP under the Friends Life Part VII Scheme (the "2017 Scheme") on 1 October 2017. This scheme replaced all previous schemes.

5.1.5. Under a Part VII Transfer in 2019 certain long-term business of UKLAP relating to Irish and other non-UK EEA policies transferred to Aviva Life & Pensions Ireland Designated Activity Company, a life subsidiary of UKLAP based in Ireland.

5.1.6.UKLAP consists of a shareholder fund (the "Shareholder Fund") and a range of Sub-Funds including a number of With Profits Sub-Funds and a Non-Profit Sub-Fund ("NPSF") that includes a Matching Adjustment Portfolio.

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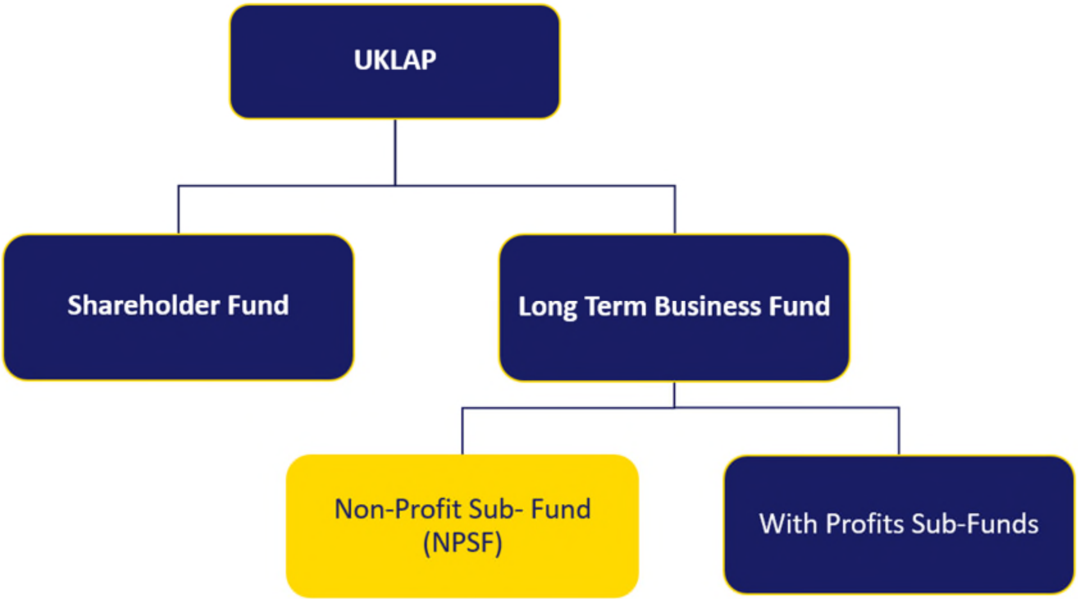
[5] Subsidiary companies that are not relevant to the Part VII transaction are not listed.

5.1.7. 30% of the liabilities of the NPSF, net of external reinsurance, are reinsured to Aviva International Insurance Limited ("AII"), Aviva's UK based internal reinsurance vehicle.

5.1.8.The fund structure of UKLAP is summarised below:



5.1.9.The Scheme will transfer APUK's assets and liabilities into the NPSF of UKLAP. No business is transferring into any of the With-Profits Sub Funds.

5.1.10. Subject to approval from UKLAP and AII, 30% of the liabilities of the Transferring Business will be included in the reinsurance to AII.

5.2.Nature of business written

5.2.1. UKLAP provides pensions, annuities, bonds, protection and investment products.

5.2.2. Within Protection, UKLAP is a provider of term assurance, whole of life, critical illness and income protection insurance in the individual and group markets.

