Supplementary Report of the Independent Expert on the proposed Scheme to transfer a block of life insurance business from Aviva Life & Pensions UK Ltd to Friends First Life Assurance Company DAC.

Prepared by Tim Roff FIA

28 January 2019

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1 Introduction

Background to the Scheme

1.1 Aviva Life & Pensions UK Ltd ("UKLAP") is a private limited insurance company registered in the United Kingdom ("UK"). Previously known as Norwich Union Life and Pensions Limited, it changed its name to Aviva Life & Pensions UK Ltd on 1 June 2009 and is a wholly-owned indirect subsidiary of Aviva plc.

1.2 UKLAP has written life insurance and pensions business in various European Economic Area ("EEA") territories including France, Belgium, Germany, Ireland, Iceland and Sweden on both a Freedom of Services basis and a Freedom of Establishment basis under European Union ("EU") regulations (Freedom of Services and Freedom of Establishment are together commonly referred to as "EU passporting rights").

1.3 Friends First Life Assurance Company Designated Activity Company ("FFLAC") is a private limited company incorporated and domiciled in Ireland and is a wholly-owned subsidiary of UKLAP. FFLAC will be renamed Aviva Life & Pensions Ireland Designated Activity Company ("ALPI DAC") on or about 29 March 2019. In anticipation of this name change, throughout this report, I will refer to FFLAC as ALPI DAC.

1.4 On 23 June 2016 the UK voted to leave the EU. The UK's withdrawal from the EU ("Brexit") is expected to take effect on 29 March 2019. It is anticipated that, as a result of Brexit, UK insurers, including UKLAP, may be unable to continue legally servicing policies, including collecting premiums and paying out claims, sold under EU passporting rights.

1.5 ALPI DAC is in the process of obtaining EU passporting rights on a Freedom of Services basis in Germany, Sweden and Iceland and establishing branches in Belgium and France, so that it will be able to service business from these EEA states following Brexit. I do not expect any issues to arise in ALPI DAC obtaining these EU passporting rights or establishing these branches, although at the time of this Supplementary Report being finalised they have not yet been obtained or established. Should any issues arise, I will make the Court aware of these ahead of the Sanctions Hearing.

1.6 Therefore, in anticipation of Brexit, UKLAP proposes to transfer business written under EU passporting rights ("Transferring Policies") to ALPI DAC (the "Scheme"). This will guarantee that the Aviva Group can continue to service these policies legally, regardless of the outcome of the Brexit negotiations. An insurance transfer scheme, as defined by Part VII of the Financial Services and Markets Act 2000 ("FSMA"), enables all or part of an insurance business to be transferred to another body (a "Part VII Transfer"). The transfer of the business written by UKLAP under EU passporting rights will be carried out using the Part VII Transfer process.

Purpose of this Supplementary Report

1.7 I prepared a previous report dated 5 October 2018 (the "Report") in my capacity as Independent Expert in which I considered the impact of the proposed Scheme to transfer life insurance and pensions business written in various non-UK EEA territories from UKLAP to ALPI DAC on policyholders and other affected parties.

1.8 The purpose of this report (the "Supplementary Report") is to provide the Court with an updated assessment of the likely effect of the proposed Scheme and to consider whether or not the conclusions reached in my Report remain unchanged after taking into account the most recent financial information for UKLAP and ALPI DAC that has been made available to me. I have also taken into account any other significant relevant developments since the Report, including any objections received in relation to the proposed Scheme.

1.9 This Supplementary Report should be read in conjunction with the Report. For the avoidance of doubt, any terms used in this Supplementary Report have the same meanings and definitions as in the Report and unless otherwise defined in this Supplementary Report, all capitalised terms retain the same meaning as in the Report.

1.10 The Supplementary Report will be available to the Court and published on a dedicated website (https://transfer.aviva.com/life) prior to the Court hearing to sanction the Scheme.

Business to be transferred under the Scheme

1.11 UKLAP has written business on a Freedom of Establishment basis through branches in Ireland (the "Irish Branch"), Belgium and France and business on a Freedom of Services basis in Germany, Sweden and Iceland. Of these various channels, only the Irish Branch continues to write new business. The Irish Branch comprises the business transferred from Aviva Life & Pensions Ireland Ltd to UKLAP under a previous scheme (the "Irish Scheme") on 1 January 2015, business known as the CGNU Life business and business written directly out of the Irish Branch since 1 January 2015.

1.12 In this report, I have classified Transferring Policies into three main sub-groups:

- With-profits Irish Business – all with-profits business previously transferred under the Irish Scheme and all with-profits business written out of the Irish Branch (excluding CGNU Life business written in Ireland);
- Non-profit Irish Business – all non-profit business[1] previously transferred under the Irish Scheme and all non-profit business written out of the Irish Branch (excluding CGNU Life business written in Ireland); and
- OLAB – the Overseas Life Assurance Business comprising all business (with-profits and non-profit) written in France, Belgium, Germany, Iceland and Sweden and the CGNU Life business written in Ireland under EU passporting rights. This business currently resides in the following UKLAP funds: Non-Profit Sub Fund, New WPSF, Old WPSF, FP WPSF, FLAS WPSF and the Belgian SF.

1.13 At the same time as the Scheme comes into effect, a new reinsurance agreement (the "Brexit Reinsurance") will be put in place to reinsure the OLAB from ALPI DAC to UKLAP. Associated with this new reinsurance arrangement, ALPI DAC will enter into an agreement with UKLAP that will give ALPI DAC a floating charge (the "Charge") over the assets of UKLAP. Hereafter, I refer to the Scheme together with the Brexit Reinsurance and the Charge as the "Transfer".

Independent Expert

1.14 An Independent Expert is required to produce a report on the scheme for the Court to consider whether to sanction the Scheme. The PRA has approved my appointment as Independent Expert, after consultation with the FCA.

1.15 I, Tim Roff, am a Fellow of the Institute and Faculty of Actuaries and have over 30 years' experience in the life insurance industry. I am a Partner in Grant Thornton and have outlined my suitability and credentials in the Report.

1.16 Details of the scope of my appointment, my qualifications, limitations of my role and an explanation of the reliance that I have placed on information are contained in the Report. The

[1] As in the Report, in this Supplementary Report, all references to non-profit business should be taken to include unit-linked business. Where there are comments that relate to unit-linked business only, I have made this clear in the Supplementary Report.

additional information that I have relied on in preparing this Supplementary Report is set out in Appendix A.

1.17 My independence has been explained in the Report and it remains the case that I have no conflict of interest that would compromise my independence or my ability to report on the Transfer.

1.18 I informed the Court at the Directions Hearing on 16 October 2018 that UKLAP and Grant Thornton were in discussions over costs that UKLAP would incur as a result of delays in my Report being deemed to be in near-final form by the PRA and Grant Thornton's fees.

1.19 Grant Thornton and UKLAP have now resolved this issue. They have agreed that UKLAP will pay Grant Thornton its fees for work to the Directions Hearing as estimated, plus its fees for work thereafter on a time-spent basis and Grant Thornton will make a substantial payment to UKLAP and also discount its fees on any engagements that it may perform for Aviva for a period in the future.

1.20 I have carefully considered these matters and have concluded that they do not compromise my independence in reporting on the Transfer.

1.21 I informed the PRA and the FCA of this agreement recently, shortly after it was reached. Neither the PRA nor the FCA have raised any concerns about my independence in relation to these matters.

Regulatory and professional guidance

1.22 The Supplementary Report has been prepared in accordance with guidance contained in Chapter 18 of the Supervision Manual of the FCA's "Handbook of Rules and Guidance" and the "Statement of Policy: the PRA's approach to insurance business transfers". I have also paid regard to the FCA's guidance FG18/4: the FCA's approach to the review of Part VII insurance business transfers. Additionally, I have taken into consideration the draft paper: "FCA approach to Part VII transfer of insurance business where the purpose is to purely mitigate the loss of passporting rights following Brexit" that was previously shared with UKLAP.

1.23 The FRC has issued standards which apply to certain types of actuarial work. I have prepared this Report, with the intention that it, and the work underlying it, should meet the requirements of "Technical Actuarial Standards TAS 100 (Principles for Technical Actuarial Work)" and "TAS 200 (Insurance)". I believe that this Supplementary Report and my work underlying it does so in all material respects.

1.24 I confirm that I have also complied with the "Actuarial Practice Standard X2: Review of Actuarial Work" and considered "APS L1: Duties and Responsibilities of Life Assurance Actuaries", issued by the Institute and Faculty of Actuaries.

Duty to the Court

1.25 I confirm that I am aware of the requirements of Part 35 of the Civil Procedure Rules and the relevant Practice Direction, and the Guidance for the Instruction of Experts in Civil Claims.

1.26 In reporting on the Scheme as the Independent Expert, I recognise that I owe a duty to the Court to assist on matters within my expertise. This duty overrides any obligation to UKLAP or ALPI DAC. I confirm that I have complied with this duty.

Statement of truth

1.27 I confirm that I have made clear which facts and matters referred to in this Supplementary Report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.

1.28 This Supplementary Report has been peer reviewed by a fellow Actuary at Grant Thornton, Simon Perry, who has over 20 years of experience in the life insurance industry and specialises in reviewing insurance transactions, including in a peer review capacity.

1.29 Finally, UKLAP and ALPI DAC have seen my Supplementary Report and each has agreed that it is correct in terms of all factual elements of the Transfer.

Key dependencies

1.30 I have prepared this Supplementary Report on the assumption that a number of actions take place in advance of or simultaneous with the Effective Time. If these actions are not completed prior to or simultaneous with the Effective Time, the conclusions in this Supplementary Report may not be valid. Accordingly, I consider these actions to be key dependencies. These dependencies are as follows:

- ALPI DAC is able to obtain the required authorisation for EU passporting rights for all the required EU states. As per paragraph 3.38 ALPI DAC is in the process of obtaining EU passporting rights on a Freedom of Services basis in Germany, Sweden and Iceland and establishing branches in Belgium and France;
- UKLAP and ALPI DAC enter into the Brexit Reinsurance (as required by the Scheme);
- UKLAP grants the Charge to ALPI DAC (as required by the Scheme); and
- the CBI issues a Solvency Certificate for ALPI DAC to the PRA. As stated in paragraph 3.66, the CBI has submitted a Solvency Certificate for ALPI DAC to the PRA.

2 Executive Summary

2.1 As detailed in paragraph 1.8, the purpose of the Supplementary Report is to provide the Court with an updated assessment of the likely effect of the proposed Scheme, having considered the most recent financial information for UKLAP and ALPI DAC and any other non-financial developments since the Report was issued. I also consider any objections received in relation to the Transfer. Within this section I summarise the developments, detail whether these developments have altered any of my conclusions in the Report and summarise the objections received.

Developments since the Report

Update on Brexit negotiations

2.2 In section 3 I provide an update on a number of issues related to the Scheme, including Brexit negotiations. The Brexit negotiations are still ongoing and, as yet, have not provided any certainty as to whether UK insurers will be able to continue servicing policies previously sold under EU passporting rights after Brexit. Therefore, UKLAP intends to proceed with the Transfer.

Update on loss of FSCS protection

2.3 As detailed in the Report, UKLAP has considered alternative operating models that could be implemented in order to potentially mitigate the loss of the FSCS protection for those Transferring Policyholders who are currently covered, and I have discussed these options with UKLAP and its legal advisers. There have been no updates to the Brexit negotiations which provide any certainty that any of these alternative operating models would result in FSCS protection being retained post-Brexit for those Transferring Policyholders who currently have it.

2.4 Not all of these alternative operating models provide certainty that FSCS protection would be retained post-Transfer for those Transferring Policyholders who are currently covered. Some would result in additional cost and complexity compared to UKLAP's chosen approach, and some are unachievable in the time-frame. In addition, ALPI DAC does not require any of the alternative operating models to carry out its day-to-day operations. In my opinion, having certainty that the Transferring Policies can continue to be serviced lawfully after Brexit is very important and transferring the Transferring Policies to ALPI DAC is a reasonable approach to ensuring this. As ALPI DAC is not a "relevant person" under applicable PRA rules, FSCS protection is lost for those Transferring Policyholders who are currently covered.

2.5 Furthermore, the FSCS only provides protection to covered policyholders following an insolvency or default event. Given that ALPI DAC is well capitalised, is required to comply with Solvency II and the ALPI DAC SRA requires it to hold a capital buffer in excess of that required by Solvency II, the likelihood of default or insolvency of ALPI DAC, is in my opinion, remote and the conclusions stated in the Report regarding the loss of the FSCS protection are unchanged.

Updated financial information

2.6 Section 3 also provides an update to the financial information provided in the Report from 31 December 2017 to 30 June 2018. The SCR Ratios, before the Transfer, for both UKLAP and ALPI DAC have increased slightly over this period. However, the impact of the Scheme on the SCR Ratios for UKLAP and ALPI DAC would have been similar to those detailed in the Report had the Scheme occurred on 30 June 2018.

2.7 I have also been provided with:

- more recent confidential financial results incorporated in the December 2018 monthly solvency monitoring packs for UKLAP and these, together with ALPI DAC's quarterly solvency position, suggest that the financial positions of both UKLAP and ALPI DAC have not changed materially since 30 June 2018; and
- updated and confidential drafts of UKLAP's 2018 Recovery Plan and ALPI DAC's 2018 ORSA, which show that both UKLAP and ALPI DAC have a range of management actions they could utilise to endure such scenarios and do not raise cause for concern over their future solvency. Similar to my review of the ORSAs as part of the work leading up to the Report, I have taken into account the range and depth of the analysis contained in the ORSA and the extent to which the key risks have been subject to an appropriate range of stress and scenario tests.

Updated non-financial information

2.8 I also provide updates in section 3 on a number of non-financial issues, including:

- the business being transferred;
- run-off of the OLAB policies;
- passporting authorisation for ALPI DAC;
- changes to the Scheme, Brexit Reinsurance and Charge;
- DISP compliance gap analysis;
- governance & risk framework;
- policyholder taxation;
- tax clearances;
- access to the FOS for OLAB Policyholders;
- reinsurance and legal notifications;
- administration of the Irish Business;
- proposed changes to CBI regulations; and
- CBI Solvency Certificate.

2.9 None of the non-financial developments detailed in section 3 change my original conclusions detailed in the Report.

Overall conclusion on updated information

2.10 None of the developments identified since the publication of the Report change the opinions I expressed in the Report. I have identified no other major developments since the publication of the Report that will impact on the Transfer or my opinion of whether any Transferring Policyholders, Remaining Policyholders of UKLAP, Existing Policyholders of ALPI DAC or reinsurers of the Transferring Business are materially adversely affected by the Scheme.

Updated impact of the Transfer on policyholders and reinsurers

2.11 There have been no changes to any of my opinions set out in the Report. Overall, taking into account the updated financial and non-financial information that has been made available to me, it remains my opinion that the implementation of the proposed Scheme, Brexit Reinsurance and the Charge at the Effective Time will not have a material adverse effect on the security of benefits or the future benefit expectations of the Transferring Policyholders, the Remaining Policyholders of UKLAP, or the Existing Policyholders of ALPI DAC.

2.12 It is also my opinion that the Transfer will have no material adverse effect on the governance or service standards experienced by the Transferring Policyholders, the Remaining Policyholders of UKLAP or the Existing Policyholders of ALPI DAC.

2.13 Further, I remain satisfied that there is no material adverse effect on Transferring Policyholders caused by the loss of FSCS protection as a result of the Transfer.

2.14 Finally, it remains my opinion that the Transfer will have no material adverse effect on any of the current external reinsurers of the Transferring Policies.

Consideration of the policyholder communication process and objections and representations received

2.15 At the Directions Hearing on 16 October 2018, the Court agreed UKLAP's and ALPI DAC's proposed plans for policyholder communication in respect of the Scheme. UKLAP and ALPI DAC have confirmed that they have carried out the policyholder communication, in all material respects, as per the Witness Statements submitted to the Court at the Directions Hearing. Any issues identified during the mailing process have been outlined in paragraph 5.6.

