

MILLIMAN REPORT

The proposed transfer of the UK wealth management business of MetLife Europe d.a.c. to MetLife UK Limited

The Supplementary Report of the Independent Expert

29 January 2024

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1. Introduction

BACKGROUND

- 1.1 MetLife Europe d.a.c. (“**MLE**”), an insurance company authorised and regulated in the Republic of Ireland, wishes to transfer its closed portfolio of UK wealth management business, which was written in the UK branch of MLE (“**the UK Branch**”), to MetLife UK Limited (“**MLUK**”), a newly established UK company for which regulatory authorisation as an insurance company was granted on 17 October 2023. The transfer will be effected by means of an insurance business transfer scheme (“**the Scheme**”).
- 1.2 MLE and MLUK are part of the MetLife Group (“**MetLife**”), whose parent is MetLife, Inc., a company domiciled in the USA. In this report (the “**Report**”), MLE and MLUK will collectively be referred to as the “**Companies**”.
- 1.3 The Scheme will be a scheme of transfer pursuant to Part VII of the UK’s Financial Services and Markets Act 2000 (“**FSMA**”), for which approval will be sought from the High Court of Justice of England and Wales (the “**Court**”).
- 1.4 The transfer is being sought in conjunction with an application to the Prudential Regulation Authority (“**PRA**”) under Part 4A of FSMA for the authorisation of the UK branch of MLE on a permanent basis but, given the quantum and the nature of MLE’s UK wealth management business, it has been agreed with the PRA that MLE will seek a transfer of this business into a UK authorised insurance company. The PRA authorised the permanent establishment of MLE’s UK Branch on 17 October 2023.
- 1.5 When an application is made to the Court for an order to sanction the transfer of insurance business from one insurer to another, paragraph 109 of Part VII of FSMA requires the application to be accompanied by a report on the terms of the scheme (a “**Scheme Report**”) by a person nominated or approved by the PRA, referred to as the “Independent Expert”. The Companies have appointed me as the Independent Expert for the Scheme, and this appointment was approved by the PRA, having consulted with the Financial Conduct Authority (“**FCA**”), on 19 May 2023.
- 1.6 I produced a report (my “**Main Report**”) on the Scheme, dated 25 October 2023. This report (the “**Report**”) is my supplementary report on the Scheme, which will be presented to the Court alongside my Main Report. My Main Report, in conjunction with this Report, is intended to meet the requirements of the Scheme Report.
- 1.7 The directions hearing for the Court process (the “**Directions Hearing**”) took place on 8 November 2023, at which the Court gave its approval for the policyholder mailing process to commence. The corresponding sanction hearing (the “**Sanction Hearing**”) is currently expected to take place on 12 February 2024.
- 1.8 The transfer will not go ahead unless the Scheme is approved by the Court. If the Scheme is sanctioned by the Court, it is expected to become effective from 1 April 2024; in this Report I refer to the date on which the Scheme becomes effective as the “**Transfer Date**”.
- 1.9 The PRA, in consultation with the FCA, has approved the form of this Report.

THIS REPORT

- 1.10 The purpose of this Report is to provide an update to my Main Report on developments relevant to my conclusions on the terms of the proposed transfer and its effects on the transferring and non-transferring policyholders of MLE, as well as any other relevant stakeholders, and to update my conclusions on the Scheme set out in Section 12 of my Main Report in light of such developments.
- 1.11 This Report should be read in conjunction with my Main Report. In particular, my Main Report includes certain terminology, background and context which are also relevant to this Report and which are not repeated in this Report.
- 1.12 In this Report, the policies transferring from MLE to MLUK under the Scheme are referred to as the “**Transferring Policies**” or the “**Transferring Business**”. Holders of Transferring Policies are referred to as “**Transferring Policyholders**”. The policies of MLE that are not transferring to MLUK under the Scheme are referred to as “**Non-**

Transferring Policies” or the **“Non-Transferring Business”**. Holders of Non-Transferring Policies are referred to as **“Non-Transferring Policyholders”**.