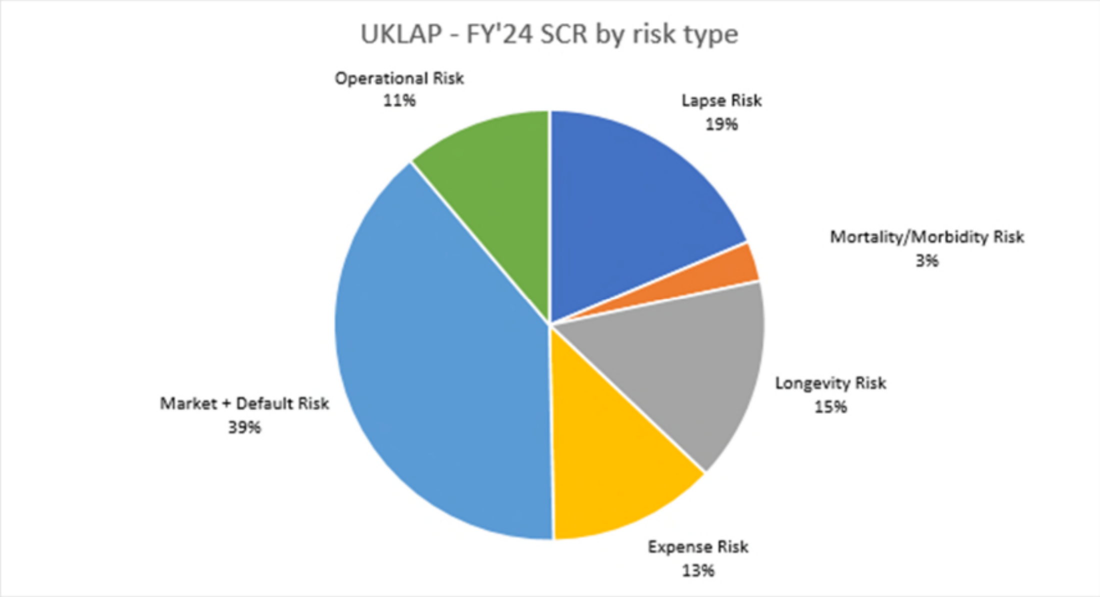
5.2.3. The UKLAP Protection book contains a range of individual and group protection products, with c3.7m individual protection policies and c2.8m group protection members.

5.2.4.UKLAP Solvency II technical provisions were c.£261bn on 31 December 2024 of which c.£235bn are in the NPSF.

5.2.5.UKLAP holds a mixture of government bonds, corporate bonds, loans, mortgages as well as property, equity and collective investments. A small proportion of the total asset portfolio is in other assets such as short-term deposits and derivatives.

5.3. Risk profile of UKLAP's business

5.3.1. UKLAP calculates its Solvency Capital Requirement (SCR) using Aviva's Internal Model under Solvency II.



5.3.2. In aggregate, UKLAP's main risks are:

- Market and default risks arising from potentially adverse interest rate movements and experience on the asset portfolio including the risk of default of credit assets which are largely backing annuities;
- Life insurance risks arising from potential future adverse experience on lapse rates, mortality/morbidity, longevity and expense experience; and
- Operational risk arising from inadequate or failed internal processes, personnel or systems, or from external events.

5.4. Solvency position

5.4.1. The table below shows the Solvency II financial position (in £ million), before the proposed Scheme, of UKLAP at 31 December 2024.

Solvency Component (£m)	31 December 2024
Own Funds	9,087
SCR	5,540
Surplus	**3,546**
Solvency II Cover Ratio	164%

5.5. Solvency Risk Appetite

5.5.1. UKLAP has a Solvency Risk Appetite ("SRA") to manage the risk of breaching the regulatory capital requirement in the pursuit of key strategic goals. The SRA, together with consideration of the level of distributable reserves, is the primary mechanism used by UKLAP to determine the ability to release excess assets to the shareholder as a dividend, subject to Board approval.

5.5.2. The 2024 UKLAP SRA is determined as the capital buffer required to withstand an event that is expected to happen once every 10 years. This is above that required in the solvency regulations prescribed to withstand a 1-in-200-year event.

5.6. Subsequent Events

5.6.1. While the Scheme is not expected to have a significant impact on the financial position of the combined entity, there are a number of potential management actions that could have an impact on UKLAP's financial position. These include:

- Future mergers and acquisitions.
- Dividend payments made to shareholders.
- Further capital injections into subsidiaries.

5.6.2. On 23 December 2024, it was announced that Aviva and Direct Line Insurance Group ("DLG") have reached an agreement on the terms of a recommended cash and share offer for DLG. The DLG acquisition was sanctioned by the court and became effective on 1 July 2025. The acquisition is not expected to have a material impact on UKLAP's or APUK's financial position or the proposed Transfer, as the DLG business will not form part of UKLAP.

6. The Proposed Transfer

6.1. Proposed Structure of Transfer

6.1.1.The Scheme proposes to transfer all policies in APUK to the NPSF of UKLAP with the following exceptions:

- Policies in APUK that cannot be transferred for legal reasons

6.1.2.As a result of the Scheme, there will be no changes to the benefits of transferring policyholders. All rights and obligations of transferring policies will transfer from APUK to UKLAP.

6.1.3.There are no changes to existing UKLAP policies or changes to the 2017 Scheme.