2.16 I have reviewed the progress of the communication process, including considering all the 138 objections raised up to 6 January 2019, in section 5. I will continue to monitor all further objections received after this date and will inform the Court should any new themes emerge from subsequent objections. The objections can be summarised into the following categories:

- loss of FSCS protection;
- pre-empting the outcome of Brexit negotiations;
- concerns around changing insurance provider;
- the Independent Expert;
- transfer to an Irish based company;
- the Transfer should not be completed without policyholder consent;
- do not understand the Transfer;
- Independent Expert report wording;
- policy performance will deteriorate;
- transfer of data; and
- no reason specified.

2.17 Policyholders have not raised any issues that I have not considered in the work leading up to the Report and therefore I am satisfied that there are no reasons to change the conclusions in my Report.

Summary of conclusions

2.18 I confirm that, overall, I am satisfied that the Transfer does not materially adversely impact the Transferring Policyholders, Remaining Policyholders of UKLAP or Existing Policyholders of ALPI DAC. In addition, I am satisfied that the Transfer does not materially adversely impact the reinsurers of the Transferring Policies.

3 Developments since the Report

3.1 This section describes developments since the Report, including an update on Brexit negotiations, loss of FSCS protection and updated financial and non-financial information that I have received since writing the Report. All updated financial information has been prepared using information as at 30 June 2018 or later. I provide my opinions on how this updated information impacts my conclusions about the impact of the Transfer on Transferring Policyholders, the Remaining Policyholders of UKLAP, the Existing Policyholders of ALPI DAC and the reinsurers of the Transferring Business in section 4.

Update on Brexit negotiations

3.2 At the time of writing, the Brexit negotiations are still ongoing, and it is unclear whether, following Brexit, UK insurance firms will still be able to service policies sold under EU passporting rights legally. In particular, there have been no developments within the public domain that provide any certainty over whether UKLAP will be allowed to continue to service business written under EU passporting rights after 29 March 2019. At this stage, even if there were proposals for UK insurers to continue servicing policies sold under EU passporting rights, these would not have been progressed fully into law and so there would still be uncertainty about the final outcome of Brexit. It is still possible that a transition period will be agreed, allowing UKLAP to continue to service policies sold under EU passporting rights for a limited period after 29 March 2019. However, it is unclear how long any transition period may be. Therefore, in my opinion, the Scheme is required in order to provide Transferring Policyholders with certainty that the Aviva Group will be able to lawfully service their policies following Brexit.

Update on loss of FSCS protection

3.3 The FSCS is a statutory "fund of last resort" in the UK which operates when an insurer is unable to meet its liabilities fully. It protects policyholders if a financial services company were to become insolvent. Transferring Policies currently covered by FSCS protection constitute the following:

- Irish Business sold via the Irish Branch of UKLAP (approximately 55,000[2] policies); and
- OLAB (183,118 polices).

3.4 It has been historically understood by UKLAP that all Irish Business not sold via the Irish Branch of UKLAP is not covered by the FSCS. This will continue to be the case after the Transfer.

3.5 In the PRA's consultation paper "CP 26/18 – UK withdrawal from the EU: Changes to the PRA Rulebook and onshored Binding Technical Standards" (dated October 2018), the PRA stated that where a UK insurer transfers its insurance liabilities to an insurer without UK authorisation, existing PRA rules provide FSCS protection only to acts or omissions of the UK insurer that arose before the transfer to the 'successor'. The PRA proposed not to change this existing policy provided that the 'successors' are not "relevant persons" under FSMA.

3.6 I have discussed the sections of CP26/18 relating to FSCS protection, in relation to this Transfer, with UKLAP's legal advisers. UKLAP has taken legal advice in relation to FSCS protection and the implications of this Transfer on this protection for Transferring Policyholders from its legal advisers, and a note was prepared by the legal advisers summarising this advice. This note has been shared with me and I have had an opportunity to discuss and explore this note with the legal advisers and to establish the basis and logical flow of the legal advice. I am not an expert in legal matters and therefore, in forming my conclusions related to

[2] Calculated using a ratio of FSCS covered policies to non-FSCS covered policies determined as at 31 December 2017.

the loss of FSCS protection for those Transferring Policyholders who are currently protected by the FSCS, I have given consideration to my discussions with UKLAP's legal advisers and the legal advice prepared on this topic.

3.7 I do not believe it is necessary to seek independent legal advice in relation to the loss of FSCS for those Transferring Policyholders who are currently covered by this protection as:

- in forming my views on FSCS cover I have taken into consideration my interpretation of the FSCS rules, as set out in the PRA Handbook, however I am not a legal expert,
- as a result of my analysis, whether Transferring Policyholders will have FSCS protection in relation to acts or omissions occurring after the Effective Date is a relatively clear-cut matter and I do not expect that seeking independent legal advice would result in a different conclusion and would result in unnecessary additional costs
- the discussions with UKLAP's legal advisers and the legal advice note prepared for UKLAP by its legal advisers with regards the loss of FSCS protection for those Transferring Policyholders currently protected is consistent with what I have seen elsewhere on similar corporate restructuring projects. Although, I am not an expert in legal matters, I have considered the logical basis of the note and legal advice provided by UKLAP's legal advisers and it is consistent with my own understanding, based on over 20 years' experience of advising on acquisitions and restructuring, including cross border transactions; and
- in my opinion, it is reasonable to rely on the discussions and the note related to FSCS provided by UKLAP's legal advisers as they are a respected law firm with significant experience in insurance regulation including FSCS, Part VII transfers, including cross-border transfers, and are well experienced in advising on such matters.

3.8 Based on my own analysis and these discussions I have concluded that following the transfer of the Transferring Policyholders to ALPI DAC (the successor), claims in respect of acts or omissions of UKLAP (see paragraph 3.10) that occur prior to the Effective Time will continue to be covered by FSCS, even if the insolvency of the insurer occurs after the Effective Time.

3.9 The Scheme transfers the Transferring Policies to ALPI DAC, an insurer based in Ireland. As ALPI DAC is not a "relevant person" under applicable PRA rules, and in accordance with the guidance detailed in paragraph 3.5, claims arising in respect of acts or omissions of UKLAP (see paragraph 3.10) occurring after the Effective Time will no longer be covered by FSCS protection. Claims arising in respect of acts or omissions of ALPI DAC will not be covered by FSCS protection, regardless of when they arise. I have therefore concluded that FSCS protection for Transferring Policyholders who are currently covered will not apply to any acts or omissions of ALPI DAC (whenever they occur) or to any acts or omissions of UKLAP occurring after the Effective Time (including in the intervening period between the Effective Time and Brexit).

3.10 The table below provides examples of acts or omissions for different policy types:

Policy type	Example of an act or omission
Protection	Mis-selling occurring prior to the Effective Time, administration errors occurring prior to the Effective Time, valid claims resulting from the death / critical illness of the policyholder where the death / critical illness occurs prior to the Effective Time
Annuity	Mis-selling occurring prior to the Effective Time, administration errors occurring prior to the Effective Time, valid claims under the insurance policy where the insured event occurs prior to the Effective Time
Savings / Pension	Mis-selling occurring prior to the Effective Time, administration errors occurring prior to the Effective Time, valid claims under the insurance policy where the insured event occurs prior to the Effective Time

Alternative operating models considered

3.11 As detailed in the Report, and in paragraphs 2.3 and 2.4 above, UKLAP has considered alternative operating models that could be implemented to potentially mitigate the loss of FSCS for those Transferring Policyholders who are currently covered. In my Report I considered these alternative operating models and agreed with Aviva Group that some do not provide certainty that the FSCS protection could be retained post-Brexit, some would result in additional costs and complexity compared to UKLAP's chosen approach and some are unachievable in the time-frame. The Brexit negotiations have not provided any further certainty as to whether the alternative operating models or solutions UKLAP has considered would result in FSCS protection being retained for these policyholders. In addition, as stated in my Report, having certainty that the Transferring Policies can continue to be serviced lawfully after Brexit is very important and transferring the Transferring Policies to ALPI DAC is a reasonable approach to ensuring this. ALPI DAC is an insurer based in Ireland, which is not a "relevant person" under applicable PRA rules, and consequently FSCS protection is lost, for acts or omissions occurring after the Effective Time, for those Transferring Policyholders who are currently covered. Also, as this Transfer has been proposed as a result of Brexit rather than as a result of a strategic decision made by UKLAP, it is not necessary for UKLAP to implement these alternative operating models in order for ALPI DAC to carry out its day to day operations.

3.12 Furthermore, the FSCS only provides protection to covered policyholders following an insolvency or default event. Given that ALPI DAC is required to comply with Solvency II and its SRA requires it to hold a capital buffer in excess of that required by Solvency II the likelihood of default or insolvency of ALPI DAC is, in my opinion, remote.

Updated financial information

Solvency II Pillar 1 balance sheet

3.13 UKLAP and ALPI DAC have provided updated financial information as at 30 June 2018. This is the most recent date at which a full set of financial information is available.

3.14 The table below sets out the impact of the Transfer on the Solvency II Pillar 1 results for UKLAP assuming the Transfer took place on 31 December 2017 (as set out in the Report) and also assuming the Transfer took place on 30 June 2018.

£m	UKLAP			
	31 December 2017		30 June 2018	
	Before Transfer	After Transfer	Before Transfer	After Transfer
Total assets	307,464	300,911	305,505	298,943
Total liabilities	292,196	285,808	291,209	284,880
Excess of assets over liabilities	15,269	15,102	14,296	14,063
Total available Own Funds to meet SCR	14,154	14,084	13,081	12,919
SCR	9,321	9,206	8,506	8,361
SCR Ratio	152%	153%	154%	155%

3.15 Since the Report, the main reason for the fall in Own Funds is due to a dividend payment which was partly offset by favourable earnings from existing business, longevity assumption changes and better than expected economic movements (primarily credit/sovereign spreads, interest rates and equity market movements). The fall in the SCR is as a result of a combination of factors including longevity assumption changes and economic movements, partially offset by new business strain.

3.16 The above results include a capital injection from UKLAP to ALPI DAC. If the Transfer had occurred on 30 June 2018 the capital injection would have been £136m, after allowing for the reinsurance premium under the Brexit Reinsurance. The capital injection ensures ALPI DAC has an SCR Ratio equal to its target level of 150% following the Transfer.

3.17 Overall, the table in paragraph 3.14 shows there have been no material movements in the pre- and post-Transfer SCR Ratio for UKLAP since the Report.

3.18 The table below sets out the impact of the Transfer on the Solvency II Pillar 1 results for ALPI DAC assuming the Transfer took place on 31 December 2017 (as set out in the Report) and also assuming the Transfer took place on 30 June 2018. The actual SCR Ratio results at 30 June 2018 before the Transfer have been prepared under the same control environment that applies to year end reporting. This includes a "do, check and review" process as well as an external audit review. There are some minor pro forma adjustments to the audited 30 June 2018 numbers, but these are not material. The pro forma SCR Ratio results after the Transfer have been prepared under the same internal control environment but without external audit review. I have reviewed an analysis which reconciles the before and after Transfer positions and an analysis which reconciles the 31 December 2017 and 30 June 2018 positions and my questions on these have been answered adequately by UKLAP. The results are in line with my expectations given movements in the market and UKLAP and ALPI DAC's businesses since the time of the 31 December 2017 results. I am therefore satisfied with these results.

€m	ALPI DAC			
	31 December 2017		30 June 2018	
	Before Transfer	After Transfer	Before Transfer	After Transfer
Total assets	4,965	13,942	5,001	13,809
Total liabilities	4,709	13,241	4,752	13,107
Excess of assets over liabilities	256	702	249	702
Total available Own Funds to meet SCR	253	559	246	549
SCR	160	372	154	366
SCR Ratio	158%	150%	159%	150%

3.19 Since 31 December 2017 the main reasons for the fall in the ALPI DAC pre-transfer Own Funds are a €5m dividend payment to its previous owner, as part of the finalisation of the Change of Control, and a €4m contribution to the staff defined benefit pension scheme. The main impact on the SCR was a €4m decrease to the SCR from the Staff Defined Benefit scheme.

3.20 As noted in the Report, ALPI DAC intends to apply for the use of VA to cover the Transferring Business, however the VA application in respect of the Transferring Policies has been deferred to 2019. Hence, the above updated results as at 30 June 2018 do not allow for VA on Transferring Business in ALPI DAC. The results as at 31 December 2017 do contain a VA for the Transferring Business and as stated in the Report paragraph 10.7, the impact of applying a VA was an increase in the Own Funds of less than £10m.

3.21 It should also be noted that the above results allow for a capital injection from UKLAP to ALPI DAC. If the Transfer had occurred on 30 June 2018 the capital injection would have been £136m, after allowing for the reinsurance premium under the Brexit Reinsurance. This capital injection is a requirement of the Scheme and ensures that ALPI DAC has an SCR Ratio equal to its target level of 150%.

3.22 As shown in the table above, the SCR Ratios remain at, or above, the target SCR Ratio of 150% before and after the Transfer.

3.23 Overall, in my opinion, the changes in UKLAP's and ALPI DAC's SCR Ratios from 31 December 2017 to 30 June 2018, both pre and post-Transfer, are not material. Both UKLAP and ALPI DAC continue to meet their Solvency Risk Appetite and have an SCR Ratio above 150% before and after the Transfer.

3.24 I have also been provided with more recent confidential financial results incorporated in the December 2018 monthly solvency monitoring packs for UKLAP and these together with updated ALPI DAC's quarterly solvency positions suggest that the financial positions of both UKLAP and ALPI DAC have not changed materially since 30 June 2018. It is reasonable to rely on UKLAP's and ALPI DAC's tools used to monitor real time solvency. The tools have been used for a number of years and have proved to be a good predictor of the actual solvency results. In addition, the solvency estimates take account of up to date market conditions on equity markets, interest rates and bond spreads and reflect the impact these conditions have on the risks within the portfolios. The results are subject to the normal "do, check and review" processes in place within UKLAP's and ALPI DAC's finance departments. I have reviewed the results of the more recent financial results and I have had the opportunity to raise questions, which have been adequately answered.

Stress and scenario testing

3.25 Stress and scenario testing results are presented in UKLAP's and ALPI DAC's ORSAs. I reviewed the 2017 ORSA for UKLAP and 2018 Interim ORSA for ALPI DAC as part of the work leading up to the Report, as these are a good indication of how firms may survive future adverse events. My conclusions are presented in the Report, in paragraphs 4.33 to 4.36 for UKLAP and paragraphs 5.26 to 5.29 for ALPI DAC. I concluded that both UKLAP and ALPI DAC had a number of management actions that could be taken to deal with future adverse scenarios.

3.26 Since the Report, I have been provided with updated draft versions of UKLAP's Recovery Plan and ALPI DAC's ORSA. These include updated projections of SCR Ratio and updated descriptions of the actions that could be taken by either UKLAP or ALPI DAC to restore their solvency in certain stress scenarios. They also show that both UKLAP and ALPI DAC have a range of management actions they could utilise to endure such scenarios and do not show any reasons for concern over the future solvency of UKLAP or ALPI DAC. I note that there has been no change to the credit rating of UKLAP since the Report.

Impact of PRA's CP13/18 on Equity Release Mortgages

3.27 In July 2018 the PRA published CP13/18, a consultation paper concerning the valuation of Equity Release Mortgages and requested firms to value these assets using a proposed set of assumptions and thus calculate the impact on their solvency position if these proposals were to be implemented. The consultation period for CP13/18 ended on 30 September 2018 and in December 2018 the PRA provided feedback to the responses received in PS31/18. PS31/18 also contains the final supervisory statement "SS3/17 – Solvency II: Matching adjustment – illiquid assets and equity release mortgages", which will be effective from 31 December 2019. There are some matters related to SS3/17 which the PRA plan to consult on in early 2019.

3.28 UKLAP has carried out an impact assessment based on the current proposals and these suggest that the proposals will not impact the Own Funds of UKLAP and will result in an increase in its SCR. Based on my review of UKLAP's assessment, I am satisfied that UKLAP is able to withstand this impact and meet its regulatory requirements, as well as remaining at or above the target SCR Ratio, as set out in UKLAP's SRA.

Updated non-financial information

3.29 The remainder of this section outlines updated non-financial information that I have examined since the date of the Report.

