



Supplementary Report of the With-Profits Actuary
of Utmost Life and Pensions Limited on the
proposed transfer of business from Equitable Life
Assurance Society

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1. INTRODUCTION

PURPOSE AND SCOPE

- 1.1 In my main report, dated July 2019, I considered the impact on the with profits policyholders of Utmost Life & Pensions Limited ("Utmost Life" or "ULPL") of the proposed transfer ("the Transfer") of the long term insurance business of Equitable Life Assurance Society ("ELAS") to ULPL. The policies written by ELAS under German or Irish law are excluded from the Transfer and remain in ELAS.
- 1.2 The Transfer will be achieved by a Scheme of Transfer under Part VII of the Financial Services and Markets Act 2000 in respect of the UK business of ELAS, under the Insurance Business (Bailiwick of Guernsey) Law 2002 in respect of the Guernsey business of ELAS and under the Insurance Business (Jersey) Law in respect of the Jersey business of ELAS.
- 1.3 The purpose of this "Supplementary Report" is to provide an update to the Board of Utmost Life of my assessment of the impact on with-profits policyholders of ULPL. In my main report I assessed the risks and benefits of the Transfer to these with-profits policyholders. I also considered the information needs of these policyholders and the extent to which the communications they receive in connection with the Transfer may be regarded as clear, fair and not misleading.
- 1.4 In this report I have considered whether there are any changes since my main report and whether the changes impact the conclusions I reached in my main report. I have considered the changes to the Scheme, financial information, and with-profits policyholder communications.
- 1.5 This report has been prepared in my capacity as With-Profits Actuary ("WPA") for ULPL. I am a Fellow of the Institute and Faculty of Actuaries.

TECHNICAL ACTUARIAL STANDARDS

- 1.6 I have prepared this report in accordance with the relevant Technical Actuarial Standards ("TAS") issued by the Financial Reporting Council, TAS 100 (Principles for Technical Actuarial Work), TAS 200 (Insurance) and the Actuarial Profession Standards issued by the Institute and Faculty of Actuaries, APS L1: Duties and Responsibilities of Life Assurance Actuaries, APS X2: Review of Actuarial Work. In line with APS X2 this report has been externally peer reviewed by Geoffrey Ross, the previous WPA of ULPL who is an independent consultant.

RELIANCE'S AND LIMITATIONS

- 1.7 In preparing this report I have considered the Transfer Scheme, the Supplementary Report by the Chief Actuary of ULPL and the Supplementary Reports by the Chief Actuary and WPA of ELAS. These latter reports cover both the Arrangement and the Transfer from an ELAS policyholder perspective.
- 1.8 I have relied on the Supplementary Report produced by the Chief Actuary of ULPL including the figures contained in that report and reliance is noted in the report. I have reviewed the information to check that it is reasonable and that any conclusions drawn from it are reasonable. This report should be read in conjunction with the supplementary report of the Chief Actuary of ULPL and read in conjunction

with my main report. In particular terms used in this report are defined in the glossary of my main report.

- 1.9 I have also relied upon the accuracy and completeness of the data and information supplied to me, both verbal and written, by ULPL and ELAS to enable me to complete my report. I have reviewed the information for consistency and reasonableness based on my knowledge of the UK life insurance industry but have not otherwise verified it.

2. OVERALL CONCLUSIONS

- 2.1 In my opinion, the Transfer has no material adverse effect on the security of the ULPL with-profits policyholders' benefits or their benefit expectations. The responses from policyholders to the communications from ULPL do not raise any concerns or issues that affect my conclusions in my main report.

3. CHANGES TO THE TRANSFER SCHEME

- 3.1 Since my main report there is a change to make the capital injection a condition of the Order for the Transfer Scheme. A capital injection into ULPL will be required prior to the Implementation Date to ensure that the estimated ratio of Own Funds to Solvency Capital Requirement ("SCR"), at the Implementation Date is at least 150%.
- 3.2 This condition is only a point in time commitment and does not guarantee that Own Funds of ULPL will be at least 150% of the SCR post the Implementation Date. After the effective date of the Transfer Scheme the solvency coverage will be managed in line with the ULPL capital policy, set out in Paragraph 5.3 of my main report.

4 THE EFFECT OF THE TRANSFER – SECURITY

- 4.1 My main report (Section 5) sets out my considerations of the effect of the Transfer Scheme on the security of with-profits policyholders. I have considered the updated financial position as included in Section 4 of the Chief Actuary's Supplementary Report to assess if there are any changes which may impact the conclusions in my main report. I have also considered the change in risk profile as discussed in Section 5 of the Chief Actuary's Supplementary Report.
- 4.2 All the with-profits sub-funds are ring fenced and there is no change, since my main report, to the capital support arrangements and the capital policy of ULPL. Also there has been no change to the existing operational administrative and governance arrangements set out in my main report.
- 4.3 My conclusion, in my main report, that the Transfer Scheme has no adverse effect on the security of the with-profits policyholders' benefits in any of the with-profits sub-funds is unchanged.

5 THE EFFECT OF THE TRANSFER SCHEME – BENEFIT EXPECTATIONS

- 5.1 Section 6 of my main report considers whether the benefit expectations of the with-profits policyholders of ULPL are materially adversely affected by the Transfer. Since my main report there have been no changes which impact the benefits expectations of the with-profits policyholders.
- 5.2 There is no change to conclusions in my main report that with-profits policyholders benefit expectations will not be materially adversely affected by the Transfer.

6 INFORMATION AND COMMUNICATION NEEDS OF WITH-PROFITS POLICYHOLDERS

- 6.1 All ULPL customers with an address on file were sent letters and the Transfer Scheme documents and reports are available on the ULPL website. As at 13 November 2019 75,837 letters have been issued and 522 enquiries have been received. The majority of the enquiries (416) are in relation to business as usual queries, and only 106 enquiries concern the Transfer Scheme. At the date of this report no objections to the transfer have been received from ULPL policyholders.
- 6.2 I am satisfied that the responses from policyholders do not raise any concerns or issues that affect my conclusions.