6.1.4.Post-Transfer, the legal structure of the UKLAP entity will be unchanged (refer to Section 4.1.8) as will the fund structure (refer to Section 5.1.8).

6.1.5.Post-Transfer, the SRA and risk framework of UKLAP will be unchanged.

6.1.6.Post-Transfer Aviva may alter the UKLAP balance sheet (e.g. assets, reinsurance) in line with existing risk frameworks and governance.

6.2.Reinsurance arrangements

6.2.1.If the Scheme proceeds, any external reinsurance arrangements which APUK has entered into, will continue to apply and will be transferred to UKLAP on the Effective Date.

6.2.2.Once transferred into UKLAP, the APUK liabilities will be included in the scope of the internal reinsurance between UKLAP and AII whereby 30% of NPSF's liabilities, net of external reinsurance, are transferred to AII, with an appropriate premium paid.

6.2.3.The external and internal reinsurance portfolios of APUK and UKLAP may change in the future due to cover changes as part of commercial renegotiations when contract renewals fall due and during regular assessments performed on the combined reinsurance cover against Aviva's risk management framework.

7. Effect of proposed changes on the Financial Position and Risk Profile of APUK

7.1. Overview

7.1.1.This section contains information on the impact of the proposed Transfer on the overall balance of risks policyholders are exposed to before and after the proposed Transfer. This information is relevant in gaining further understanding of how policyholder security of benefits may be affected by the proposed Transfer.

7.1.2.The Transferring Business consists of both individual and group protection policies. Given the similarities between the different product types, I do not consider it necessary to sub-divide my analysis below into different groups for the Transferring Policies of APUK ("Transferring Policies"). However, where an effect of the Scheme applies to only a certain product type such as those with options, I have commented on this explicitly.

7.2.Solvency Assessments in the United Kingdom

7.2.1.The Solvency II regulatory framework, which governs industry regulation and prudential capital requirements within the European Union, became effective from 1 January 2016.

7.2.2.In the United Kingdom the final PRA rules for Solvency UK became effective from 31 December 2024, following review by the PRA of Solvency II and replacing assimilated law inherited from the European Union.

7.2.3. It should be noted that references in the report to "Solvency II" should be taken as references to the Solvency II regime as currently on-shored into the UK regulatory regime. It is this version of Solvency II which applies to APUK's regulatory reporting to the PRA.

7.2.4.Under Solvency II, insurance liabilities are valued using best estimate assumptions, plus an additional margin to allow for uncertainty. The Best Estimate Liability ("BEL") is the present value of the future cashflows expected to emerge on the insurance business, calculated using best estimate assumptions. The Risk Margin reflects the cost of holding additional regulatory capital against non-hedgeable risks. It is calculated using the cost-of-capital method. The BEL and Risk Margin together comprise the Technical Provisions.

7.2.5.Insurers are permitted to apply for an adjustment to their balance sheet to delay the full effect of Solvency II and instead introduce it gradually over the 16-year period from its implementation in 2016. This adjustment is the Transitional Measure on Technical Provisions ("TMTP"). APUK does not include TMTP on its Solvency II balance sheet.

7.2.6.Solvency II Own Funds represent the difference between the value of an insurer's assets and its liabilities.

7.2.7.Capital requirements under Solvency II are the higher of the Solvency Capital Requirement ("SCR") and the Minimum Capital Requirement ("MCR"). The MCR represents the regulatory minimum level of capital that must be maintained by the insurer. The SCR is designed to ensure that an insurer can continue to meet its liabilities in full, even following a severe adverse scenario that might only be expected to occur once every 200 years.

7.2.8.The SCR can be calculated using either the Standard Formula approach, as prescribed in the Solvency II regulations, or using an Internal Model designed to reflect the insurer's specific risk profile more accurately. The use of an Internal Model to calculate capital requirements is subject to regulatory approval. APUK calculates its SCR using the Standard Formula approach whilst UKLAP uses an approved Internal Model and this will apply to the APUK business post-Transfer.

7.2.9.The Solvency II surplus is the excess of Own Funds over the SCR. The Solvency Ratio is the ratio of Own Funds to SCR.

7.3.Impacts of the proposed Transfer on Solvency

7.3.1.In order to assess whether or not the security of policyholder benefits is materially affected by the Scheme, it is useful to compare the solvency position of APUK before the proposed Transfer with that of UKLAP after the transfer.

7.3.2.The Solvency II surplus provides a useful indicator of the immediate impact of the Transfer on the level of security provided to policyholders.