Business being transferred

3.30 The split of the Transferring business as at 31 December 2017 and 30 June 2018 is as follows:

Transferring Policies	Policy type	31 December 2017		30 June 2018	
		Policy Count	BEL (£m)	Policy Count	BEL (£m)
With-profits Irish Business	With-profits	8,644	731	8,462	703
Non-profit Irish Business	Non-profit	247,773	5,139	248,016	5,140
OLAB	Non-profit and with-profits	205,861	1,155	183,118	956
Total		**462,278**	**7,024**	**439,596**	**6,799**

3.31 As shown in the table above, the total number of Transferring Policies as at 30 June 2018 has reduced. This is largely due to an exercise undertaken by UKLAP, since the finalisation of the Report and ahead of the policyholder mailings commencing, to ensure that all Transferring Policies had been correctly identified. This gave rise to a large fall in the population of Transferring Policies in the FP WPSF. The definition of the scope of the Transferring Business has not changed but this exercise also revealed that a particular product class should have been excluded as it was mistakenly listed as in-scope (as detailed in paragraph 5.6). The number of Transferring Policies has also reduced slightly due to the passage of time, as some of the Transferring Business has run-off between 31 December 2017 and 30 June 2018.

3.32 As mentioned in paragraph 3.31 above, the scope of the Transferring Business has not changed since the Report was issued. As per the Report, the Transferring Business is defined as all policies sold on a Freedom of Establishment basis and all policies of policyholders who purchased a product targeted exclusively at individuals within an EU state. I am aware that there are approximately 9,000 policyholders in Sweden and 10,000 policyholders in Iceland who are excluded from the population of Transferring Business as they purchased products targeted at individuals in the UK. I am satisfied that these policyholders do not meet the defined criteria to be included as Transferring Business. I understand from UKLAP that it is committed to paying out on their contractual obligations to these policyholders, and I understand that UKLAP will continue to monitor the possible regulatory consequences of not transferring these policies.

Run-off of OLAB policies

3.33 In paragraphs 10.58 to 10.62 of the Report I considered the run-off of the BEL of OLAB in relation to ALPI DAC's counterparty default risk exposure to UKLAP as a result of the Brexit Reinsurance. Since the Report was issued there have been some corrections to the methodology used in the calculation of the run-off of the BEL of the OLAB policies, and this has resulted in some changes to the run-off profile.

3.34 In paragraph 10.58 of the Report I previously included a table showing the BEL of OLAB as a percentage of the liabilities of ALPI DAC, including and excluding new business. Below I have restated this table, using the updated information UKLAP have provided me with.

	2018	2019	2020	2021	2022
BEL of OLAB (€m)	1,087	1,066	1,048	1,030	1,011
BEL of ALPI DAC, incl. anticipated new business (€m)	12,526	13,017	13,576	14,157	14,784
BEL of OLAB as a percentage of total ALPI DAC BEL inc. anticipated new business	9%	8%	8%	7%	7%
BEL of ALPI DAC, excl. new business (€m)	11,113	10,035	8,953	7,813	6,636
BEL of OLAB as a percentage of total ALPI DAC BEL excl. new business	10%	11%	12%	13%	15%

3.35 The revised run-off profile of OLAB also indicates that over the next 10 years the business of OLAB will reduce by approximately 20%, with only a third of the OLAB Policies remaining in 2039.

3.36 Therefore, although I note that the corrections to the methodology used in the calculation of the run-off profile of the OLAB liabilities indicate a different run-off profile it remains true that, in the absence of new business, OLAB will represent an increasing proportion of the business of ALPI DAC over the next five years, meaning ALPI DAC's counterparty exposure to UKLAP will increase in relative terms. However, it should be noted that ALPI DAC does not intend to close to new business and consequently this scenario would not be expected to occur in practice. If ALPI DAC remains open to new business as it intends, ALPI DAC will have a relatively large counterparty default exposure in the first few years, which decreases and becomes a smaller risk for ALPI DAC. Additionally, ALPI DAC is aware of its exposure to counterparty default risk and is experienced in monitoring and managing this risk on a day-to-day basis.

3.37 Overall, I remain satisfied that the ALPI DAC counterparty exposure to UKLAP can be managed appropriately and will not give rise to a material adverse impact on ALPI DAC.

Passporting authorisation for ALPI DAC

3.38 ALPI DAC is in the process of obtaining EU passporting rights on a Freedom of Services basis in Germany, Sweden and Iceland and establishing branches in Belgium and France, so that it will be able to service business from these EEA states following Brexit. I do not expect any issues to arise in ALPI DAC obtaining these EU passporting rights or establishing these branches, although at the time of this Supplementary Report being finalised these have not yet been obtained. Should any issues arise, I will make the Court aware of these ahead of the Sanctions Hearing.

Changes to the Scheme

3.39 I provided a description of the Scheme in section 6 of the Report. Since the Scheme was presented to the Court at the Directions Hearing on 16 October 2018 there have been two small changes. The first of these changes was the removal of the reference to the Senior Assistance / Thuishulp product from Schedule 1 of the Scheme, which lists the products to be transferred under the Scheme. The second change was the addition of an employer pension scheme product to Schedule 1.

3.40 As explained in paragraph 3.31, UKLAP has undertaken an exercise to finalise the population of Transferring Policies. This exercise identified that the Senior Assistance / Thuishulp product is not actually a UKLAP product and therefore should not be included within Schedule 1 of the Scheme. During the mailing process it was also identified that an employer pension scheme product was in scope of the Transfer and therefore Schedule 1 should have made reference to this product. As these changes to the Scheme were to correct errors, and do not alter the purpose or structure of the Scheme, I am satisfied that these changes are appropriate.

Changes to the Brexit Reinsurance

3.41 A description of the Brexit Reinsurance and the Charge is in Section 9 of the Report. Since the Directions Hearing, there have been two changes to the Brexit Reinsurance.

3.42 The Brexit Reinsurance included the email address of an employee of ALPI DAC who is no longer with the company, this email address has therefore been updated. As this change does not alter the purpose or structure of the Brexit Reinsurance, I am satisfied that it is not a material change.

3.43 As stated in paragraph 9.50 of the Report the definition of the Back Book Premium in relation to policies in the Old WPSF and the FP WPSF was previously BEL plus an allowance for future distributions of the Estate, taking into account the sustainable Estate distributions at the appropriate time. Since the Report was finalised, this definition has been updated, and the Back Book Premium in relation to policies in the Old WPSF and the FP WPSF is now defined in the Brexit Reinsurance as BEL plus an appropriate margin in accordance with Solvency II and the Transfer Methodology in force at the appropriate time. Therefore, the definition of Back Book

Premium for policies in the Old WPSF and the FP WPSF is now the same as that for all other OLAB policies.

3.44 The Back Book Premium paid by ALPI DAC to UKLAP is a commercial agreement between the two entities. Therefore, when determining whether the change to the definition of Back Book Premium is material or not, I have considered the knock-on impact this change of definition has on the capital injection and Termination Amount.

3.45 The Scheme requires UKLAP to provide a capital injection to ALPI DAC that is sufficient to ensure that ALPI DAC has an SCR Ratio of 150% immediately after the Effective Time. However, the assets to be transferred under the Scheme relating to OLAB are set equal to the Back Book Premium. Therefore the capital injection, and the assets within FP WPSF and Old WPSF, are unaffected by the change to the definition of the Back Book Premium.

3.46 The determination of the Termination Amount under the Brexit Reinsurance takes into consideration, amongst other things, the methodology used to derive the Back Book Premium. However, I am satisfied that the removal of the references to future distributions of the Estate for the Back Book Premium in relation to policies in the Old WPSF and FP WPSF does not adversely impact the determination of the Termination Amount as the definition of the Termination Amount retains references to allowances for future Estate distribution for policies in the Old WPSF and the FP WPSF.

3.47 Therefore, I am satisfied that the changes to the definition of Back Book Premium do not have any adverse knock-on impact, and therefore it is my view that this change to the Brexit Reinsurance is not material.

Changes to the Charge

3.48 There have been no changes to the Charge since it was presented to the Court at the Directions Hearing on 16 October 2018.

DISP compliance gap analysis

3.49 ALPI DAC has carried out an analysis to compare the similarities and differences between the dispute resolution provisions ("DISP") of the FCA Handbook, as applicable to the FOS in the UK, and the equivalent Irish rules and Consumer Protection Code 2012 that apply to the FSPO. There are already provisions within the Scheme which require ALPI DAC to comply with the relevant DISP requirements when considering complaints raised by policyholders which relate to acts or omissions of UKLAP which occurred before the Effective Time and which have been referred to the FOS before the Effective Time. I have seen the results of this DISP review and have discussed these with UKLAP. The results of this DISP review did not highlight any significant disparity between DISP and the corresponding Irish regulations which would undermine the requirement in the Scheme that ALPI DAC comply with DISP in relation to complaints referred to the FOS in connection with the acts or omissions of UKLAP prior to the Effective Time.

Governance & risk framework

3.50 As I stated in the Report, the governance and risk framework for ALPI DAC will be finalised as part of the integration process of ALPI DAC into the Aviva Group. I have been informed that there have been no changes to the proposed governance and risk framework of ALPI DAC from that set out in the Report.

3.51 ALPI DAC continue to align their governance processes with Aviva. While most of the relevant committees were already being established prior to the Report, since the Report ALPI DAC has started setting up the Conduct and Customer Committee which will assist the ALPI DAC Board by providing oversight of all conduct risk matters.

3.52 As at 1 January 2019 UKLAP has made a few minor business-as-usual updates in relation to the smoothing approach and investment management detailed in the PPFM for the Irish WPSF and these changes will also be made in the PPFM applicable to the ALPI Irish WPF. The changes to the smoothing approach clarify how the smoothing principles are to be put into practice. The investment management changes clarify the approach to reviewing the investment strategy and an amendment has also been made to reflect the fact that the Irish WPSF no longer has a material property holding. These changes have been discussed and agreed by the WPC and WPA.

Policyholder taxation

3.53 UKLAP has been in discussions with the Irish Revenue regarding the future taxation of the Transferring Policyholders. These discussions have confirmed that the tax status of the Transferring Policyholders will not be changed as a result of the Scheme.

Tax clearances

3.54 Since the Report, UKLAP has been seeking clearances and confirmation from the relevant tax authorities in the UK and Ireland regarding the application of corporation tax for the Transferring Business. UKLAP has received the required clearances from the UK tax authorities. UKLAP is currently in discussions with the Irish Revenue, and at the time of finalising this Supplementary Report clearance in respect of capital gains tax had not been obtained. This is expected to be received shortly, and in the very unlikely event that it is not received, any impact from this would be met by UKLAP shareholders and would not impact Transferring Policyholders or Remaining Policyholders.

3.55 Due to changes in Belgian tax rules, UKLAP will be liable for an approximately €300k tax charge for transferring Belgian business as a result of the Scheme. This charge will be met by UKLAP shareholders and will not impact Transferring Policyholders.

Access to the FOS for OLAB Policyholders

3.56 Since the writing of the Report it has been confirmed that in the event that an OLAB Policyholder has a complaint about the conduct of UKLAP's oversight activities after the Effective Time of the Scheme they will be able to raise their complaint with the FOS.

Reinsurance and legal notifications

3.57 There are no reinsurance arrangements relating to with-profits Irish Business.

3.58 For the non-profit Irish Business, UKLAP is in the process of informing the relevant internal and external reinsurers about the Scheme. I do not expect any of the reinsurers to object to a change in the ceding company from UKLAP to ALPI DAC. Should any of these reinsurers object, I will inform the Court of these ahead of the Sanctions Hearing.

3.59 One of the external reinsurance arrangements covers both the non-profit Irish Business and Remaining Policyholders of UKLAP. In relation to this treaty, ALPI DAC is in the process of arranging a supplemental agreement with the reinsurer, in which the reinsurer commits to reinsuring the Irish Business directly with ALPI DAC whilst continuing to cover the UKLAP Remaining Policyholders. I do not expect any issues to arise in implementing the new agreement. Should any issues arise, I will inform the Court ahead of the Sanctions Hearing.

3.60 In addition, all internal and external reinsurers covering OLAB have been informed of the Scheme, and UKLAP is in the process of confirming that these reinsurance arrangements will remain in place after the Transfer. Deeds of variation to the current arrangements have been drafted, and UKLAP is in the process of agreeing these with the relevant reinsurers. I do not expect any issues to arise relating to the Deeds of variation, should any issues arise, I will inform the Court ahead of the Sanctions Hearing.

Administration of the Irish Business

3.61 Currently, the administration for the with-profits and non-profit Irish Policies is performed by ALSIL. As detailed in paragraphs 8.20 and 8.23 of the Report, ALPI DAC will perform the administration for the Irish Business following the Transfer.

3.62 The programme to bring together the administration teams, processes and systems of ALPI DAC and ALSIL under a Best of Both approach is underway. Since October 2018 the ALSIL and ALPI DAC administration teams have been co-located and a new management structure has been embedded, with managers having responsibility for a combined team of ALPI DAC and ALSIL staff. ALPI DAC has also performed an assessment of the features of the administration systems of ALSIL and ALPI DAC, and it has been decided that the ALPI DAC administration system will be used going forward. This migration will take place after the Transfer. All these changes have been made in line with the Best of Both approach I described in the Report. The integration of the administration systems using a Best of Both approach, ensures that all products can be effectively administered on one platform, and service levels can be maintained or improved for customers and brokers.

Proposed changes to CBI regulations

3.63 As stated in the Report, on 22 June 2018, the CBI released "CP122 – Consultation on Changes to the Domestic Actuarial Regime and Related Governance Requirements under Solvency II". This consultation paper proposes further amendments to the actuarial regime in Ireland relating to the governance of with-profits business involving additional governance processes for the operation of with-profits funds. This has been outlined in the Report in paragraphs 3.58 and 3.59. Since the Report, the CBI have indicated that they will be making a few minor changes to the requirements detailed in CP122 including changes to the following requirements which I previously highlighted in the Report:

- (re)insurance undertakings will no longer be required to send an annual report to with-profits policyholders on the compliance of the fund with the principles of the WPOP. Instead they will be required to make such a report available on their website and send it to policyholders who request a paper copy; and
- the HoAF will continue to be required to report to the Board on the compliance of the with-profits funds with the principles in the WPOP, however the requirement for the HoAF to communicate directly with with-profits policyholders has been removed. The Board will need to reference the HoAF's report and explicitly call out any exemptions mentioned by the HoAF.

3.64 These new requirements will apply to the transferred with-profits Irish Business from the Effective Time. The proposed regulations are a strengthening of the current regulations in Ireland and ALPI DAC has confirmed that it intends to comply fully with these new requirements for the with-profits Irish Business. In the Report, I concluded that for with-profits Irish Business the proposed governance in ALPI DAC does not represent a material weakening to the governance that is currently in place and that, consequently, there is no material adverse impact on the with-profits Irish Business policyholders. The introduction of the proposed CP122 requirements would result in a strengthening of the current regime in Ireland for with-profits business and would not alter the conclusions detailed in my Report.

3.65 ALPI DAC is intending to apply for an exemption from these regulations for the with-profits OLAB. Therefore, if the application for the exemption is successful the governance of with-profits OLAB policies will be unchanged from that detailed in the Report, and therefore I remain satisfied that the governance of the with-profits OLAB policies is not adversely affected as a result of the Transfer as they will still be covered by the governance structures currently in place with UKLAP and the HoAF and ALPI DAC Board will provide additional oversight. If the application for the exemption were not to be successful it would be necessary for ALPI

DAC to comply with CP122 in respect of the with-profits OLAB policies. Given this would represent a strengthening of the current regime in Ireland for with-profits business, my conclusions detailed in the Report would still remain unchanged.

CBI Solvency Certificate

3.66 The CBI has issued a Solvency Certificate for ALPI DAC to the PRA. A Solvency Certificate certifies that an insurer has a sufficient margin of solvency and whether or not the issuing regulator consents to the transfer. This is required, under FSMA rules, to confirm that ALPI DAC has the required margin of solvency and CBI consents to the Transfer.