- 1.13 For the avoidance of doubt, as MLUK is a newly authorised insurance company without any existing insurance business, this Report does not need to consider the impact of the Scheme on existing policyholders of MLUK.
- 1.14 I produced a summary of my Main Report (my **“Summary Report”**), which was sent to Transferring Policyholders as part of the mailing pack relating to the Court process.
- 1.15 In relation to the scope of this Report and my Main Report, it is important to note that:
- I am only required to comment on the effects of the implementation of the Scheme on policyholders who enter into contracts with MLE prior to the Transfer Date.
 - I have not restricted my assessment of the Scheme to consideration of potentially adverse effects.
 - I have limited my assessment to the proposals put forward by MLE and MLUK, and have not considered alternative arrangements or proposals.
 - As far as I am aware, there are no matters within the scope of my role as Independent Expert that I have not taken into account in undertaking my assessment of the Scheme and in preparing this Report, which nonetheless should be drawn to the attention of policyholders or of the Court in their consideration of the terms of the Scheme.
 - I have received all the information I have requested from MLE and MLUK for the purpose of preparing this Report.
- 1.16 This Report includes some technical terminology relating to UK and Irish insurance regulations, insurance products and certain other areas. Section 3.29 of my Main Report contains an overview of key aspects of regulations applying to UK and Irish life insurers and a description of the insurance product types affected by the Scheme, including a description of the types of policies which are Transferring Policies. Section 3.29 of my Main Report, therefore, includes a number of items of terminology that may be useful to readers of this Report. A glossary of terms used in this Report is set out in Appendix 5.

QUALIFICATIONS AND DISCLOSURES

- 1.17 I am a Fellow of the UK’s Institute and Faculty of Actuaries (**“IFoA”**), having qualified in 2009. I am also a Fellow of the Society of Actuaries in Ireland (**“SAI”**), having applied for fellowship of the SAI under the terms of the Actuarial Association of Europe Mutual Recognition Agreement (of which both the IFoA and SAI are signatories) by virtue of being a Fellow of the IFoA.
- 1.18 I am a partner of Milliman LLP (**“Milliman”**) and I am a member of its UK Life Insurance and Financial Services practice. I have not previously discharged the role of Independent Expert or Independent Actuary for other transfers of insurance business, but I have supported the Independent Expert in relation to a number of UK and Irish insurance business transfers and other, similar, assignments.
- 1.19 I currently hold the role of Chief Actuary of Invesco Pensions Limited on an outsourced basis, and previously held the Chief Actuary role for another UK insurance company.
- 1.20 I confirm that neither I, nor any member of the Milliman team who supported me in producing this Report, have or have had any direct or indirect interest in MLE, MLUK or other related firms that could compromise my independence.
- 1.21 My fees for discharging the role of Independent Expert for the Scheme will be paid by MLE.
- 1.22 A certificate of compliance with Part 35 of the Civil Procedure Rules is attached as Appendix 3. I confirm that I have understood my duty to the Court.

THE PARTIES FOR WHOM THE REPORT HAS BEEN PREPARED

- 1.23 This Report, and any extract or summary thereof, has been prepared for the use of the Court and the policyholders of MLE, but may also be of interest to the bodies or persons listed below:
- The Directors and senior management of MLE;
 - The Directors and senior management of MLUK;
 - The Central Bank of Ireland (“CBI”), the FCA and the PRA, and any other governmental department or agency having responsibility for the regulation of insurance companies in the UK or the Republic of Ireland; and
 - The professional advisers of any of the above.
- 1.24 In accordance with the relevant legal requirements, copies of this Report and my Main Report may be made available to the policyholders of MLE and to other interested parties.