7.3.3.The solvency position of APUK prior to the Transfer and UKLAP after the Transfer is shown in the table below. The impact has been calculated as at 31 December 2024, which I consider to be a suitable date for the purpose of assessing the impact of the Scheme on policyholder security.

FY 2024	**APUK Pre-Transfer**	**UKLAP Post-Transfer**
Solvency Component	**£m**	**£m**
Own Funds	345	9,148
SCR	203	5,515
Surplus	**142**	**3,634**
Solvency II Cover Ratio	170%	166%

7.3.4.The financial position for UKLAP post-Transfer was estimated within Aviva's Finance team based on reported pre-Transfer financials. This was adjusted to allow for the valuation on the Aviva Internal model, diversification within the NPSF and the reinsurance to AII.

7.3.5.Consistent with the treatment of other protection business in the UKLAP NPSF, UKLAP intends to apply the Volatility Adjustment on the Transferring Business.

7.3.6.APUK has permission to apply the TMTP to the Transferring Business but this is currently valued at zero. UKLAP is not planning to extend its TMTP permissions to include TMTP on the Transferring Business.

7.3.7.The Solvency II Cover Ratio of UKLAP post-Transfer is similar to that of APUK pre-Transfer. The Solvency II Cover Ratio for UKLAP post-Transfer remains above the UKLAP SRA, having greater headroom over the SRA compared to APUK and thus increasing policyholder security at the point of Transfer.

7.3.8.The Solvency level in APUK pre-Transfer has benefitted from capital injections during 2024 from UKLAP, without these the ratio would have been lower.

7.3.9.A small amount of assets will be retained in APUK to cover the Minimum Capital Requirement of APUK. As APUK remains a subsidiary of UKLAP after the Transfer, these assets are recognised as part of UKLAP's Own Funds.

7.3.10.I am not aware of any events since 31 December 2024 to the date of this report that would materially alter the assessment of the impact of the proposed Transfer.

7.3.11.I will continue to monitor the solvency position and risk profile of APUK and will provide an update in a Supplementary Report prior to the final High Court Sanction Hearing.

8. Effect of proposed changes on rights and expectations of transferring APUK policyholders

*8.1.*Overview

8.1.1.The following factors have been considered in determining the likely effect of the proposed Transfer on the Transferring Policies:

- Benefit security
- Benefit expectations
- Administration and service standards
- Policyholder communications
- Cost of the Transfer
- Investment strategy
- Governance
- External reinsurance
- Taxation
- Consumer Duty
- Impact of a delay in the Effective Date of the Scheme

8.2.Benefit security

8.2.1.Following the implementation of the proposed Transfer, the obligation to meet benefit payments on the Transferring Policies will pass from APUK to UKLAP. The security of policyholder benefits could be materially affected if UKLAP's ability to meet these benefit obligations as they fall due is materially lower than that of APUK. The subsequent sections 8.2.2 to 8.2.12 will examine the impact of the proposed Transfer on the security of policyholder benefits.

8.2.2.The transferring block of business will be placed into the UKLAP NPSF on implementation of the proposed Transfer. In line with other business in the UKLAP NPSF, 30% of the liabilities, net of external reinsurance, will be reinsured to AII, Aviva's UK based internal reinsurance vehicle.

8.2.3.As set out in the Chief Actuary Report of UKLAP, the Transferring Policies represent a relatively immaterial block of business compared to the UKLAP entity as a whole, and the impact of the proposed Transfer on the solvency ratio and risk profile of the fund is modest.

8.2.4.There will be no changes to the UKLAP capital management policy as a result of the proposed Transfer. Similarly, the UKLAP SRA methodology and the SRA required level are both unchanged by the Transfer. As set out in the Chief Actuary Report of UKLAP, the solvency ratio is expected to remain above the UKLAP SRA.

8.2.5.The table below sets out the cover ratio for the fund containing the Transferring Policies before and after the proposed Transfer.

FY 2024	**APUK Pre-Transfer**	**UKLAP Post-Transfer**
Solvency Component	**£m**	**£m**
Own Funds	345	9,148
SCR	203	5,515
Surplus	**142**	**3,634**
Solvency II Cover Ratio	170%	166%

8.2.6.Prior to the transfer, APUK is reliant on UKLAP for capital support in some extreme adverse events. Following the transfer the APUK customers will benefit from being in a larger entity where there is more diversified exposure to risks.