4 Updated impact of the Transfer on policyholders and reinsurers

4.1 This section considers the impact of the updated information, both financial and non-financial, presented in section 3, on Transferring Policyholders, Remaining Policyholders of UKLAP, Existing Policyholders of ALPI DAC and the external reinsurers of UKLAP as follows:

- With-profits Irish Business, Transferring Policyholders, paragraphs 4.2 to 4.30;
- Non-profit Irish Business, Transferring Policyholders, paragraphs 4.31 to 4.58;
- OLAB Transferring Policyholders; paragraphs 4.59 to 4.86;
- Remaining Policyholders of UKLAP, paragraphs 4.87 to 4.104;
- Existing Policyholders of ALPI DAC, paragraphs 4.105 to 4.124; and
- External reinsurers of UKLAP, paragraphs 4.125 to 4.126.

The impact of the Transfer on with-profits Irish Business

4.2 The following paragraphs consider whether the updated information changes any of the conclusions detailed in the Report relating to the with-profits Irish Business.

Benefit expectations and contractual rights

4.3 There have been no changes, since writing the Report, in relation to the benefit expectations and contractual rights of the with-profits Irish Business as a result of the Transfer. Therefore, all comments I made in this regard in the Report continue to apply, and I remain satisfied that the Transfer will not have a material adverse impact on the benefit expectations and contractual rights of the with-profits Irish Business.

Security of policyholder benefits

4.4 As shown in paragraphs 3.14 and 3.18, as at 31 December 2017, the with-profits Irish Business was moving from a company with an SCR Ratio of 152% to a company with an SCR Ratio of 150%. Similarly, as at 30 June 2018, the with-profits Irish Business is moving from a company with an SCR Ratio of 154% to a company with an SCR Ratio of 150%.

4.5 I have also been provided with more recent confidential financial results for both UKLAP and ALPI DAC, as detailed in paragraph 3.24, and these suggest that the SCR Ratios of both UKLAP and ALPI DAC have not changed materially since 30 June 2018. Therefore, it remains the case that the with-profits Irish Business is not being transferred to an insurer that is materially weaker than UKLAP from a solvency perspective.

4.6 In addition, as outlined in paragraph 10.17 of the Report, ALPI DAC is expected to remain within the Green risk appetite range set out within its SRA, in their central projection, over the next five years and there have been no changes to ALPI DAC's SRA since the Report. As noted in the Report, the SRA of ALPI DAC provides a similar level of ongoing protection to the policyholders of the with-profits Irish Business as the SRA of UKLAP.

4.7 There have not been any events since I produced the Report to suggest that the risk profile of either UKLAP or ALPI DAC has changed materially.

4.8 As stated in paragraph 3.25 above, UKLAP and ALPI DAC have performed a range of stress and scenario testing as part of their ORSA investigations which I reviewed leading up to the Report. I concluded that both UKLAP and ALPI DAC have a number of management actions to deal with a range of adverse stresses and scenarios.

4.9 Since the Report, I have reviewed the updated UKLAP Recovery Plan and ALPI DAC ORSA and I am satisfied that both UKLAP and ALPI DAC have a collection of management actions they could utilise to endure such extreme scenarios, and therefore do not give any cause for concern. These documents contain updated stress and scenario tests. I am satisfied that these continue to cover the main risks to which UKLAP and ALPI DAC are exposed, and the management actions that each of UKLAP and ALPI DAC can use to control their respective solvency positions in adverse conditions are appropriate.

4.10 As noted in paragraph 3.33, there have been some corrections to the run-off plan of the OLAB liabilities. I have considered these corrections and as detailed in paragraph 3.37 I remain satisfied that the ALPI DAC counterparty exposure to UKLAP can be managed appropriately and will not give rise to a material adverse impact on ALPI DAC.

4.11 Overall, taking into account the updated financial information provided in section 3, I remain satisfied that the Transfer will not have a material adverse impact on the security of benefits for policyholders of with-profits Irish Business.

Ombudsman

4.12 As set out in the Report, it remains the case that there will be no change to the Ombudsman protection available to with-profits Irish Business as a result of the Transfer.

FSCS

4.13 It has historically been understood by UKLAP that the with-profits Irish Business that transferred to UKLAP under the Irish Scheme is not covered by the FSCS. This will continue to be the case after the Transfer. Were it to transpire that the with-profits Irish Business that transferred to UKLAP under the Irish Scheme, is currently covered by FSCS protection, this protection would be lost upon the Transfer as ALPI DAC is not a "relevant person" under applicable PRA rules. This would place these Transferring Policies in the same position as Transferring with-profits Irish Business sold through the Irish Branch of UKLAP, who do currently have FSCS protection but will lose this protection as a result of this Transfer (subject to retaining FSCS protection in respect of claims arising from acts or omissions of UKLAP prior to the Effective Time).

4.14 The with-profits Irish Business sold through the Irish Branch of UKLAP subsequent to the Irish Scheme is currently covered by the FSCS.

4.15 As explained in paragraph 3.2 above, there have been no developments within the Brexit negotiations that provide any certainty over whether UKLAP will be able to continue to lawfully service business written under EU passporting rights after 29 March 2019. Therefore, UKLAP is still intending to proceed with the Scheme in order to have certainty that the with-profits Irish Business can continue to be lawfully serviced after Brexit. As a result of the Transfer, those policyholders of with-profits Irish Business who are currently covered by the FSCS, as set out within the Report, will lose FSCS protection.

4.16 Within the Report, and in paragraph 3.11 above, I detailed that UKLAP had considered alternative operating models that could be implemented in order to potentially mitigate the loss of FSCS protection. However, as detailed in paragraph 3.2, there have been no updates to the Brexit negotiations which provide any certainty that these would result in FSCS protection being retained post-Brexit. These operating models would result in additional costs and complexity and are not necessary for ALPI DAC to carry out its day-to-day operations.

4.17 Consequently, my conclusion regarding the loss of FSCS protection for those policyholders of with-profits Irish Business who are currently covered remains unchanged from that presented in the Report. Those policyholders of the with-profits Irish Business that currently have FSCS protection will retain the benefit of FSCS protection for acts or omissions of UKLAP arising prior to the Effective Time. However, FSCS protection will not apply for any acts or omissions of ALPI DAC (whenever they occur) or for acts or omissions of UKLAP occurring between the Effective Time and Brexit. Also, FSCS protection will not apply for acts or omissions of

UKLAP occurring after Brexit. Overall, I remain satisfied that there is no material adverse effect on policyholder protection for with-profits Irish Business as a result of the Transfer because:

- in my view, the certainty of being able to service a policy lawfully after Brexit is more important than the loss of FSCS protection, which only provides protection in the event of UKLAP becoming insolvent; and
- the Solvency II regime, under which both UKLAP and ALPI DAC operate, requires insurers to maintain assets such that they can survive extreme events that are expected to occur only once in every two hundred years. The SRA of ALPI DAC requires ALPI DAC to maintain capital in excess of that required by Solvency II. Therefore, in my opinion, the likelihood of ALPI DAC becoming insolvent is remote and therefore the loss of FSCS protection is not material.

Brexit Reinsurance

4.18 As set out in the Report, the Brexit Reinsurance does not cover with-profits Irish Business.

Governance

4.19 There have been no changes to the proposed governance processes of the with-profits Irish Business since the Report. As mentioned in paragraph 3.64, from the Effective Time additional regulations will apply to with-profits business in Ireland and ALPI DAC has confirmed that it intends to comply fully with these requirements for the with-profits Irish Business. The introduction of these new requirements results in a strengthening of the current regime in Ireland for with-profits business.

4.20 As outlined in paragraph 3.52, there have been a few minor adjustments to the PPFM for with-profits Irish Business. These are mainly clarification changes and do not materially adversely impact the with-profits Irish Business.

4.21 Therefore, it remains my opinion that the Transfer does not materially adversely impact the governance of the with-profits Irish Business.

External reinsurance

4.22 There have been no changes since writing the Report in relation to the ability of ALPI DAC to effect new reinsurance arrangements and modify or terminate existing reinsurance arrangements. Therefore, I remain satisfied that this does not materially adversely affect the with-profits Irish Business.

Tax

4.23 As detailed in paragraphs 3.53 and 3.54, UKLAP has been in discussions with the Irish Revenue regarding the future taxation of Transferring Policyholders and application of corporation tax for the Transferring Policyholders. These discussions have confirmed that the tax status of the policyholders of with-profits Irish Business will not be changed as a result of the Scheme. UKLAP has received all required policyholder clearances and confirmations from the relevant tax authorities in the UK and Ireland.

4.24 Overall, it remains my opinion that the tax implications of the Transfer are likely to be broadly neutral, and that there will be no material adverse impact on the with-profits Irish Policyholders.

Expenses and charges

4.25 As outlined in the Report, there will be no changes to the expenses and charges structure of the with-profits Irish Business as a consequence of the Scheme. If a change is proposed by relevant parties, there are clear governance processes to be followed to enact the change. These processes, before and after the Transfer, are not materially different.

4.26 As stated in the Report in section 6, the Scheme also requires ALPI DAC to meet the one-off costs and expenses that it incurs as a result of the Scheme. These costs will be allocated to the Other Business Fund or the ALPI DAC Shareholder Fund.

4.27 Also, as stated in section 6 of the Report, additional on-going costs as a result of the Scheme will be borne by the shareholders of UKLAP and ALPI DAC. If any increased ongoing ALPI DAC costs were to be charged to ALPI DAC policyholders in the future, any changes would be subject to the appropriate governance process within ALPI DAC, including review by the HoAF and WPC.

4.28 As there have been no changes since the Report, I remain satisfied that there will be no material adverse impact on the charges borne by the with-profits Irish Business as a result of the Transfer.

Administration and service standards

4.29 As outlined in the Report and in paragraph 3.62 above, following the Transfer, the with-profits Irish Business, which was previously administered by ALSIL, will be administered by ALPI DAC. The programme to bring together the administration teams, processes and systems of ALPI DAC and ALSIL under the Best of Both approach is underway. I have been provided with the current status of this programme which shows that it is on track. Additionally, I am satisfied that the Best of Both approach is being given adequate consideration to ensure that current service levels will, at a minimum, be maintained. Therefore, I remain of the view that I do not expect the Transfer to adversely affect the service standards experienced by the policyholders of with-profits Irish Business.

Conclusion

4.30 In summary, the updated information does not alter my conclusions drawn in the Report relating to with-profits Irish Business, and I remain satisfied that the Transfer will not materially adversely impact with-profits Irish Business.

The impact of the Transfer on non-profit Irish Business

4.31 The following paragraphs consider whether the updated information changes any of the conclusions detailed in the Report relating to the non-profit Irish Business.

Benefit expectations and contractual rights

4.32 There have been no changes, since writing the Report, in relation to the benefit expectations and contractual rights of the non-profit Irish Business as a result of the Transfer. Therefore, all comments I made in this regard in the Report continue to apply, and I remain satisfied that the Transfer will not have a material adverse impact on the benefit expectations and contractual rights of the non-profit Irish Business.

Security of policyholder benefits

4.33 As shown in paragraphs 3.14 and 3.18, as at 31 December 2017, the non-profit Irish Business was moving from a company with an SCR Ratio of 152% to a company with an SCR Ratio of 150%. Similarly, as at 30 June 2018, the non-profit Irish Business is moving from a company with an SCR Ratio of 154% to a company with an SCR Ratio of 150%.

4.34 I have also been provided with more recent confidential financial results for both UKLAP and ALPI DAC, as detailed in paragraph 3.24, and these suggest that the SCR Ratios of both UKLAP and ALPI DAC have not changed materially since 30 June 2018. Therefore, it remains the case that the non-profit Irish Business is not being transferred to an insurer that is materially weaker than UKLAP from a solvency perspective.

4.35 In addition, as outlined in paragraph 10.17 of the Report, ALPI DAC is expected to remain within the Green risk appetite range set out within its SRA, in their central projection, over the next five years and there have been no changes to ALPI DAC's SRA since the Report. As noted in the Report, the SRA of ALPI DAC provides a similar level of ongoing protection to the non-profit Irish Business as the SRA of UKLAP.

4.36 There have not been any events since I produced the Report which suggest that the risk profile of either UKLAP or ALPI DAC has changed materially.

4.37 As stated in paragraph 3.25 above, UKLAP and ALPI DAC have performed a range of stress and scenario testing as part of their ORSA investigations, which I reviewed leading up to the Report. I concluded that both UKLAP and ALPI DAC have a number of management actions to deal with a range of adverse stresses and scenarios.

4.38 Since the Report, I have reviewed the updated UKLAP Recovery Plan and ALPI DAC ORSA and I am satisfied that both UKLAP and ALPI DAC have a collection of management actions they could utilise to endure such extreme scenarios, and therefore do not give any cause for concern. These documents contain updated stress and scenario tests. I am satisfied that these continue to cover the main risks to which UKLAP and ALPI DAC are exposed, and the management actions that each of UKLAP and ALPI DAC can use to control their respective solvency positions in adverse conditions are appropriate.

4.39 As noted in paragraph 3.33, there have been some corrections to the run-off plan of the OLAB liabilities. I have considered these corrections and as detailed in paragraph 3.37 I remain satisfied that the ALPI DAC counterparty exposure to UKLAP can be managed appropriately and will not give rise to a material adverse impact on ALPI DAC.

4.40 Overall, taking into account the updated financial information provided in section 3, I remain satisfied that the Transfer will not have a material adverse impact on the security of benefits for non-profit Irish Business.

Ombudsman

4.41 As set out in the Report, it remains the case that there will be no change to the Ombudsman protection available to non-profit Irish Business as a result of the Transfer.

FSCS

4.42 It has historically been understood by UKLAP that the non-profit Irish Business transferred to UKLAP under the Irish Scheme is not covered by the FSCS. This will continue to be the case after the Transfer. Were it to transpire that the with-profits Irish Business that transferred to UKLAP under the Irish Scheme is currently covered by FSCS protection, this protection would be lost upon the Transfer as ALPI DAC is not a "relevant person" under the applicable PRA rules. This would place these Transferring Policies in the same position as Transferring non-profit Irish Business sold through the Irish Branch of UKLAP, who do currently have FSCS protection but will lose this protection as a result of this Transfer (subject to retaining FSCS protection in respect of acts or omissions of UKLAP prior to the Effective Time).

4.43 The non-profit Irish Business sold through the Irish Branch of UKLAP subsequent to the Irish Scheme is currently covered by the FSCS.

4.44 As explained in paragraph 3.2 above, there have been no developments within the Brexit negotiations that provide any certainty over whether UKLAP will be able to continue to lawfully service business written under EU passporting rights after 29 March 2019. Therefore, UKLAP is still intending to proceed with the Scheme in order to have certainty that the non-profit Irish Business can continue to be lawfully serviced after Brexit. As a result of the Transfer, those policyholders of non-profit Irish Business who are currently covered by the FSCS, as set out within the Report, will lose FSCS protection.

4.45 Within the Report, and in paragraph 3.11 above, I detailed that UKLAP had considered alternative operating models that could be implemented in order to potentially mitigate the loss of FSCS protection. However, as detailed in paragraph 3.2, there have been no updates to the Brexit negotiations which provide any certainty that these would result in FSCS protection being retained post-Brexit. These operating models would result in additional costs and complexity and are not necessary for ALPI DAC to carry out its day to day operations.

4.46 Consequently, my conclusion regarding the loss of FSCS protection for those policyholders of non-profit Irish Business who are currently covered by FSCS remains unchanged from that presented in the Report. Those policyholders of the non-profit Irish Business that currently have FSCS protection will retain the benefit of FSCS protection for acts or omissions of UKLAP arising prior to the Effective Time. However, FSCS protection will not apply for acts or omissions of ALPI DAC (whenever they occur) or for acts or omissions of UKLAP occurring between the Effective Time and Brexit. Also, FSCS protection will not apply for acts or omissions of UKLAP occurring after Brexit. Overall, I remain satisfied that there is no material adverse effect on policyholder protection for policyholders of non-profit Irish Business as a result of the Transfer because:

- in my view, the certainty of being able to service a policy lawfully after Brexit is more important than the loss of FSCS protection, which only provides protection in the event of UKLAP becoming insolvent; and
- the Solvency II regime, under which both UKLAP and ALPI DAC operate, requires insurers to maintain assets such that they can survive extreme events that are expected to occur only once in every two hundred years. The SRA of ALPI DAC requires ALPI DAC to maintain capital in excess of that required by Solvency II. Therefore, in my opinion, the likelihood of ALPI DAC becoming insolvent is remote and therefore the loss of FSCS protection is not material.