LIMITATIONS

- 1.25 I am an actuary practising primarily in the UK. Therefore, while I am familiar with the Solvency II insurance regulations applicable within the EEA, I am not an expert on the specifics of the application or operation of Solvency II or other insurance-related legislation, regulation, supervision or guidance in the Republic of Ireland.
- 1.26 In preparing this Report, I have had access to certain documentary evidence provided by MLE and MLUK, and I have had access to, and discussions with, senior management of MLE and MLUK. My conclusions depend on the substantial accuracy of this information without independent verification. The principal documents which I have reviewed in respect of MLE and MLUK are listed in Appendix 2. I have considered, and am satisfied with, the reasonableness of this information based upon my own experience of the UK and Irish life insurance industries and on the level of review and validation carried out on this information including, in the case of published financial information, external audit.
- 1.27 This Report must be considered in its entirety as individual sections, if considered in isolation, may be misleading. It must also be considered in conjunction with my Main Report. Draft versions of this Report should not be relied upon for any purpose. My Summary Report was included in the policyholder pack sent to Transferring Policyholders; other than this, no summary of this Report or my Main Report may be made without my express consent.
- 1.28 This Report has been prepared on an agreed basis for the Court in the context of the Scheme and must not be relied upon for any other purpose. No liability will be accepted by Milliman, or me, for any application of my Report to a purpose for which it was not intended, nor for the results of any misunderstanding by any user of any aspect of the Report. In particular, no liability will be accepted by Milliman or me under the terms of the Contracts (Rights of Third Parties) Act 1999.
- 1.29 Neither this Report nor my Main Report nor my Summary Report provides financial or other advice to individual policyholders.

REGULATORY AND PROFESSIONAL GUIDANCE

- 1.30 This Report has been prepared having regard to the guidance set out in:
- the PRA’s Policy Statement¹ entitled “The PRA’s approach to insurance business transfers”, dated January 2022 (the “**PRA Policy Statement**”);

¹ <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/statement-of-policy/2022/the-pras-approach-to-insurance-business-transfers-sop-jan-2022.pdf>

- Chapter 18 of the Supervision Manual (“**SUP 18**”) contained in the FCA Handbook²; and
- FG22/1³ “The FCA’s approach to the review of Part VII insurance business transfers”, dated 15 February 2022 (the “**FCA Guidance**”),

collectively referred to in this Report as the “**UK Regulatory Guidance**”.

- 1.31 As the PRA Policy Statement and FG22/1, as well as some parts of SUP 18, include requirements specifically in relation to supplementary scheme reports, I have included a checklist against these requirements in Appendix 6 of this Report.
- 1.32 This Report has also been prepared having regard to Technical Actuarial Standard (“**TAS**”) 100 Version 2.0 (General Actuarial Standards), dated March 2023⁴, and TAS 200 (Insurance), dated December 2016⁵, issued by the UK’s Financial Reporting Council. In my opinion, my Report complies with these standards. In complying with these requirements, I note that several of the key documents listed in Appendix 2 have been prepared or reviewed by individuals who were subject to professional standards in undertaking their work, including, in certain cases, TAS requirements.
- 1.33 Actuarial Profession Standard (“**APS**”) X2, issued by the IFoA, and version 1.2 (effective 1 March 2022) of Actuarial Standard of Practice (“**ASP**”) PA-2 (“General Actuarial Practice”)⁶, as issued by the SAI, require members of the IFoA and SAI respectively to consider whether their work requires an independent peer review. In my view, this Report does require independent peer review, and such peer review is also required by Milliman’s internal quality assurance standards for reports of this nature. This peer review has been carried out by a senior actuary of Milliman who has not been part of my team working on this assignment and who has experience of acting as an independent expert.
- 1.34 In my opinion, this Report also complies with the guidance set out in version 2.3 (effective 1 September 2021) of ASP LA-6 (“Transfer of long-term business of an authorised insurance company – role of the independent actuary”)⁷ issued by the SAI.
- 1.35 In addition to peer review processes that have taken place within Milliman, at the request of the PRA a draft of my Main Report and this Report have been subject to an independent peer review by Hymans Robertson LLP (“**Hymans Robertson**”), a UK actuarial consultancy. Hymans Robertson’s conclusion on this Report was as follows:

“We consider the Supplementary Report to be clear, logically structured, and thorough. We believe that, taken with the Scheme Report, it stands as a self-contained piece of actuarial work which does not require an unreasonable knowledge of facts, information and analyses beyond those presented in it. The ultimate conclusions are also supported by and logically follow from those facts, updated information and analyses, in the context of the judgements made. We therefore consider the Supplementary Report to be appropriate for its intended audience, and that it fulfils its stated purpose and scope.”

THE STRUCTURE OF THIS REPORT

- 1.36 Section 2 provides an executive summary of this Report.
- 1.37 Section 3 sets out relevant developments that have taken place since the date of finalisation of my Main Report, both in relation to the Scheme and in relation to wider areas.
- 1.38 Section 4 provides an update to my conclusions on the effect of the transfer on Transferring Policyholders.