8.2.7.UKLAP is exposed to different risks to those in APUK. In particular, there is greater exposure to longevity risk and exposure to additional market risks given the assets held in UKLAP, such as the risk of default of credit assets which are largely backing annuities. Depending on how material these are, these could potentially compromise the ability to meet the payment of benefits to transferring APUK policyholders. However UKLAP has governance in place to set and monitor adherence to risk appetites and holds surplus capital above the SCR calculated using its approved Internal Model.

8.2.8. Mortality and morbidity risk on the Transferring Policies is substantially reinsured to third parties, serving to mitigate exposure due to deteriorating claims experience, or volatility in claims experience. Each of the existing reinsurance arrangements applying to the Transferring Policies on the Effective Date will transfer from APUK to UKLAP under the Scheme, noting there may be changes as part of UKLAP's regular assessment of the combined external reinsurance cover when renewal is due. As set out in the Chief Actuary Report of UKLAP, the risk profile of the Transferring Policies is similar to that of the existing protection policies of UKLAP and the proposed Transfer is expected to have a minimal impact on the overall risk profile.

8.2.9.The key consideration on whether the AII reinsurance treaty would impact the financial security of the transferring APUK policyholder benefits relates to AII's ability to meet its future reinsurance obligations to UKLAP, and the extent to which UKLAP's financial position depend on the AII reinsurance treaty.

8.2.10.Whilst there is a small reduction in AII's Solvency II Cover Ratio at FY24, from 220% to 217%, as a result of the additional reinsurance from UKLAP, it remains above AII's SRA.

8.2.11.On 18 February 2025, AII paid a £1,000 million cash dividend to Aviva Group Holdings Limited. This would have reduced the FY24 Solvency II Cover Ratio of AII from 220% to 160%. Additionally allowing for the additional reinsurance from UKLAP would further reduce the proforma FY24 Solvency II Cover Ratio to 158%. This remains above AII's SRA.

8.2.12.The level of protection currently provided to Transferring Policies through the Financial Services Compensation Scheme ("FSCS") will continue post-Transfer. This protection is relevant in the unlikely event of a future insolvency of UKLAP.

8.2.13.I am therefore satisfied that the proposed Transfer will have no material adverse effect on the benefit security of the Transferring Policies.

8.3.Benefit expectations

8.3.1.Policyholder benefits under the Transferring Policies are defined by way of the sum assured payable on different claim events (e.g. death, disability, or illness).

8.3.2.Under the terms of the proposed Transfer, there will be no changes to the benefits, or the terms and conditions, of the Transferring Policies.

- In particular, there will be no changes to the sums assured or to the claim events on which the sums assured are payable.

8.3.3.Any change in policyholder benefit expectation can therefore only arise through areas of discretion in the claims and pricing processes or through mid-term adjustments enacted by the customer, should UKLAP choose to apply materially different practices to those of APUK.

8.3.4.A change in claims underwriting standards could affect the likelihood of a claim being accepted or declined.

- Claims underwriting practices extend to the issues arising on a finding of a misrepresentation by the policyholder i.e. whether a reduced claim is paid or there is no claim payment at all, and whether premiums are refunded in circumstances where a claim is refused in full.

- There is already a large degree of consistency in the claim definitions and underwriting standards applied by different firms in the life insurance sector. This reflects the fact that reinsurance for all firms is generally provided by a relatively small number of well-known and well-established reinsurers, driving consistency industry-wide in overall claims underwriting processes and practices.

- As part of the integration work, UKLAP reviewed the claims underwriting practices and processes adopted in APUK, including the documented claims philosophy, discretionary payments and the reinsurer audits of historic claims. UKLAP has advised me that this process did not identify any material differences in the claims philosophy and claims evidencing requirements between APUK and UKLAP.

- UKLAP has also advised me that it intends to monitor claim payout ratios and claim patterns post-Transfer to identify any unexpected trends and to remediate as necessary. The total level of claims by product is monitored through the product governance forums and benchmarked against set tolerances on an ongoing basis.

8.3.5.I am therefore satisfied that the claims underwriting standards applied by UKLAP post-Transfer are likely to be materially unchanged from those applied by APUK pre-Transfer, and that there will be no material adverse effect on Transferring Policyholders as a result.

8.3.6.Pricing bases are commercially sensitive and private to individual firms. Pricing bases will change over time as each firm's own view of key economic and demographic factors changes.

8.3.7.The Scheme also includes wording to enable UKLAP to offer an alternative product rather than a replacement APUK one where a product option that necessitates a replacement contract is enacted by the customer.