Brexit Reinsurance

4.47 As set out in the Report, the Brexit Reinsurance does not cover non-profit Irish Business.

Governance

4.48 There have been no changes to the proposed governance processes of the non-profit Irish Business since the Report, therefore it remains my opinion that the Transfer does not materially adversely impact the governance of non-profit Irish Business.

External reinsurance

4.49 There have been no changes since writing the Report in relation to the ability of ALPI DAC to effect new reinsurance arrangements and modify or terminate existing reinsurance arrangements. Therefore, I remain satisfied that this does not materially adversely affect the non-profit Irish Business.

Tax

4.50 As outlined in paragraphs 3.53 and 3.54, UKLAP has been in discussions with the Irish Revenue regarding the future taxation of Transferring Policyholders. These discussions have confirmed that the tax status of the non-profit Irish Business will not be changed as a result of the Scheme. UKLAP has received all required policyholder clearances and confirmations from the relevant tax authorities in the UK and Ireland.

4.51 Therefore, it remains the case that the Scheme will only alter the way in which investment returns on the unit funds, to which the unit-linked Irish Business is allocated, are taxed. As set out in paragraph 12.35 of the Report, I have been informed that there will be a reduction in investment returns for unit-linked Irish Business of approximately 0.1% of the prevailing investment return. For example, if the rate of investment returns were 3% p.a., the impact of the tax change detailed above would reduce this to approximately 2.997% p.a. ((1-0.1%) * 3%).

4.52 Overall, it remains my opinion that the tax implications of the Transfer are likely to be broadly neutral, aside from the impact on taxation of investment returns outlined above, which I consider to be an unavoidable consequence of the Transfer and is not material in value. Therefore, it remains my opinion that there will be no material adverse impact on non-profit Irish Policyholders from a taxation perspective as a result of the Transfer.

Expenses and charges

4.53 As outlined in the Report, there will be no changes to the expenses and charges structure of the non-profit Irish Business as a consequence of the Scheme. If a change is proposed by relevant parties, there are clear governance processes to be followed to enact the change and these processes, before and after the Transfer, are not materially different.

4.54 As stated in the Report in section 6, the Scheme also requires ALPI DAC to meet the one-off costs and expenses that it incurs as a result of the Scheme. These costs will be allocated to the Other Business Fund or the ALPI DAC Shareholder Fund.

4.55 Also, as stated in section 6 of the Report, additional on-going costs as a result of the Scheme will be borne by the shareholders of UKLAP and ALPI DAC. If any increased ongoing ALPI DAC costs were to be charged to ALPI DAC policyholders in the future, any changes would be subject to the appropriate governance process within ALPI DAC.

4.56 As there have been no changes since the Report, I remain satisfied that there will be no material adverse impact on the charges borne by non-profit Irish Business as a result of the Transfer.

Administration and service standards

4.57 As outlined in the Report and in paragraph 3.62 above, following the Transfer the non-profit Irish Business, which was previously administered by ALSIL, will be administered by ALPI DAC. The programme to bring together the administration teams, processes and systems of ALPI DAC and ALSIL under the Best of Both approach is underway. I have been provided with the current status of this which shows that it is on track. Additionally, I am satisfied that the Best of Both approach is being given adequate consideration to ensure that current service levels will, at a minimum, be maintained. Therefore, I remain of the view that I do not expect the Transfer to adversely affect the service standards experienced by the policyholders of non-profit Irish Business.

Conclusion

4.58 In summary, the updated information does not alter my conclusions drawn in the Report relating to non-profit Irish Business, and I remain satisfied that the Transfer will not materially adversely impact non-profit Irish Business.

The impact of the Transfer on OLAB Policyholders

4.59 The following paragraphs consider whether the updated information changes any of the conclusions detailed in the Report relating to the OLAB Policyholders.

Benefit expectations and contractual rights

4.60 There have been no changes, since writing the Report, in relation to the benefit expectations and contractual rights of the OLAB Policyholders as a result of the Transfer. Therefore, all comments I made in this regard in the Report continue to apply, and I remain satisfied that the Transfer will not have a material adverse impact on the benefit expectations and contractual rights of the OLAB Policyholders.

Security of policyholder benefits

4.61 As shown in paragraphs 3.14 and 3.18, as at 31 December 2017, OLAB was moving from a company with an SCR Ratio of 152% to a company with an SCR Ratio of 150%. Similarly, as at 30 June 2018, OLAB is moving from a company with an SCR Ratio of 154% to a company with an SCR Ratio of 150%.

4.62 I have also been provided with more recent confidential financial results for both UKLAP and ALPI DAC, as detailed in paragraph 3.24, and these suggest that the SCR Ratios of both UKLAP and ALPI DAC have not changed materially since 30 June 2018. Therefore, it remains the case that OLAB is not being transferred to an insurer that is materially weaker than UKLAP from a solvency perspective.

4.63 In addition, as outlined in paragraph 10.17 of the Report, ALPI DAC is expected to remain within the Green risk appetite range set out within its SRA, in their central projection, over the next five years and there have been no events since the Report which have resulted in ALPI DAC's SRA being materially altered. As noted in the Report, the SRA of ALPI DAC provides a similar level of ongoing protection to OLAB as the SRA of UKLAP.

4.64 There have not been any events since I produced the Report which suggest that the risk profile of either UKLAP or ALPI DAC has changed materially.

4.65 As stated in paragraph 3.25 above, UKLAP and ALPI DAC have performed a range of stress and scenario testing as part of their ORSA investigations, which I reviewed leading up to the Report. I concluded that both UKLAP and ALPI DAC have a number of management actions to deal with a range of adverse stresses and scenarios.

4.66 Since the Report, I have reviewed the updated UKLAP Recovery Plan and ALPI DAC ORSA and I am satisfied that both UKLAP and ALPI DAC have a collection of management actions they could utilise to endure such extreme scenarios, and therefore do not give any cause for concern. These documents contain updated stress and scenario tests. I am satisfied that these continue to cover the main risks to which UKLAP and ALPI DAC are exposed, and the management actions that each of UKLAP and ALPI DAC can use to control their respective solvency positions in adverse conditions are appropriate.

4.67 As noted in paragraph 3.34, there have been some corrections to the run-off plan of the OLAB liabilities. I have considered these corrections and as detailed in paragraph 3.37 I remain satisfied that the ALPI DAC counterparty exposure to UKLAP can be managed appropriately and will not give rise to a material adverse impact on ALPI DAC.

4.68 Overall, taking into account the updated financial information provided in section 3, I remain satisfied that the Transfer will not have a material adverse impact on the security of benefits for OLAB Policyholders.

Ombudsman

4.69 As I explained in the Report, certain OLAB Policyholders will lose access to the FOS in the UK in respect of matters arising after the Effective Time but will instead have access to the FSPO in Ireland. The conclusions I set out in the Report on this matter remain unchanged, that is, in my opinion, the changes in access to ombudsman services for certain OLAB Policyholders, as a result of the Transfer, are not expected to have a material adverse impact on these policyholders.

4.70 As outlined in paragraph 3.56, since writing the Report, it has been confirmed that in the event that an OLAB Policyholder has a complaint regarding the conduct of UKLAP's oversight activities after the Effective Time of the Scheme they will be able to raise their complaint with the FOS.

4.71 Overall, my opinion remains that the OLAB Policyholders will not be materially adversely affected by the change to the ombudsman available to them after the Transfer.

FSCS

4.72 All OLAB policies currently benefit from FSCS protection.[3]

4.73 As explained in paragraph 3.2 above, there have been no developments within the Brexit negotiations over whether UKLAP will be able to continue to lawfully service business written under EU passporting rights after 29 March 2019. Therefore, UKLAP is still intending to proceed with the Scheme in order to have certainty that the OLAB policies can continue to be lawfully serviced after Brexit. As a result of the Transfer, all OLAB Policyholders, as set out within the Report, will lose FSCS protection.

4.74 Within the Report, and in paragraph 3.11 above, I detailed that UKLAP had considered alternative operating models that could be implemented in order to potentially mitigate the loss of FSCS protection. However, as detailed in paragraph 3.2, there have been no updates to the Brexit negotiations which provide any certainty that these would result in FSCS protection being retained post-Brexit. These operating models would result in additional costs and complexity and are not necessary for ALPI DAC to carry out its day to day operations.

4.75 Consequently, my conclusion regarding the loss of FSCS protection for all OLAB Policyholders remains unchanged from that presented in the Report. The policyholders of OLAB will retain this cover for acts or omissions of UKLAP arising prior to the Effective Time. However, FSCS protection will not apply for acts or omissions of ALPI DAC (whenever they occur) or for acts or omissions of UKLAP occurring between the Effective Time and Brexit. Also, FSCS protection will not apply for acts or omissions of UKLAP occurring after Brexit. Overall, I remain satisfied that there is no material adverse effect on policyholder protection for OLAB Policyholders as a result of the Transfer because:

- in my view, the certainty of being able to service a policy lawfully after Brexit is more important than the loss of FSCS protection, which only provides protection in the event of UKLAP becoming insolvent; and
- the Solvency II regime which both UKLAP and ALPI DAC operate under, requires insurers to maintain reserves such that they can survive extreme events that are expected to only occur once in every two hundred years. The SRA of ALPI DAC requires ALPI DAC to maintain capital in excess of that required by Solvency II. Therefore, in my opinion, the

[3] Policies issued prior to the introduction of FSCS on 1 December 2001 are deemed by Aviva to meet the definition of a "United Kingdom policy" for the purposes of the Policyholders Protection Act 1975 and as such are assumed to be covered by FSCS.

likelihood of ALPI DAC becoming insolvent is remote and therefore the loss of FSCS protection is not material.

Brexit Reinsurance

4.76 As stated in paragraph 3.41, there have been two changes to the Brexit Reinsurance since the Report, however for the reasons detailed in paragraphs 3.42 to 3.46, I am satisfied that the changes are appropriate and not material, and therefore my conclusions with regard to the impact of the Brexit Reinsurance on OLAB Policyholders remain unchanged. That is, I am satisfied that the Brexit Reinsurance will function as intended and will ensure OLAB Policyholders' benefit expectations are broadly unchanged as a result of the Transfer.

Governance

4.77 There have been no changes to the proposed governance processes of OLAB since the Report, therefore it remains my opinion that the Transfer does not materially adversely impact the governance of OLAB Policyholders.

External reinsurance

4.78 There have been no changes since writing the Report in relation to the ability of ALPI DAC to effect new reinsurance arrangements and modify or terminate existing reinsurance arrangements. Therefore, I remain satisfied that this does not materially adversely affect OLAB.

Tax

4.79 As outlined in paragraphs 3.53 and 3.54, UKLAP has been in discussions with the Irish Revenue regarding the future taxation of the Transferring Policyholders and application of corporation tax for the Transferring Policyholders. These discussions have confirmed that the tax status of the OLAB Policyholders will not be changed as a result of the Scheme. UKLAP has received all required policyholder clearances and confirmations from the relevant tax authorities in the UK and Ireland.

4.80 Overall, it remains my opinion that the tax implications of the Transfer are likely to be broadly neutral, and that there will be no material adverse impact on the OLAB Policyholders.

Expenses and charges

4.81 As outlined in the Report, there will be no changes to the expenses and charges structure of OLAB as a consequence of the Scheme. If a change is proposed by relevant parties, there are clear governance processes to be followed to enact the change and these processes, before and after the Transfer, are not materially different.

4.82 As stated in the Report in section 6, the Scheme also requires ALPI DAC to meet the one-off costs and expenses that it incurs as a result of the Scheme. These costs will be allocated to the Other Business Fund or the ALPI DAC Shareholder Fund.

4.83 Also, as stated in section 6 of the Report, additional on-going costs as a result of the Scheme will be borne by the shareholders of UKLAP and ALPI DAC. If any increased ongoing UKLAP costs were to be charged to UKLAP policyholders in the future, approval from the UKLAP Board would be required, and they will need to have taken advice from the UKLAP WPA and consulted with the WPC in relation to UKLAP with-profits policies. Similarly, if charging increased ongoing ALPI DAC costs to ALPI DAC policyholders were to be considered in the future, any changes would be subject to the equivalent process within ALPI DAC.

4.84 As there have been no changes since the Report, I remain satisfied that there will be no material adverse impact on the charges borne by OLAB Policyholders as a result of the Transfer.

Administration and service standards

4.85 UKLAP will continue to administer all OLAB policies under the terms of the Side Letter to the Brexit Reinsurance, as stated in the Report.

Conclusion

4.86 In summary, the updated information does not alter my conclusions drawn in the Report relating to OLAB Policyholders, and I remain satisfied that the Transfer will not materially adversely impact OLAB Policyholders.

The impact of the Transfer on Remaining Policyholders of UKLAP

4.87 The Transferring Policyholders represent only a small proportion of the total number of policies and liabilities of UKLAP. The following paragraphs consider whether the updated information changes any of the conclusions detailed in the Report relating to the Remaining Policyholders of UKLAP.

Benefit expectations and contractual rights

4.88 There have been no changes since writing the Report in relation to the impact of the Transfer on the benefit expectations and contractual rights of the Remaining Policyholders. In addition, for the reasons set out in the Report, it remains the case that the capital injection from UKLAP to ALPI DAC will not have a material impact on the benefits of the Remaining Policyholders. Therefore, all comments made in the Report regarding this matter continue to apply, and I remain satisfied that the Transfer will not have a material adverse impact on the benefit expectations and contractual rights of the Remaining Policyholders.

Security of policyholder benefits

4.89 As shown in paragraph 3.14, as at 31 December 2017, the Transfer did not have a significant impact on the SCR Ratio of UKLAP. This continues to be the case as at 30 June 2018, which is to be expected, as the Transferring Business represents only a small proportion of the business of UKLAP. I have also been provided with more recent confidential financial information for UKLAP, as detailed in paragraph 3.24, and this suggests that the SCR Ratio of UKLAP has not changed materially since 30 June 2018. Therefore, it remains the case that the strength of UKLAP, from a solvency perspective, is not materially weakened by the Transfer.

4.90 As stated in paragraph 3.26, since the Report, I have reviewed UKLAP's Recovery Plan and I am satisfied that UKLAP has a collection of management actions it can utilise to endure such extreme scenarios and does not raise cause for concern over its future solvency. I am satisfied that the scenarios applied continue to cover the main risks to which UKLAP is exposed, and the management actions UKLAP can use to control its solvency in adverse conditions are appropriate.

4.91 There has been no change since writing the Report on the impact of the Transfer on UKLAP's risk profile or SRA.

4.92 Overall, taking into account the updated financial information provided in section 3, I remain satisfied that the Transfer will not have a material adverse impact on the security of benefits for Remaining Policyholders of UKLAP.

Ombudsman

4.93 There has been no change since writing the Report on the ombudsman services that will be available to Remaining Policyholders after the Transfer. That is, the Remaining Policyholders will continue to have access to FOS after the Transfer.

FSCS

4.94 There has been no change since writing the Report in the FSCS protection that will be available to Remaining Policyholders after the Transfer. That is, the Remaining Policyholders will continue to have the same level of protection under the FSCS after the Transfer as they did before the Transfer.

Brexit Reinsurance

4.95 There have been two changes to the Brexit Reinsurance since writing the Report, however for the reasons detailed in paragraphs 3.42 to 3.46, I am satisfied that the changes are appropriate and not material, and therefore my conclusions with regard to impact of the Brexit Reinsurance on Remaining Policyholders are unchanged. Therefore, all comments I made in the Report regarding this matter continue to apply, and I remain satisfied that the Brexit Reinsurance will not have a material adverse effect on the Remaining Policyholders of UKLAP.

External reinsurance

4.96 There have been no changes since writing the Report in relation to the ability of UKLAP to effect new reinsurance arrangements and modify or terminate existing reinsurance arrangements. Therefore, I remain satisfied that this does not materially adversely affect Remaining Policyholders.