² <https://www.handbook.fca.org.uk/handbook>

³ <https://www.fca.org.uk/publications/finalised-guidance/fg22-1-fcas-approach-review-part-vii-insurance-business-transfers>

⁴ <https://www.frc.org.uk/getattachment/67478854-f362-419b-9317-ae27063f824b/TAS-100-v2-0.pdf>

⁵ <https://www.frc.org.uk/getattachment/c866b1f4-688d-4d0a-9527-64cb8b1e8624/TAS-200-Insurance-Dec-2016.pdf>

⁶ <https://web.actuaries.ie/sites/default/files/asp/ASP%20PA-2/220301%20ASP%20PA%202%20v1.2.pdf>

⁷ https://web.actuaries.ie/sites/default/files/asp/ASP%20INS-2/ASP%20INS-2_V1.0.pdf

- 1.39 Section 5 provides an update to my conclusions on the effect of the transfer on Non-Transferring Policyholders.
- 1.40 Section 6 provides details of representations received from affected policyholders.
- 1.41 Section 7 provides an update on other considerations relevant to the Scheme.
- 1.42 Section 8 provides an updated list of the assumptions made in reaching my conclusions.
- 1.43 Section 9 provides my updated conclusions on the impact of the implementation of the Scheme.
- 1.44 The appendices contain my Statement of Independence, a schedule of data relied upon in forming my conclusions, my Certificate of Compliance, my terms of reference as Independent Expert, a glossary of terms used throughout this Report and details of how this Report complies with the relevant provisions of the PRA Policy Statement, SUP 18 and FG18/4.

2. Executive Summary

2.1 This section provides a summary of the considerations and conclusions set out in the main body of this Report. Details and background to the information in this section, as well as definitions of some of the terms used in this section, are contained in the other sections of this Report.

2.2 The structure of, and MetLife's approach to, the transfer remains unchanged relative to that set out in my Main Report. In particular:

- It continues to be the case that MLUK will benefit from the UK NWMA under which ALICO will be obliged to provide capital and liquidity support to MLUK;
- It continues to be the case that MLUK will be subject to the UK Treaty Group Guarantee, which obliges MetLife, Inc. to honour the obligations of MRB under the UK Treaty in respect of the Variable Annuity business, up to an aggregate limit of \$1 billion; and
- The terms of MLE's and MLUK's respective capital management policies remain unchanged since those described in my Main Report.

2.3 The most material developments since the date of my Main Report are:

- MetLife has provided me with updated pre- and post-transfer financial positions of both MLE and MLUK as at 30 September 2023;
- The reform of the Risk Margin under UK Solvency II has come into force with effect from 31 December 2023, resulting in a significant reduction in the Risk Margins of UK insurers;
- MetLife has provided me with certain additional or updated documents relevant to the transfer, including:
 - The risk policies that will be applicable to MLUK after the transfer;
 - An updated contingency plan setting out the actions MLUK would take in the event of the failure of MRB;
 - An updated contingency plan setting out the actions MLUK would take in the event of the failure of SS&C to provide outsourced servicing and administration in relation to the Transferring Business; and
 - A contingency plan setting out the actions MLUK would take in the event of the non-sanction of the Scheme.
- MetLife has provided me with more information on the actions it has taken in relation to exposures to Russian assets in external linked funds relevant to the Transferring Business.

IMPACT OF THE TRANSFER ON TRANSFERRING POLICYHOLDERS

2.4 Table 2.1 below shows the pre-transfer financial position under EU Solvency II of MLE as at 30 September 2023, and the pro forma post-transfer financial position of MLUK as if the Scheme had taken effect on 30 September 2023.