- I am informed that this is standard Part VII wording and is consistent with existing UKLAP practice, enabling UKLAP to manage old products efficiently.

- Any such future change would be undertaken in accordance with existing UKLAP governance to ensure suitable products are offered to customers.

8.3.8.I have no reason to believe that any such difference would necessarily result in policyholder detriment, and I am satisfied, based on the evidence provided to me, that there will not be a material adverse effect on Transferring Policyholders from the pricing approach adopted by UKLAP post-Transfer.

8.4.Administration and Service Standards

8.4.1.Administration services on the Transferring Policies are currently provided by a mixture of in-house and outsourced administration teams, with the in-house team mainly dealing with complex tasks.

8.4.2.Administration of Transferring Policies will remain unchanged at the Effective Date. Any review of administration of protection policies as part of normal ongoing management review of operations may change this in the future.

8.4.3.Therefore, I am satisfied that the proposed Transfer will not result in any material adverse effect on the administration and service standards for the Transferring Policies.

8.5.Policyholder Communications

8.5.1.A communication strategy has been jointly agreed between APUK and UKLAP. I have reviewed this communication strategy; the contents of the Policyholder notification pack; and the information that will be available via the transfer website and other channels.

8.5.2.I understand the definition of Policyholder in the context of FSMA 2000 to be wide and include groups with whom APUK would not usually communicate or in some cases is unable to communicate. I note that the communication strategy proposes not to write to certain groups of Transferring Policyholders. I have considered the rationale set out in respect of not sending the notification to these groups and support the proposal on the basis that it is appropriate, proportionate, and will not materially disadvantage any Transferring Policyholder.

8.5.3.Where policyholders have indicated a preference for correspondence by way of email, we will communicate with the policyholder by email rather than by post. I consider this to be an appropriate method of communicating on the proposed Transfer.

8.5.4.The Transfer communication exercise will follow a rebranding communication exercise earlier in the year. I note measures have been taken to consider clarity between the multiple communications in the design of each exercise. Failed delivery information from the rebranding exercise will be reviewed to reduce the level of gone-aways[6] in the transfer communication.

8.5.5.I note that the FCA and PRA guidance[7] in respect of insurance business transfers, as well as the requirements of Consumer Duty have been considered in the drafting of the communication material and development of the communication strategy.

8.5.6.I am comfortable that the overall communication strategy is appropriate, proportionate and pays due regard to the information needs of the APUK policyholders.

8.6.Cost of the Transfer

8.6.1.All costs associated with implementation of the Scheme and the proposed Transfer will be borne by the NPSF of UKLAP.

8.6.2.I am therefore satisfied that the expected costs of the proposed Transfer will not lead to a material adverse effect on the APUK policyholders given the materiality of the costs of the transfer in the context of the UKLAP solvency position.

8.7.Investment Strategy

8.7.1.The Transferring Policies will be placed in the UKLAP NPSF and the associated assets and liabilities will be managed in accordance with the existing investment strategy of that fund. Given UKLAP has a larger and more diverse fund, this makes it easier to manage the investment exposure and interest rate risk.

8.7.2.Given the non-profit nature of the Transferring policies, I am satisfied that the proposed Transfer will not have a material adverse effect on the investment outcomes of these policies.

[6] Any eligible policyholders that are uncontactable.

[7] FG22/1: The FCA's approach to the review of Part VII insurance business transfers | FCA
SoP 'The PRA's approach to insurance business transfers' - Jan 2022

8.8.Governance

8.8.1.Based on the information provided by UKLAP to the Independent Expert, and as summarised in his report, I am satisfied that APUK and UKLAP have materially similar governance structures in place. In particular, both operate Board committees, and both have in place an Internal Audit Function, an Actuarial Function, a Risk Management Function, and a Compliance Function, as prescribed under the Solvency UK Framework.

8.8.2.The existing APUK Board, chaired by an Independent Non-Executive director, consists of the MD of Aviva Protection business and the CFO and Chief Actuary of APUK. Given the Non-Executive Director is on both the UKLAP and Aviva Life Holdings UK Board, this ensures there is continuity of governance for the APUK business following the proposed Transfer.

8.8.3.I am therefore satisfied that the proposed Transfer is not likely to have a material adverse effect on the governance of the Transferring Policies.

8.9.External reinsurance

8.9.1.All existing APUK external reinsurance arrangements are transferred to UKLAP under the Scheme except that UKLAP will become the counterparty instead of APUK.