Governance

4.97 There has been no change since writing the Report to the governance structures in place in UKLAP, insofar as they relate to the Remaining Policyholders. As stated in the Report, these governance structures will not be changed as a result of the Transfer, and therefore I remain satisfied that the Transfer will not materially adversely impact the governance of the Remaining Business.

COBS Rules

4.98 As outlined in the Report, the Remaining Policyholders of UKLAP will continue to be covered by the same COBS rules before and after the Scheme becomes effective.

Tax

4.99 There have been no changes since writing the Report to the tax implications of the Transfer for Remaining Policyholders. I expect the tax implications of the Transfer to be broadly neutral, and any increased VAT costs as a result of the Transfer will be borne by the shareholders of ALPI DAC. Therefore, I remain satisfied that the tax implications of the Transfer will not result in any material adverse impact on Remaining Policyholders of UKLAP.

Expenses and charges

4.100 There have been no changes since writing the Report in relation to the impact of the Transfer on the expenses and charges borne by Remaining Policyholders. Therefore, all comments made in the Report regarding this matter continue to apply, and I remain satisfied that the Transfer will not result in a material adverse change to the expenses and charges borne by Remaining Policyholders of UKLAP.

4.101 As stated in the Report in section 6, UKLAP will meet one-off costs and expenses that it incurs as a result of the Scheme. These costs will be allocated to the UKLAP Shareholder Fund or the NPSF.

4.102 Also, as stated in the Report, additional on-going costs as a result of the Scheme will be borne by the shareholders of UKLAP and ALPI DAC. If any increased ongoing UKLAP costs were to be charged to UKLAP policyholders in the future, approval from the UKLAP Board would be required, and if relating to a with-profits fund they will need to have taken advice from the UKLAP WPA and consulted with the WPC.

Administration and service standards

4.103 There have been no changes since writing the Report in relation to the proposed administration and service standards for Remaining Policyholders. Therefore, all comments I made in the Report regarding this matter continue to apply, and I remain satisfied that the Transfer will not have any material adverse impact on the administration or service standards of the Remaining Policyholders of UKLAP.

Conclusion

4.104 In summary, the updated information does not alter my conclusions drawn in the Report relating to Remaining Policyholders, and I remain satisfied that the Transfer will not materially adversely impact Remaining Policyholders.

The impact of the Transfer on Existing Policyholders of ALPI DAC

4.105 The following paragraphs assess how the updated information may change how the Scheme impacts the Existing Policyholders of ALPI DAC.

Benefit expectations and contractual rights

4.106 There have been no changes since writing the Report in relation to the impact of the Transfer on the benefit expectations and contractual rights of Existing Policyholders. Therefore, all comments made in the Report regarding this matter continue to apply, and I remain satisfied that the Transfer will not have a material adverse impact on the benefit expectations and contractual rights of Existing Business.

Security of policyholder benefits

4.107 As shown in paragraph 3.18, as at 31 December 2017, the SCR Ratio after the Transfer would be lower than the SCR Ratio before the Transfer but would still be in line with the SRA of ALPI DAC. This continues to be the case as at 30 June 2018, which is to be expected, as there has only been a small movement in the pre-Transfer SCR Ratio. I have also been provided with more recent confidential financial information for ALPI DAC, as detailed in paragraph 3.24, and these suggest that the SCR Ratio of ALPI DAC has not changed materially since 30 June 2018. Additionally, the capital injection has been set to ensure that ALPI DAC is capitalised to an SCR Ratio of 150% after the Transfer, as required under the Scheme. Therefore, it remains the case that ALPI DAC will remain well capitalised after the Transfer.

4.108 In addition, as outlined in the Report at paragraph 10.17, ALPI DAC is expected to remain within the Green risk appetite range set out within its SRA, in their central projection, over the next five years.

4.109 There has been no change since writing the Report on the impact of the Transfer on ALPI DAC's risk profile or SRA.

4.110 As stated in paragraph 3.26, since the Report, I have reviewed the updated ORSA for ALPI DAC and I am satisfied that ALPI DAC has a collection of management actions it could utilise to endure such extreme scenarios and does not raise causes for concern over its future solvency. The stress and scenario tests within ALPI DAC's recent ORSA have also been updated. I am satisfied that these continue to cover the main risks to which ALPI DAC is exposed, and the management actions ALPI DAC can use to control its solvency in adverse conditions are appropriate.

4.111 As noted in paragraph 3.33, there have been some corrections to the run-off plan of the OLAB liabilities. I have considered these corrections and as detailed in paragraph 3.37 I remain satisfied that the ALPI DAC counterparty exposure to UKLAP can be managed appropriately and will not give rise to a material adverse impact on ALPI DAC.

4.112 Overall, taking into account the updated financial information provided in section 3, I remain satisfied that the Transfer will not have a material adverse impact on the security of benefits for Existing Policyholders of ALPI DAC.

Ombudsman

4.113 There has been no change since writing the Report in the ombudsman services that will be available to Existing Policyholders after the Transfer. The Existing Policyholders will continue to have access to the FSPO after the Transfer.

FSCS

4.114 As stated in the Report, it remains the case that Existing Policyholders are not currently covered by the FSCS, and that this will be unchanged as a result of the Transfer. In addition, it continues to be the case that there is no Irish equivalent to the FSCS protection for life insurance business.

Brexit Reinsurance

4.115 There have been no changes since writing the Report in relation to the impact that the Brexit Reinsurance will have on Existing Policyholders. Therefore, all comments I made in the Report regarding this matter continue to apply, and I remain satisfied that the Brexit Reinsurance will not have a material adverse effect on the Existing Policyholders of ALPI DAC.

Governance

4.116 As stated in the Report, it remains the case that the governance structures that are in place for the Existing Policyholders of ALPI DAC will be unchanged as a result of the Transfer. I remain satisfied that the Transfer will not materially adversely impact the governance of the Existing Policyholders of ALPI DAC.

Tax

4.117 There have been no changes since writing the Report to the tax implications of the Transfer for Existing Policyholders. Therefore, all comments made in the Report regarding this matter continue to apply, and I do not expect the tax implications of the Transfer to result in any material adverse impact on Existing Policyholders of ALPI DAC.

Expenses and charges

4.118 There have been no changes since writing the Report in relation to the impact of the Transfer on the expenses and charges borne by Existing Policyholders. Therefore, all comments I made in the Report regarding this matter continue to apply, and I remain satisfied that the Transfer will not result in any change to the expenses and charges borne by Existing Policyholders of ALPI DAC.

4.119 As stated in the Report in section 6, ALPI DAC will meet the one-off costs and expenses that it incurs as a result of the Scheme. These costs will be allocated to the Other Business Fund or the ALPI DAC Shareholder Fund.

4.120 Also, as stated in the Report, additional ongoing costs as a result of the Scheme will be borne by the shareholders of ALPI DAC. If any increased ongoing ALPI DAC costs were to be charged to ALPI DAC policyholders in the future, approval from the ALPI DAC Board would be required, and they will need to have taken advice from the ALPI DAC HoAF and consulted with the WPC in relation to any with-profits policies.

Administration and service standards

4.121 Similar to that described for with-profits Irish Business in paragraph 4.29, currently a programme is in place to bring together the administration teams, processes and systems of ALPI DAC and ALSIL under the Best of Both approach. I have been provided with the current status of this programme which shows that this is on track. Additionally, I am satisfied that the Best of Both approach is being given adequate consideration to ensure that current service levels will, at a minimum, be maintained. Therefore, I remain of the view that I do not expect the Transfer to adversely affect the service standards experienced by the Existing Policyholders of ALPI DAC.

External reinsurance

4.122 There have been no changes since writing the Report in relation to the ability of ALPI DAC to effect new reinsurance arrangements and modify or terminate existing reinsurance arrangements. Therefore, I remain satisfied that this does not materially adversely affect the Existing Business of ALPI DAC.

PRISM rating

4.123 There have been no changes since writing the Report in relation to the impact of the Transfer on the expected PRISM rating of ALPI DAC. Therefore, all comments I made in the Report regarding this matter continue to apply, and I remain satisfied that the change from a medium PRISM rating to a high PRISM rating as a result of the Transfer will not materially adversely affect Existing Policyholder of ALPI DAC.

Conclusion

4.124 In summary, the updated information does not alter my conclusions drawn in the Report relating to Existing Policyholders, and I remain satisfied that the Transfer will not materially adversely impact Existing Policyholders.

The impact of the Transfer on reinsurers of the Transferring Business

4.125 As outlined in paragraphs 3.57 to 3.60, ALPI DAC has contacted all the reinsurers of the Transferring Business to notify them of the Scheme. Currently, UKLAP has not received any objections to the necessary alterations of the reinsurance agreements or the Transfer. Therefore, my conclusions regarding the impact of the Scheme on reinsurers of the Transferring Business remain unchanged.

Conclusion

4.126 In summary, the updated information does not alter my conclusions drawn in the Report relating to the reinsurers of the Transferring Business, and I remain satisfied that the Transfer will not materially adversely impact the reinsurers of the Transferring Business.

5 Consideration of the policyholder communication process and objections and representations received

5.1 At the Directions Hearing on 16 October 2018, the Court agreed UKLAP's and ALPI DAC's proposed plans for policyholder communication in respect of the Scheme. The agreed policyholder communications are described in the Witness Statement and the waivers granted are outlined in the order issued following the Directions Hearing (the "Directions Order").

5.2 Waivers regarding communication to policyholders meeting certain criteria were granted to UKLAP. The Court also granted UKLAP dispensation with regards to the requirement contained in the FSMA to publish the legal notice in two national newspapers in each EEA country where a Transferring Policyholder is resident.

5.3 The legal notice of the Scheme has been published in the London, Edinburgh and Belfast Gazettes, the Iris Oifigiúil in Ireland and the international edition of the Financial Times. It has also been placed in one national newspaper in Belgium, France, Germany, Iceland and Sweden (as there are more than 100 Transferring Policyholders in each of these countries) and in two national newspapers in the UK and Ireland.

5.4 All Transferring Policyholders and Existing Policyholders, aside from those subject to a waiver, were sent a covering letter, a policyholder booklet and a summary of the Report, as per the communications strategy proposed at the Directions Hearing.

5.5 All of the information contained in the policyholder booklet is also available on a dedicated website (https://transfer.aviva.com/life).

5.6 In the process of mailing the policyholders the following issues have been identified:

- the area code of the contact number and opening hours for the Belgian call centre were misprinted for the first batch of policyholders mailed about the Transfer, impacting 11,844 policyholders. This was corrected, and the affected policyholders were all sent the correct details immediately;
- as detailed in paragraph 3.40, ahead of commencing the policyholder mailings, UKLAP undertook an exercise to ensure that all Transferring Policies had been correctly identified. On inspection of the product classes to be transferred it transpired that one of the product classes listed (which only included five policyholders) was not a UKLAP product, therefore these policies should not have been included in the population of Transferring Policies. Therefore, policyholders of these policies were not mailed, as they will not be transferred under the Scheme. These are all non-UK policies with policyholders residing in Belgium and therefore the servicing of these policies is unaffected by Brexit;
- whilst replying to six Dutch-speaking Belgian policyholders objecting to the Scheme due to the loss of FSCS protection, an error was made in the translation of the replies and these policyholders were mistakenly told that there was an equivalent scheme to the FSCS in Ireland. The translation error was corrected immediately and re-emailed to the policyholders concerned; and
- as outlined in paragraph 3.40, there is a small number of policies which have, during the mailing process, been identified as in scope policies. The product code associated with the employer pension scheme was not previously included in the product list of the Scheme. The product code of the whole of life policies was included but some individual policies had not been identified. The mailing of these policies was therefore slightly delayed and subsequently the policyholders have had just under six weeks to respond. However, the product types involved are similar to other products being transferred under the Scheme and given the number of policies, I feel it is unlikely that any new themes of objections are likely to arise.

5.7 I do not believe the issues referred to above invalidate the compliance of the communication process with the Witness Statement, as UKLAP has corrected all issues immediately.

5.8 UKLAP and ALPI DAC have confirmed that they have carried out their communications with the Transferring Policyholders and Existing Policyholders in line with the Witness Statement and Directions Order[4], in all respects apart from the issues/errors mentioned in paragraph 5.6 above, including the translation of the communications into the relevant languages for policyholders in non-UK EEA states. I note that the mailing to Transferring Policyholders and Existing Policyholders was completed by 21 December 2018 which is approximately 7 weeks prior to the Sanctions Hearing and in line with the requirement under the FCA and PRA's guidance.

5.9 UKLAP and ALPI DAC also confirmed that as at 6 January 2019 out of the 528,620 communication packs sent out, only 3,377 were returned. Sixty of these returned packs were subsequently re-sent to a valid address. In addition, I have reviewed the policyholder communications that were made available on the website (https://transfer.aviva.com/life). Overall, I am satisfied that the communication process has met the requirements of the Witness Statement (apart from the issues outlined in paragraph 5.6) and the policyholders have been given sufficient details and notice of the proposed Scheme.

5.10 Call centre staff have been provided with a questions and answers log and have been provided with training on the Transfer to aid them in recognising queries related to the Transfer. Any queries which cannot be answered by the questions and answers log must be passed onto the central Transfer Admin Team. UKLAP also monitor the progress of the project and has regular calls with the call centres to discuss calls, progress and any concerns the teams may have to ensure there are no issues arising which were not envisaged.

5.11 The Transfer Admin Team has been established specifically for the Transfer with specialists trained for this purpose. The Transfer Admin Team have undertaken extensive training which covered, amongst other things, the need to classify objections and queries as accurately as possible, erring on the side of caution if anything was uncertain. All queries referred to the Transfer Admin Team are categorised as follows:

- simple query: a query which does not require an in-depth investigation;
- technical query: a query regarding an aspect of the Transfer that cannot be answered by the call centre staff and requires a more detailed response from the central Transfer Admin Team;
- objection: is defined by UKLAP as a query where "a customer is able to evidence that they or their policy will suffer detriment as a result of the Transfer taking place" or the policyholder explicitly states they want to object to the Transfer.

5.12 Once a member of the Transfer Admin Team has categorised and drafted a response to a query, the details and classification of the enquiries are reviewed by the Transfer Admin Team manager. All of the technical queries and objections are discussed at an expert panel, containing individuals from UKLAP's legal and actuarial teams, and the expert panel is required to sign-off all correspondence sent to policyholders in response to their technical query or objection. This tiered governance process for the treatment of objections ensures that they are identified, classified and dealt with appropriately.

[4] An order was made by Deputy ICC Judge Mullen in the High Court of Justice ((Insolvency and Companies List (ChD)) on 16 October 2018 (the Directions Order) upon the Claim Form dated 9 October 2018.

5.13 Policyholders who make an objection to the Transfer are informed that their objection will be registered and relayed to myself, as the Independent Expert, and the Court and are also reminded that they can attend the Court to object in person. Replies to policyholders who make a technical query contain information of how they can make an objection if the response from UKLAP or ALPI DAC does not satisfy their concerns.

5.14 I have reviewed the training which was undertaken by the Transfer Admin Team, including the training on identifying objections and held calls with the manager of the Transfer Admin Team to better understand the process of identifying and responding to objections. I have also undertaken a review of the technical queries received by UKLAP and ALPI DAC to ensure that, in my opinion, none of these are objections which have been incorrectly categorised. I have also discussed a number of cases directly with the Transfer Admin Team manager. Having reviewed the training packs for the Transfer Admin Team, following the various conversations with UKLAP on communications and my review of the technical queries and objections I am satisfied that UKLAP and ALPI DAC have a robust process for identifying objections.

5.15 I have been provided with copies of all the correspondence relating to objections to the Scheme received by UKLAP and ALPI DAC up to 6 January 2019. I will continue to monitor objections and update the Court should any new themes emerge from subsequent objections.

5.16 The management information from UKLAP provides the detail of each objection and monitors the objections received. Once identified, UKLAP then categorises objections according to their content. An objection may be categorised under more than one categorisation depending on the number of reasons for objecting raised by the policyholders. This categorisation process is carried out at the same time as the drafting of the responses and so goes through the same governance process as the responses to the objections, detailed in paragraph 5.12, above.

5.17 UKLAP has confirmed that as at 6 January 2019, it had received 3,245 letters or telephone calls or online queries from Transferring Policyholders relating to the Scheme, of which 137 were confirmed as objections.