TABLE 2.1: COMPARISON OF SOLVENCY II FINANCIAL POSITIONS OF MLE (PRE-SCHEME) AND MLUK (POST-SCHEME) AT 30 SEPTEMBER 2023

30 September 2023	MLE (pre-Scheme) (€m)	MLE (pre-Scheme) converted to £m*	MLUK (post-Scheme) (£m)
Total Assets (A)	9,101.1	7,894.6	4,215.0
Total Liabilities (B)	7,806.7	6,771.9	4,198.0
Available Own Funds (C = A – B)	1,294.3	1,122.7	17.0
Own Funds Eligibility Restriction (D)	-	-	(8.4)
Eligible Own Funds (E = C + D)	1,294.3	1,122.7	8.6
SCR (F)	616.9	535.1	5.7
Excess Own Funds (= E – F)	677.4	587.6	2.9
SCR Coverage Ratio (= E / F)	209.8%	209.8%	150.0%

*£/€ exchange rate used = 0.867436811

- 2.5 For comparison, Table 2.2 below shows the equivalent information as at 31 March 2023; this replicates Table 2.1 from my Main Report.

TABLE 2.2: COMPARISON OF SOLVENCY II FINANCIAL POSITIONS OF MLE (PRE-SCHEME) AND MLUK (POST-SCHEME) AT 31 MARCH 2023

31 March 2023	MLE (pre-Scheme) (€m)	MLE (pre-Scheme) converted to £m*	MUKL (post-Scheme) (£m)
Total Assets (A)	9,445.9	8,299.9	4,643.6
Total Liabilities (B)	8,187.1	7,193.8	4,626.3
Available Own Funds (C = A – B)	1,258.8	1,106.1	17.3
Own Funds Eligibility Restriction (D)	-	-	(7.9)
Eligible Own Funds (E = C + D)	1,258.8	1,106.1	9.4
SCR (F)	628.3	552.1	6.3
Excess Own Funds (= E – F)	630.5	554.0	3.1
SCR Coverage Ratio (= E / F)	200.4%	200.4%	150.0%

*£/€ exchange rate used = 0.878684945

- 2.6 Table 2.1 shows that, as was the case at 31 March 2023, the SCR Coverage Ratio of MLUK after the implementation of the Scheme is expected to be lower than that of MLE prior to the transfer.
- 2.7 As described in paragraph 2.3, the reform of the Risk Margin under UK Solvency II has come into force, with effect from 31 December 2023. Had this reform been in-force at 30 September 2023, the post-transfer MLUK SCR Coverage Ratio in Table 2.1 would have increased from 150% to approximately 169%, assuming that MLUK had been capitalised to 150% under the old approach to the Risk Margin. However, in practice, the capital required to be injected into MLUK in advance of the transfer will be determined with reference to the reformed Risk Margin, and therefore the post-transfer SCR Coverage Ratio will be similar to that shown in Table 2.1⁸.

⁸ As described in paragraph 3.14, in practice MetLife intends to inject an additional capital buffer into MLUK in advance of the transfer, in excess of that required to target a 150% SCR Coverage Ratio. This is to ensure that MLUK does not breach the 150% SCR Coverage Ratio required by its capital management policy as a result of foreseeable market movements. The size of the additional buffer is expected to be £2 million, but as this remains subject to change I have not relied on it in reaching my conclusions.

- 2.8 Given that the financial picture remains broadly unchanged at 30 September 2023 relative to that shown at 31 March 2023, my analysis and conclusions in relation to the respective financial positions of MLE and MLUK remain unchanged relative to those set out in Sections 2 and 8 of my Main Report.
- 2.9 There have been no material developments in relation to the following areas since the date of my Main Report:
- The quality of Own Funds available to MLE and MLUK;
 - MLE's and MLUK's respective capital management policies;
 - The additional sources of financial strength available to MLE and MLUK, in particular the presence of the NWMA and UK NWMA;
 - The respective actions available to MLE and MLUK to mitigate any deterioration in their solvency positions as a result of adverse scenarios; and
 - The respective risk exposures of MLE and MLUK.
- 2.10 As described in paragraph 2.3, MetLife has provided me with the suite of risk policies that will apply to MLUK after the transfer, as well as an updated contingency plan in relation to a scenario in which MRB fails to discharge its obligations under the UK Treaty. These documents do not have any impact on my conclusions on the Scheme.
- 2.11 I have set out more fully in Section 4 why I remain comfortable that:
- the implementation of the Scheme will not have a material adverse impact on the financial resources available to provide security of benefits under the Transferring Policies; and
 - the change in risk profile to which the Transferring Policies will be exposed as a result of the transfer will not have a material adverse impact on the security of their benefits.
- 2.12 As described in paragraph 2.3, MetLife has provided me with an updated contingency plan setting out the actions it would take if SS&C were to fail to honour its obligations related to the servicing and administration of the Transferring Business. While this plan is more detailed than the plan I originally reviewed, it does not cause me to change any of my conclusions in relation to the impact of the transfer on the servicing and administration standards applicable to the Transferring Policies.
- 2.13 There have been no developments that affect the conclusions from my Main Report in relation to the reasonable benefit expectations of Transferring Policyholders, nor those in relation to the standards of governance and management applicable to Transferring Policyholders.
- 2.14 I have set out more fully in Section 4 why I remain comfortable that the implementation of the Scheme will not materially adversely affect the likelihood that the reasonable expectations of Transferring Policyholders are met.