8.9.2.Having discussed the proposed Transfer with the Chief Actuary of UKLAP, I understand that UKLAP has existing relationships with each of the reinsurers and that the combined reinsurance counterparty exposures across existing UKLAP and transferring APUK business for each reinsurer is within the UKLAP counterparty credit risk limits.

8.9.3.Compared to the existing arrangements, UKLAP has a more diversified exposure to external reinsurance counterparties than is the case currently for APUK and the impact of a key reinsurer failing will have a lower impact on combined entity's solvency than is the case for APUK currently.

8.9.4.As mentioned in Section 6.2.3, the external reinsurance portfolios of APUK and UKLAP may be subject to change in the future as part of normal ongoing business review.

8.9.5.I am therefore satisfied that there is no material adverse effect on the Transferring Policies from the reinsurance agreements transferring to UKLAP as part of the proposed Transfer.

8.10.Taxation

8.10.1.The APUK business is made up of BLAGAB business (policies started pre 1 January 2013) and non-BLAGAB business (all other policies). Due to the tax profile of APUK both BLAGAB and non-BLAGAB business is effectively taxed on a trading profits basis. The Transferring Policies will continue to be taxed under the UK Life insurance regime in UKLAP.

8.10.2.All tax attributes and liabilities of APUK will be passed on to UKLAP. There are no adverse tax consequences, dis-synergies or additional tax liabilities for APUK.

8.10.3.There is no anticipated impact on policyholder taxation as a result of the transfer.

8.10.4.I am therefore comfortable that there is no material adverse effect on any Transferring Policyholder from the impacts of taxation due to the proposed Transfer.

8.11.Consumer Duty

8.11.1.In July 2022, the FCA published policy statement PS22/9, "A new Consumer Duty", which set out new rules and guidance intended to improve the standard of care that firms provide to customers. This took effect for products open to new business from 31 July 2023 and to products that are closed to new business from 31 July 2024.

8.11.2. Both UKLAP and APUK established Consumer Duty programmes within their organisations and implemented the requirements. Both Boards have signed off their respective businesses as being compliant.

8.11.3. As part of the integration with Aviva, the methodology and approaches applied by APUK and UKLAP in relation to Consumer Duty have been reviewed. Differences in approach were identified and an exercise has been completed to align the methodology of APUK with UKLAP onto a common standard. As a result of this process, the treatment of APUK policyholders under Consumer Duty will improve in some areas and remain unchanged in others.

8.11.4. On this basis, I am comfortable that the treatment of Transferring Policyholders under Consumer Duty will not change materially as a result of the proposed Transfer.

8.12. Impact of a delay in the Effective Date of the Scheme

8.12.1. As mentioned above, if approved, the Scheme will come into effect on the Effective Date, which is expected to be 31 December 2025.

8.12.2. If there are unforeseen operational reasons that necessitate a delay of implementation, the Scheme has provision that allows APUK and UKLAP to delay the Effective date until 31 March 2026 without the requirement of additional approval of the Court. In such a case, business and assets will temporarily remain in APUK and the PRA and FCA will be notified. If the Effective Date is deferred beyond 31 March 2026, additional approval from the Court is required.

8.12.3. If it is required that some policies remain in APUK after the Effective Date, sufficient assets will be retained to ensure security of policyholder benefits and current administration and APUK governance will continue. APUK and UKLAP would also consider the policyholder communications that should be issued to keep policyholders informed of this development.

8.12.4. I am therefore satisfied that there would be no adverse impact on policyholders in this scenario.

9. Effect of proposed changes on policyholder benefits, rights and expectations of remaining APUK policyholders

9.1.Overview

9.1.1.At the time of writing this report there are not expected to be any policies left in APUK post-Transfer.

9.1.2.There are plans in place to handle the scenario where a policy is required to remain in APUK for legal reasons.

9.1.3.I will revisit the position in my Supplementary Report prior to the Sanction Hearing. If any policies are required to remain in APUK, I will additionally consider the following:

- The likely effect of the Scheme on the financial security of policyholders remaining in APUK;
- The likely effect of the Scheme on the fair treatment of policyholders remaining in APUK, including their legal rights and expected benefits.

10. Conclusions

10.1.Summary

It is my view that:

10.1.1.The Scheme does not result in any changes to the benefit expectations of APUK policyholders. Policy terms and conditions are unchanged by the Scheme. The circumstances under which policyholder benefits would be adversely affected are not materially changed by the Scheme.

10.1.2.The security of benefits for policyholders is not materially adversely affected by the Scheme as the surplus capital in UKLAP remains in excess of its Solvency Risk Appetite after the transfer.