5.18 UKLAP has corresponded with these policyholders by letter, telephone and email. I have been provided with copies of all correspondence with policyholders who have raised objections about the Scheme up to 6 January 2019 including transcripts of telephone calls where necessary.

5.19 ALPI DAC has confirmed that as at 6 January 2019, it had received 63 letters or telephone calls or online queries from Existing Policyholders relating to the Scheme, of which 1 was confirmed as an objection.

5.20 ALPI DAC has corresponded with these policyholders by letter. I have been provided with copies of all correspondence with policyholders who have raised objections about the Scheme up to 6 January 2019 including transcripts of telephone calls where necessary.

5.21 I have completed a review of all the objections received and categorised them independently according to my interpretation of the policyholder's reasons for objecting. As this involves some subjective judgements, there may be some minor differences compared with the categories assigned by UKLAP.

5.22 Based on my analysis of the objections received by UKLAP and ALPI DAC, the objections raised can be summarised into the following categories:

- loss of FSCS protection;
- pre-empting the outcome of Brexit negotiations;

- concerns around changing insurance provider;
- the Independent Expert;
- transfer to an Irish based company;
- the Transfer should not be completed without policyholder consent;
- do not understand the Transfer;
- Independent Expert report wording;
- policy performance will deteriorate;
- transfer of data; and
- no reason specified.

5.23 I consider each of these types of objections below. It should be noted that some objections may contain more than one type of objection and these have been recorded in all the appropriate objection categories.

Loss of FSCS protection

Products currently with FSCS protection

5.24 There have been 90 objections (as at 6 January 2019) relating to the loss of FSCS protection from policyholders holding policies which currently have FSCS protection. These policyholders currently benefit from FSCS protection, which means that in the remote event of UKLAP becoming insolvent, any benefits that would have been claimed from the insurer would be covered by the FSCS.

5.25 If an insurer is unable or is likely to become unable to satisfy claims made against it, an insolvency practitioner is appointed for the liquidation/administration of the business and the FSCS will liaise with the insolvency practitioner about the policies impacted. The FSCS aims to maintain the payment of benefits under the protected policies and so will initially try to arrange for the continuity of the insurance policy, for example, by transferring the policies to another insurer or arranging the issue of new policies from another insurance company as substitutes for the existing policies. For eligible claims, the FSCS will arrange for the policy benefits to be paid to the claimant in the event that the insurer is insolvent when an eligible claim is made and the liquidated insurer is not able to fulfil all its liabilities.

5.26 As I conclude in the Report, having certainty that the Aviva Group will be able to service these policies legally post-Brexit is very important. Transferring the Transferring Policies to ALPI DAC is a reasonable approach to achieving this. ALPI DAC is an insurer based in Ireland, which is not a “relevant person” under applicable PRA rules, and consequently FSCS protection is lost for those Transferring Policyholders who are currently covered. The continued servicing of the Transferring Policies after Brexit is extremely important for UKLAP and for customers. Since FSCS protection can only be called upon in the remote event of insolvency of UKLAP, its loss is not as detrimental as the potential impact of UKLAP being unable to continue servicing the Transferring Policies post-Brexit.

5.27 As mentioned in the Report, the likelihood of either UKLAP or ALPI DAC becoming insolvent, now or in the future, is a remote event. Both UKLAP and ALPI DAC operate within risk-based regulatory regimes and are well capitalised with appropriate SRAs. UKLAP and ALPI DAC are required, under Solvency II, to maintain capital such that they are able to survive extreme events such as those that would be considered to occur only once in every two hundred years. Further, UKLAP and ALPI DAC both have SRAs in place which require them to hold capital in excess of that required under Solvency II, and to implement approved procedures to restore their target positions, should the level of capital fall below this target level. Solvency II also requires insurers to project their cashflows and perform stress and scenario testing so that they can ascertain which situations they could survive and which situations may benefit from further capital. Both UKLAP and ALPI DAC have a number of management actions that could be deployed in extreme situations.

5.28 Some Policyholders objecting to the loss of FSCS protection expressed the basis for their objection as follows:

- they believe they should be compensated for the loss of FSCS because they believe the loss of FSCS protection represents a change to their policy terms and conditions;
- they believe the FSCS protection provides security for the continuation of the benefits over the long-term; and
- they would prefer for UKLAP to either select an alternative operating model which does not involve the loss of FSCS protection, transfer the business to an alternative country which offers some form of compensation scheme or purchase a form of insurance from another insurer with no financial ties to the Aviva Group which is similar in nature to the FSCS.

5.29 I have addressed each one of these reasons as follows:

- Change to the terms and conditions: I have consulted UKLAP's legal advisers and I understand that the loss of FSCS protection does not represent a change to the terms and conditions of the respective policies as it is a form of protection offered by an external body, the FSCS, in the UK. The need to transfer policies to an EEA insurer outside of the UK is a consequence of Brexit and not a result of any actions taken by UKLAP. In view of this, I am satisfied that it is reasonable for UKLAP not to compensate policyholders for this.
- Long-term security of benefits: as noted in paragraph 5.27 both UKLAP and ALPI DAC are well capitalised and are required to maintain capital such that they can survive a 1-in-200 year event, by the Solvency II regime. As part of the Aviva Group they are also required to maintain additional capital above that required by Solvency II. I believe the likelihood of ALPI DAC becoming insolvent is remote and the security of Transferring Policies will not be materially adversely impacted by the Transfer.
- Alternative operating models: UKLAP has investigated alternative operating models, however, as stated in paragraphs 2.3 to 2.5 above, these alternative operating models either do not provide certainty that the FSCS protection could be retained post-Brexit or result in additional cost and complexity. UKLAP has decided that the proposed transfer to ALPI DAC is the most viable approach for reasons outlined above in paragraph 3.30. UKLAP has selected Ireland as the EU country to transfer the Transferring Policies to as UKLAP has an existing subsidiary in Ireland with a strong history, and the legal framework, business language and culture in Ireland and the UK are very similar. Therefore, Ireland was deemed the most suitable option. With regard to UKLAP purchasing some form of insurance policy from an insurer outside the Aviva Group, given that in my view the likelihood of either UKLAP or ALPI DAC becoming insolvent is remote (as detailed in paragraph 5.27) the likelihood of any such insurance policy being required is also remote. Therefore, in my opinion, the purchasing of an insurance policy of this nature is not required.

5.30 I am satisfied that the loss of FSCS protection was given sufficient consideration in the work leading up to the Report, and remain satisfied that there is no material adverse impact on policyholder protection for the reasons stated in paragraphs 5.26 to 5.29 above.

Products currently without FSCS protection

5.31 There have been 8 objections (as at 6 January 2019) relating to the loss of FSCS protection from policyholders holding policies that UKLAP has historically understood to be not covered by the FSCS. This will not be altered by the Transfer. These objections related to policies previously transferred to UKLAP as a result of the Irish Scheme.

Pre-empting the outcome of Brexit negotiations

5.32 There have been 6 objections (as at 6 January 2019) objecting to transferring policies before the Brexit negotiations are finalised.

5.33 As stated in paragraph 3.2 above, at the time of writing, the Brexit negotiations are still ongoing and it is uncertain whether UK insurers will be able to legally service policies previously sold under EU passporting rights post-Brexit, after 29 March 2019. If a transitional period is agreed this will allow additional time for firms to align with the new rules. However, it is unclear how long a possible transitional period may be and whether it would be sufficient to enable UK companies to arrange the ongoing servicing of non-UK based policies. Hence, if there is no transitional period the deadline will be 29 March 2019 or, if a transitional period is agreed, the cut-off will be postponed until the end of this time period.

5.34 Hence, in order to avoid a situation where UKLAP is not able to service policies sold under EU passporting rights legally, UKLAP has proposed to transfer such polices to an entity where the servicing of these policyholders will be continued in the same manner as currently, regardless of the outcome of the Brexit negotiations. For the reasons set out in the Report, I am satisfied that this is a reasonable approach.

5.35 I am satisfied that given the uncertainty over the outcome of the Brexit negotiations, the Scheme will provide certainty over how the Transferring Business will be serviced after Brexit, as discussed in the Report.

Concerns around changing providers

5.36 There have been 20 objections (as at 6 January 2019) relating to the policies moving away from UKLAP. Policyholders are concerned about the change of provider from UKLAP, a UK based company to ALPI DAC, which is based in Ireland. Some policyholders also expressed concerns that regarding the security of their policies once transferred to ALPI DAC. In order to be certain that the Aviva Group can continue to service the Transferring Policies legally post-Brexit it is necessary to transfer these policies to an insurer based in the EU. UKLAP has an existing subsidiary in Ireland with a strong history, and the legal framework, business language and culture in Ireland and the UK are very similar. Therefore, Ireland was deemed the most suitable option.

5.37 Both UKLAP and ALPI DAC are part of the same wider Aviva Group and therefore maintain similar high standards in terms of areas such as customer service, governance standards, solvency levels and security of policyholders. The terms and conditions of the Transferring Polices will not be changed by the Scheme and so all the obligations under the Transferring Policies which UKLAP currently fulfils will be transferred to ALPI DAC, which will maintain the current operational standards.

5.38 UKLAP and ALPI DAC are also both required to comply with the Solvency II regime which applies throughout the EU and hence are governed by the same rules and requirements. In addition, both UKLAP and ALPI DAC have individual SRAs in place which require them to hold a capital buffer in excess of that required by Solvency II.

5.39 Further to the above, ALPI DAC has a long history of providing life insurance and pensions services to policyholders. In fact, ALPI DAC already services over 160k policies covering both with-profits and non-profit business, with a BEL of over €4.5bn as at 31 December 2017.

5.40 As shown in paragraphs 3.14 and 3.18, as at 30 June 2018, policyholders would be transferring from a company with an SCR Ratio of 154% to a company with an SCR Ratio of 150%. Hence, the security of Transferring Policyholders will not be materially adversely impacted by the

Transfer. In addition, both UKLAP and ALPI DAC have materially similar SRAs as they both adhere to the Aviva Group risk management framework.

5.41 Three policyholders (as at 6 January 2019) also mentioned the cost of transferring to another provider and questioned how this will be covered. As stated in the Report in section 6, the Scheme requires UKLAP and ALPI DAC to meet the one-off costs and expenses that they incur as a result of the Scheme. These costs will be borne by the shareholders of UKLAP and ALPI DAC.

5.42 Also, as stated in section 6 of the Report, additional on-going costs as a result of the Scheme will be borne by the shareholders of UKLAP and ALPI DAC. If any increased ongoing costs were to be charged to policyholders in the future, any changes would be subject to the appropriate governance process within UKLAP and ALPI DAC.

5.43 Three policyholders (as at 6 January 2019) also referred to the Transfer as a change in terms and conditions of their contract. There have been no changes, since writing the Report, in relation to the benefit expectations and contractual rights of the Transferring Policies as a result of the Transfer. Only the insurance company providing the policy will change as a result of the Transfer.

5.44 Four policyholders (as at 6 January 2019) mentioned, as part of their objection, that in their opinion they should have the ability to unwind their policies and for the premiums they have paid in the past to be returned to them, with interest. As mentioned above, the need to transfer policies to an EEA insurer outside of the UK is a consequence of Brexit and not a result of any strategic decision by UKLAP. In view of this, I am satisfied that it is reasonable for UKLAP to only allow surrenders under the usual policy conditions, and to continue to calculate surrender payments due to policyholders as they normally would, even if this amount differs from premiums paid plus interest.

5.45 Four policyholders (as at 6 January 2019) were not aware that their policies were underwritten by UKLAP. These were mainly Belgian policyholders whose policies are administered by an outsourcer based in Belgium. Under the Scheme this will continue to be the case. The polices themselves will not change but the provider will change from UKLAP to ALPI DAC.

5.46 I am satisfied that the impact on Transferring Policyholders of transferring from UKLAP to ALPI DAC was given sufficient consideration in the work leading up to the Report. In particular, as concluded in the Report and in this Supplementary Report, I am satisfied that the Transfer does not materially adversely impact the Transferring Policyholders.

The Independent Expert

5.47 There have been 3 objections (as at 6 January 2019) relating to my appointment as Independent Expert. These cover:

- my independence, in particular this point was in relation to the costs of my appointment as Independent Expert being met by UKLAP; and
- my previous experience.

5.48 I have set out in paragraphs 1.26 to 1.30 of the Report a summary of my qualifications, experience and independence. These details have been provided to the PRA and my appointment as Independent Expert for the Scheme has been approved by the PRA, following consultation with the FCA, having considered my qualifications and experience, and my independence from the Scheme and its stakeholders. I am also subject to the oversight of the Institute and Faculty of Actuaries and am required to abide by its Code of Conduct.

5.49 In relation to the point raised relating to UKLAP meeting the costs of my appointment, this is usual practice for the firms involved in a Part VII Transfer to bear the costs incurred, including that of the Independent Expert.

Transfer to an Irish based company

5.50 There have been 18 objections (as at 6 January 2019) relating to the transfer being to an Irish based company and in particular the difference in legal, regulatory and tax regimes of Ireland and the UK and past failures of companies based in Ireland. The Transferring Policyholders who have made such an objection are concerned that the tax, legal and regulatory regime in Ireland will have a negative impact on their policy.

5.51 As mentioned in paragraph 3.53 above, UKLAP has been in discussions with the Irish Revenue regarding the future taxation of the Transferring Policyholders. These discussions have confirmed that the tax status of the Transferring Policyholders will not be changed as a result of the Scheme. Additionally, as outlined in paragraph 3.54, UKLAP has now received all required policyholder clearances and confirmations from the relevant tax authorities in the UK and Ireland. Overall, it remains my opinion that the tax implications of the Transfer are likely to be broadly neutral, aside from the impact on taxation of investment returns outlined in paragraph 4.51 above for non-profit Irish Policyholders, which I consider to be an unavoidable consequence of the Transfer and is not material in value.

5.52 Section 3 of the Report provides an overview of the regulatory framework operating in Ireland and the UK. Whilst, there are inevitably some differences between the Irish and UK legal systems, they are similar in many respects (for example, both territories follow the same solvency regime (Solvency II)). Also, the business language and culture in Ireland and UK are very similar and UKLAP has an existing subsidiary in Ireland with a strong history. Therefore, Ireland was deemed a more suitable option. In addition, the majority of the Transferring Policies are Irish policyholders and UKLAP already has an Irish subsidiary that contains with-profits business.

5.53 There have been companies, including insurers, based in Ireland, which have become insolvent in the past. However, ALPI DAC will operate under the Solvency II regime which specifies the level of capital an insurer needs to maintain and also the standard of management and governance processes an insurer should follow. This regime was implemented on 1 January 2016 and is based on insurers evaluating the risks they face and maintaining capital such that they can withstand these risks.

5.54 I am satisfied that the impact on Transferring Policyholders of possible changes in the taxation and jurisdiction was given sufficient consideration in the work leading up to the Report. In particular, as concluded in the Report and in this Supplementary Report, I am satisfied that the Transfer does not materially adversely impact the Transferring Policyholders with respect to these aspects.

Transfer should not be completed without policyholders' consent

5.55 There have been 4 objections (as at 6 January 2019) relating to the completion of the Transfer without individual policyholder's consent. The Part VII transfer process does not require consent from policyholders as the Court considers the interests of the policyholders as a whole, during its decision-making process.

5.56 The Transfer is subject to the approval of the Court at the Sanctions Hearing. In deciding whether to approve it or not, the Court will consider the impact of the Transfer on policyholders. All the objections received by UKLAP and ALPI DAC will be forwarded to the Court and policyholders will also be able to make representation of their objections, at Court in person. In making its conclusions, the Court will consider the objections received from policyholders along with other information it receives from the UKLAP, ALPI DAC, the PRA and FCA, myself as the Independent Expert and any other stakeholders involved.

Do not understand the Transfer

5.57 There have been 4 objections (as at 6 January 2019) relating to Policyholders not understanding the Transfer. The policyholders were unable to understand the implications of the Transfer and could not afford independent financial advice.