IMPACT OF THE TRANSFER ON NON-TRANSFERRING POLICYHOLDERS

- 2.15 Table 2.3 below shows the pre- and post-transfer financial position under EU Solvency II of MLE as at 30 September 2023.

TABLE 2.3: SUMMARY COMPARISON OF SOLVENCY II FINANCIAL POSITIONS OF MLE PRE- AND POST-SCHEME AS AT 30 SEPTEMBER 2023

30 September 2023 (€m)	MLE (pre-Scheme)	MLE (post-Scheme)
Total Assets (A)	9,101.1	4,243.6
Total Liabilities (B)	7,806.7	2,968.1
Available Own Funds (C = A – B)	1,294.3	1,275.5
Own Funds Eligibility Restriction (D)	0.0	0.0
Eligible Own Funds (E = C + D)	1,294.3	1,275.5
SCR (F)	616.9	613.8
Excess Own Funds (= E – F)	677.4	661.7
SCR Coverage Ratio (= E / F)	209.8%	207.8%

2.16 For comparison, Table 2.4 below shows the equivalent information as at 31 March 2023; this replicates Table 2.2 from my Main Report.

TABLE 2.4: SUMMARY COMPARISON OF SOLVENCY II FINANCIAL POSITIONS OF MLE PRE- AND POST-SCHEME AS AT 31 MARCH 2023

31 March 2023 (€m)	MLE (pre-Scheme)	MLE (post-Scheme)
Total Assets (A)	9,445.9	4,161.1
Total Liabilities (B)	8,187.1	2,923.1
Available Own Funds (C = A – B)	1,258.8	1,238.0
Own Funds Eligibility Restriction (D)	-	-
Eligible Own Funds (E = C + D)	1,258.8	1,238.0
SCR (F)	628.3	625.7
Excess Own Funds (= E – F)	630.5	612.3
SCR Coverage Ratio (= E / F)	200.4%	197.9%

2.17 Table 2.3 shows a similar impact as at 30 September 2023 on MLE's SCR Coverage Ratio as a result of the transfer as that shown in my Main Report as at 31 March 2023, that is, a modest reduction in SCR Coverage Ratio, principally reflecting the fact that assets of MLE will be used to capitalise MLUK in advance of the Transfer Date.

2.18 There have been no other changes or developments that affect my conclusions in relation to the Non-Transferring Policyholders of MLE.

2.19 I have therefore set out more fully in Section 5 why I remain comfortable that that the implementation of the Scheme will not have a material adverse effect on the security of benefits under the Non-Transferring Policies of MLE, and that the implementation of the Scheme will not materially adversely affect the likelihood that the reasonable expectations of Transferring Policyholders are met.

OTHER CONSIDERATIONS RELATED TO THE TRANSFER

Russia-related sanctions

2.20 As described in paragraph 2.3, MetLife has provided me with more detail on the work it has carried out in relation to exposures to Russian assets in external linked funds relevant to the Transferring Business.

2.21 I have provided more detail in Section 7 but, in summary, MetLife has a very high level of confidence that there is no exposure to Russian assets in external linked funds with the exception of a unit holding in the BlackRock Managed

Volatility Fund, which invests in certain underlying funds, including the BlackRock UK Equity Fund, which is a managed fund and which has holdings in two Russian entities which are listed on the FTSE All-Share Index. Following the imposition of sanctions, BlackRock re-valued these assets at £0.01 per share. Within the Umbrella Fund, I understand that these represent no more than 0.00003% of the net asset value.