10.1.3.Whilst the level of risks to which policyholders are exposed are changed by the Scheme, the changes in exposure to any individual risk are not inappropriate or excessive. Policyholders will remain supported by an adequate level of capital.

10.1.4.Administration and management of policies and treatment of policyholders are not materially adversely impacted by the Scheme.

10.1.5.I therefore conclude that the Scheme does not result in a material adverse impact on the financial security of APUK policyholders, their expected benefits or on the fair treatment of these policyholders.

Full name: Michael Aitchison

Signed: 

Position or office held: Chief Actuary, Aviva Protection UK Limited

Date: 2 July 2025

Appendix: Glossary of terms and abbreviations

Where a company or fund name is appropriately covered in the body of the paper it is not included within this Glossary.

2017 Scheme	In April 2015, Aviva plc acquired Friends Life Group, making Aviva plc the ultimate holding company of Friends Life Ltd and Friends Life & Pensions Ltd. On 1 October 2017, the long term business of FLL, FLP and the annuity business of Aviva Investors Pensions Ltd ("AIPL") was transferred to UKLAP.
Best estimate liabilities (BEL)	The expected or mean value (probability weighted average) of the present value of future cash flows for current obligations, projected over the lifetime of the contracts and taking into account all up-to-date financial market and actuarial information.
Board	The board of directors of the relevant company from time to time.
Brexit Scheme	The transfer of Irish and other European Economic Area policies from UKLAP to Aviva Life & Pensions Ireland Designated Activity Company. This completed in March 2019.
Effective Date	The Effective Date, 31 December 2025, is the date on which, subject to the consent of the Court, the Scheme will take effect.
FCA	Financial Conduct Authority, the regulator of the financial services industry in the UK responsible for the conduct of financial services firms, including the fair treatment of customers.
FSCS	Financial Services Compensation Scheme. FSCS is a statutory "fund of last resort" which provides compensation in the event of the insolvency of a financial services firm authorised by the PRA or FCA.
Guernsey Scheme	The Guernsey court-approved scheme process that, together with the Scheme, would effect the transfer of policies issued by APUK to persons resident in Guernsey to UKLAP. This scheme would provide for the transfer of policies on substantially the same terms as the proposed Scheme and is expected to have the same Effective Date as the Scheme.
Independent Expert	The individual appointed to report on the terms of an insurance business transfer scheme and approved by the PRA and FCA pursuant to Section 109 of FSMA.
Internal Model (IM)	The Internal Model is the approved model for determining the Solvency Capital Requirement (SCR) that a firm is required to hold under Solvency II Pillar 1.
Jersey Scheme	The Jersey court-approved scheme process that, together with the Scheme, would effect the transfer of business carried on by APUK in or from within Jersey to UKLAP. This scheme would provide for the transfer of policies on substantially the same terms as the proposed Scheme and is expected to have the same Effective Date as the Scheme.

Minimum Capital Requirement (MCR)	The regulatory minimum level of capital that must be maintained by the insurer.
PRA	Prudential Regulation Authority, the regulator of the financial services industry in the UK responsible for the safety and soundness of firms and securing an appropriate degree of protection for policyholders.
SAFG	SAFG Retirement Services, Inc
Scheme	The insurance business transfer document that is the subject of this report. It should be noted that the Brexit Scheme, Guernsey Scheme, Jersey Scheme and the 2017 Scheme are separate schemes and defined elsewhere in the Glossary.
Solvency Capital Requirement (SCR)	The capital an entity is required to hold under Solvency II Pillar 1.
Solvency Risk Appetite (SRA)	The Solvency Risk Appetite specifies the amount of capital required to be held in addition to regulatory requirements.
Standard Formula (SF)	The Standard Formula is a standardised calculation for the Solvency Capital Requirement (SCR) of an insurance or reinsurance undertaking, as prescribed under Solvency II.
Supplementary Report	A further report produced prior to the Sanction Hearing to consider whether the conclusions in the Main Report remain appropriate in light of material developments since the date of that report.
Technical Actuarial Standards (TAS)	Technical Actuarial Standards, the principles maintained by the Financial Reporting Council against which all Required or Reserved Actuarial work should be performed.
TMTP	Transitional Measures on Technical Provisions, a deduction from the technical provisions, aiming to provide a smoother transition for insurance companies from Solvency I to Solvency II, phasing in the full impact of Solvency II over 16 years.
Volatility Adjustment	This is an adjustment to the risk-free interest rates used to discount insurance obligations, set in accordance with the PRA Rulebook.