5.58 I have produced the Report with a view for policyholders to understand the implications of the Transfer on their policies. There is also a summary version of the Report on the Transfer website, which has been translated into the language which is usually used by UKLAP to communicate with the relevant policyholders. These reports aim to summarise the Transfer including reasons for its occurrence, the processes involved and the implications of the Transfer for various types of policyholders. This Supplementary Report also contains a summary about the Transfer and an update of the information used in the Report. Policyholders are also able to phone the call centre team who will be able to explain the Transfer to policyholders.

Independent Expert report wording

5.59 There have been 7 objections (as at 6 January 2019) relating to the wording employed in the Report. Policyholders are not convinced by the language used in expressing the Independent Expert's opinion. Expressions such as "materially adverse" and "not substantially weaker" are not well understood.

5.60 This is standard wording commonly used for Independent Expert reports. As an Independent Expert I am restricted by the information provided to me and can only express my opinion based on this information. I am required to consider factors that could materially impact the various stakeholders (different groups of policyholders and reinsurers) involved with the Transfer. It is inevitable that any transaction has both upsides and downsides. My aim is to investigate whether this Transfer will have unfavourable consequences for any of the policyholder groups or reinsurers involved with the Transfer. Assessments of future events are subject to many assumptions which cannot be forecast with 100% accuracy. Therefore, where I have relied on information concerning the future, I have assessed the reasonableness of the assumptions and considered whether or not stakeholders will be adversely impacted and whether this impact may be material.

5.61 The term "not substantially weaker" has been used in the Report to compare ALPI DAC with UKLAP because although it is forecast to have a lower SCR ratio than UKLAP, this is not substantially lower. As per paragraph 3.18 if the Transfer had taken place on 30 June 2018, ALPI DAC's SCR ratio would have been 150% compared to UKLAP's SCR ratio which was 154% (as per paragraph 3.14) on 30 June 2018 (without the Transfer).

Policy performance will deteriorate

5.62 There have been 4 objections (as at 6 January 2019) relating to the deterioration of the performance of policies. Policyholders are concerned that the performance of their policies will be negatively affected by the Transfer.

5.63 The funds which the unit-linked and with-profits Transferring Policies are invested in will not be altered by the Transfer. In addition, the operation and management of these funds will also be unchanged by the Transfer. For unit-linked Irish Business the Scheme will alter the way in which investment returns on the unit funds are taxed, as detailed in paragraph 4.51, however in my opinion this is an unavoidable consequence of the Scheme and is not material in value.

5.64 The operation and the management of the existing ALPI DAC funds and UKLAP funds, in particular those not containing Transferring Policies, will also not be altered by the Transfer. Hence, the performance of these funds will be unchanged by the Transfer.

5.65 I am satisfied that the performance of the funds invested in will not be impacted by the Transfer and have therefore concluded that the unit-linked and with-profits Transferring Policyholders will not be adversely impacted by the Transfer in respect of the performance of their policies.

Transfer of data

5.66 There have been 2 objections (as at 6 January 2019) relating to the transfer of data to another provider. Policyholders are concerned about their data being transferred to another insurer.

5.67 I understand that under FSMA and subsequent legislation introduced by the general data protection rules allow the transfer of personal data from UKLAP to ALPI DAC without policyholder consent and that under the Scheme, ALPI DAC will take over the rights and obligations of UKLAP in respect of Policyholders' personal data. Therefore, there is no material impact on policyholders from the transfer of their data to ALPI DAC.

5.68 I am satisfied that the transfer of policyholders' data will not adversely impact Transferring Policyholders as result of the Transfer. Therefore, the Transferring Policyholders will not be adversely impacted by the Transfer in respect of the transfer of their data.

No reason specified

5.69 There have been 10 objections (as at 6 January 2019) where policyholders have objected to the Transfer but have not specified a reason or basis for their dissatisfaction of the proposed Scheme.

5.70 It remains my opinion that having certainty about how the Transferring Business will be serviced after Brexit is very important, and the Transfer has been proposed to provide this certainty.

Communications with EEA supervisory authorities

5.71 I am aware that the PRA have notified the supervisory authorities (including the CBI) in all EEA states in respect of the Transfer, in order to initiate the EEA regulator consultation. At the time of writing this Supplementary Report, I am not aware of any objections from the supervisory authorities.

Conclusion

5.72 I confirm that at the time of writing this Supplementary Report, policyholders have not raised any issues that were not considered in the work leading up to the Report and therefore I am satisfied that there are no reasons to change the conclusions in my Report.

6 Summary of conclusions

6.1 I confirm that, overall, I am satisfied that the Transfer does not materially adversely impact the Transferring Policyholders, Remaining Policyholders of UKLAP and Existing Policyholders of ALPI DAC. In addition, I am satisfied that the Transfer does not materially adversely impact the reinsurers of the Transferring Policies.

Tim Roff FIA
Partner
Grant Thornton UK LLP

28 January 2019

A Information and documents reviewed and relied on

The table below sets out the key additional documents I have relied upon in preparing this Supplementary Report. Some of this information is company confidential and is not publicly available. In addition to the listed documents, I have also relied on discussions (both orally and electronically) with senior management and staff at UKLAP.

Document	Source
HY18 Brexit Part VII IE Meeting V1.0.pptx	UKLAP Chief Finance Actuary
ALPI DAC 2018 ORSA	ALPI DAC Chief Risk Officer
UKLAP 2018 Recovery Plan	UKLAP Chief Risk Officer
HY18 Brexit Part VII Transfer Impact draft i.e. V1.1_14Nov2018	UKLAP Chief Finance Actuary
02Nov2018HY18 Brexit Part VII BalShtImpacts for IE_14Nov2018_Consistent with v1.1 commentary	UKLAP Chief Finance Actuary
IE Report Data Tables – HY18v0.3 HC	UKLAP Chief Finance Actuary
Brexit MI Reporting_LIFE_Version 1 - Week 11 - 31.12.2018.xlsx[5]	Senior Customer Response Project Manager
UKLAP to ALPI DAC – Objectors – Life_v4	Senior Customer Response Project Manager
Supplementary UKLAP CFA Report	UKLAP Chief Finance Actuary
Supplementary UKLAP WPA Report	UKLAP With-Profits Actuary
Supplementary ALPI DAC HoAF Report	ALPI DAC HoAF
Witness Statements of Maeve Ann Sherry and Jason Michael Windsor	Slaughter & May

I have checked that the information listed above has been audited or supplied by an Approved Person or by a person appropriately qualified to provide such information and I am satisfied that it is reasonable for me to rely on this information.

[5] This is the name of the latest MI spreadsheet as at 7 January 2019. Although, the title of the spreadsheet states 31.12.2018, it includes all objections up to close of business 6 January 2019.

B Glossary

Term	Definition
ALPI DAC	Aviva Life & Pensions Ireland Designated Activity Company, FFLAC is due to be rebranded to Aviva Life & Pensions Ireland Designated Activity Company at the Effective Time.
ALSIL	Aviva Life Services Ireland Limited.
Asset	Generally, any item of property whether tangible or intangible, that has financial or monetary value.
Aviva Group	The group of companies in which UKLAP and ALPI DAC sit.
BEL	Best estimate liabilities under Solvency II.
Belgian SF	A fund of UKLAP containing OLAB policies.
Best of Both	This is an approach to determining whereby the overall customer experience provided by ALSIL and ALPI DAC processes are compared and the best chosen. The Best of Both approach will be used to define the strategy for people, systems and processes.
Board	The Board of Directors of an entity.
Brexit	The term used to describe the UK's exit from the EU, following the vote taken in the EU referendum on 23 June 2016.
Brexit Reinsurance	The reinsurance arrangement put in place as part of the Scheme between UKLAP and ALPI DAC which covers OLAB policies.
Capital requirements	The level of funds that an insurance or reinsurance undertaking is required to hold.
CBI	Central Bank of Ireland.
Charge	The floating charge over all the assets of UKLPA which is granted to ALPI DAC in association with the Brexit Reinsurance.
COBS	Conduct of Business Sourcebook.
Court	The High Court of Justice of England and Wales.
Directions Order	The order issued following the Directions Hearing.
EEA	European Economic Area.
Effective Time	The point at which the Scheme becomes legally binding, the Scheme is planned to take effect on 22.59 GMT on 29 March 2019.
EU	European Union.
EU passporting rights	The collective term for Freedom of Establishment and Freedom of Services.
Existing Business	The business of ALPI DAC prior to the Transfer.
Existing Policies	The policies of ALPI DAC prior to the Transfer.
Existing Policyholders	The policyholders who have policies with ALPI DAC prior to the Transfer.
FCA	Financial Conduct Authority.
FFLAC	Friends First Life Assurance Company DAC.
FLAS WPSF	A fund of UKLAP containing OLAB policies.

FOS	Financial Ombudsman Service. An independent body set up to deal with individual complaints that consumers and financial businesses are not able to resolve themselves.
FP WPSF	A fund of UKLAP containing OLAB policies.
FRC	Financial Reporting Council.
Freedom of Establishment	The right of an insurer located in one European Economic Area (EEA) member state to underwrite a risk located in another EEA member state by establishing a permanent presence in that EEA member state. This permanent presence can be in the form of a local branch, agency or subsidiary. Freedom of Establishment business is that underwritten under a full binding authority where the coverholder and the risk are located in the same EEA member state outside the UK.
Freedom of Services	The right to provide business services on a cross-border basis within the European Economic Area (EEA). For insurance contracts, this means that the contract can be underwritten in an EEA member state that is different from the member state where the risk is located. Freedom of Services business consists of open market business written from the UK (with or without the involvement of a local intermediary), business written under a full binding authority where the coverholder is located in a different member state from where the risk is located and business that is written under a prior submit binding authority agreement. (A prior submit binding authority agreement is one where the coverholder does not have authority to enter into contracts of insurance without first consulting the syndicate that granted the binding authority).
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. Insurance protection exists for private policyholders and small businesses (those with an annual turnover of less than £1,000,000) in the situation when an insurer is unable to meet fully its liabilities. For long term insurance policies, the FSCS will pay 100% of any eligible claim. The FSCS is funded by levies on firms authorised by the PRA and FCA.
FSMA	Financial Services and Markets Act 2000 (as amended).
FSPO	The Financial Services and Pensions Ombudsman. An independent body in Ireland which considers unresolved complaints from consumers about their individual dealings with financial services providers.
Grant Thornton	Grant Thornton UK LLP.
HoAF	Head of Actuarial Function.
Independent Expert	In this instance, Tim Roff, who has been appointed by UKLAP to provide the Report.
Irish Branch	The branch of UKLAP through which UKLAP sold business on a Freedom of Establishment basis following the Irish Scheme.
Irish Business	All business transferred from Aviva Life & Pensions Ireland Ltd under the Irish Scheme and all business written out of the Irish Branch of UKLAP (excludes the CGNU Life business written in Ireland).
Irish Scheme	The transfer of the long term liabilities of Aviva Life & Pensions Ireland Ltd to Aviva Life & Pensions UK Ltd.

Liability	A claim against the assets, or legal obligations of a person or organisation, arising out of past or current transactions or actions.
Material adverse impact	A negative change that is considered to have a material impact on policyholders. A material impact is one that could cause a policyholder to take a different view on the future performance of their policy. When considering policyholder security these would include changes to the assets or liabilities of the company such that there was a shift in the probability of a policyholder's claim being paid substantially larger than that which would be observed through the day-to-day fluctuation of the value of assets in company's investment portfolio, or from the reporting of a particularly large but not extreme claim to a company's liabilities. In terms of non-financial impacts, an assessment of materiality is more subjective, but as an example a change in claims handling process that added a few hours to the customer response time is probably not material, but if it added a few days then it could be, depending on the type of claim.
New WPSF	A fund of UKLAP containing OLAB policies.
Non-Profit Sub Fund	A fund of UKLAP containing OLAB policies.
NPSF	See Non-Profit Sub Fund.
OLAB	Overseas Life Assurance Business: business written in France, Belgium, Germany, Iceland, Sweden and the CGNU Life business written in Ireland.
OLAB Policyholders	Policyholders covered by the Brexit Reinsurance.
Old WPSF	A fund of UKLAP containing OLAB policies.
Order	An order of the Court sanctioning the Scheme.
ORSA	Own Risk and Solvency Assessment, which is a risk management tool to assess the overall solvency needs of the firm taking into account the firm's own assessment of its specific risk profile.
Own Funds	The excess of an insurer's admissible assets over its liabilities on a Solvency II basis.
Part VII Transfer	The term given to the legal process of transferring all or part of an insurance business to another body.
PPFM	Principles and Practices of Financial Management. In managing with-profits business firms rely on their use of discretion. The PPFM explains the nature and extent of discretion available and how this discretion will be applied across different groups and generations of with-profits policyholders.
PRA	Prudential Regulation Authority.
Principles and Practices of Financial Management	See PPFM.
Reinsurance	An arrangement with another insurer or reinsurer whereby risks are shared (or passed on) to the reinsurer.
Remaining Business	The business remaining in Aviva Life & Pensions UK Ltd following the Transfer.
Remaining Policies	The policies remaining in Aviva Life & Pensions UK Ltd following the Transfer.
Remaining Policyholders	The policyholders whose policies are remaining in Aviva Life & Pensions UK Ltd following the Transfer.
Report	The report from the Independent Expert.
Reports	The Report and all supplementary reports collectively.
Run-off	A line of insurance business or an insurance undertaking that no longer accepts new business but continues to provide coverage

	for claims arising on its policies still in force and that makes payments for claims that have occurred on policies that have expired.
Scheme	The transfer of insurance business from Aviva Life & Pensions UK Ltd and Friends First Life Assurance Company DAC.
SCR	Solvency Capital Requirement. A capital regulatory requirement under the Solvency II regime.
SCR Ratio	The ratio of Own Funds to SCR.
SGF	A fund of UKLAP, this fund does not contain any Transferring Policyholders.
Side Letter	A legally binding schedule of certain management and administration duties that UKLAP is required to perform in respect of OLAB, which is incorporated by the Brexit Reinsurance.
Solvency Certificate	Certifies that an insurer has a sufficient margin of solvency and whether or not the issuing regulator consents to the Part VII transfer. It is required under FSMA rules.
Solvency II	A new regulatory regime for insurers which came into force on 1 January 2016 aimed at harmonising regulation across all EU and EEA countries.
SRA	Solvency Risk Appetite, how the Aviva Group refer to their capital policy.
Subsidiary	An enterprise controlled by another (called the parent) through the ownership of greater than 50 percent of its voting stock.
Summary Report	A summary of the Report that will be mailed to Transferring Policyholders and Existing Policyholders (except those subject to waivers).
SUP 18	Chapter 18 of the Supervision Manual of the FCA's Handbook of Rules and Guidance.
Technical provisions	The insurance liabilities of an insurer, as determined for regulatory purposes. These are calculated as the provisions for the ultimate costs of settling all claims arising from events which have occurred up to the balance sheet date, including provision for claims incurred but not yet reported, less any amounts paid in respect of these claims; plus the provisions for claims arising on unexpired periods of exposure less any premium in respect of the business written that has not yet been received.
TMTP	Transitional measures on technical provisions. In simple terms, this is calculated as the difference between the technical provisions calculated under the previous regulatory regime (Solvency I) and the Solvency II technical provisions, and decreases linearly over a 16 year period.
Transfer	The Scheme together with the Brexit Reinsurance and the Charge.
Transfer Admin Team	A team established specifically for the Transfer with specialists trained for this purpose. Any queries which cannot be answered by the basic questions and answers log must be passed to this central team.
Transferring Business	The business of Aviva Life & Pensions UK Ltd that will be transferred to Friends First Life Assurance Company DAC as a result of the Scheme.
Transferring Policies	Policies of Aviva Life & Pensions UK Ltd that will be transferred to Friends First Life Assurance Company DAC as a result of the Scheme.

Transferring Policyholders	Policyholders of Aviva Life & Pensions UK Ltd whose policies will be transferred to Friends First Life Assurance Company DAC as a result of the Scheme.
UK	United Kingdom.
UKLAP	Aviva Life & Pensions UK Ltd.
VA	Volatility adjustment. This is an adjustment to the risk-free interest rates used to discount insurance obligations, set in accordance with the Solvency II Directives on the basis of technical information published by EIOPA.
WPC	With-profits Committee of UKLAP.