- 2.22 In addition to the BlackRock exposure described in paragraph 2.21, MetLife has redeemed a unit holding in an emerging markets fund operated by J.P. Morgan since the date of finalisation of my Main Report.
- 2.23 I have provided more detail in Section 7 but, in summary, MetLife's external legal advisers have provided an analysis in respect of the exposures detailed in paragraph 2.21 which concluded that they have not identified that any prohibitions under UK or EU sanctions would be breached as a result of the redemption of the J.P. Morgan exposure nor as a result of the transfer of MLE's holdings in the BlackRock Managed Volatility Fund to MLUK.
- 2.24 I understand that it remains the case that no Transferring Policyholders have been identified as being subject to political sanctions.
- 2.25 I have set out in Section 7 why I am satisfied that the transfer from MLE to MLUK of any residual exposures to Russian investments will not have a material adverse effect on the security of benefits under the Transferring Policies or the reasonable expectations of Transferring Policyholders.

The non-sanction of the Scheme

- 2.26 As described in paragraph 2.3, MetLife has also provided me with a contingency plan setting out the actions it would take in the event of the non-sanction of the Scheme. I have provided details of this in Section 7, but in summary I am satisfied that MetLife has considered and planned for the consequences of the non-sanction of the Scheme as far as possible, noting that the successful execution of the contingency plan inevitably relies on the actions and decisions of third parties, for example, potential buyers of the UK wealth management business and the UK regulators.

Other areas

- 2.27 There have been no other developments that affect my analysis or conclusions in relation to the Scheme.

OVERALL CONCLUSIONS

- 2.28 I remain satisfied that the implementation of the Scheme will not have a material adverse effect on:
- The security of benefits of the policyholders of MLE, including the Transferring Policyholders; or
 - The reasonable benefit expectations of the policyholders of MLE, including the Transferring Policyholders; or
 - The standards of service, management and governance applicable to the policies of MLE, including the Transferring Policies.
- 2.29 I remain satisfied that the Scheme is equitable to all classes and generations of MLE policyholders.

3. Recent Developments

3.1 In this section I have described developments that are relevant to the transfer and that have come about since the finalisation of my Main Report.

ORDER FOR DIRECTIONS

3.2 The Directions Hearing for the transfer was held on 8 November 2023.

3.3 On 10 November 2023, the Court issued the Order for Directions which ordered the following actions:

- A notice to publicise the transfer to be published in The London Gazette, The Edinburgh Gazette, The Belfast Gazette, The Times, The Guardian and The Daily Mail;
- A notice to be sent to each policyholder of MLE and MLUK⁹;
- The terms of the Scheme and a summary of my Main Report to be given free of charge to any person who requests them; and
- The transfer to be considered by a Judge of the Chancery Division on 12 February 2024.

STRUCTURE OF THE TRANSFER

3.4 The proposals in relation to the transfer are materially unchanged from those set out in my Main Report, and therefore there are no developments to report in relation to the nature or structure of the transfer. In particular:

- It remains the case that the UK wealth management business of MLE's UK Branch will transfer to MLUK under the Scheme.
- It remains the case that the risks and liabilities of the UK wealth management business are 100% reinsured from MLE to MetLife Reinsurance Company of Bermuda ("**MRB**") and will remain 100% reinsured from MLUK to MRB after the transfer, this treaty being referred to in this Report and my Main Report as "**the UK Treaty**".
- The structure of the UK Treaty, including deposit-back and collateral arrangements, remains unchanged relative to that described in paragraphs 5.23 to 5.30 of my Main Report.
- The Net Worth Maintenance Agreement ("**NWMA**"), described in paragraph 5.54 of my Main Report¹⁰, remains in place on the same terms between American Life Insurance Company ("**ALICO**") and MLE, and an equivalent arrangement (the "**UK NWMA**") will be put in place between ALICO and MLUK with effect from the Transfer Date. Under the NWMA, ALICO remains obliged to provide capital and liquidity support to ensure that MLE maintains an SCR Coverage Ratio of at least 100% at all times and can make contractual payments on a timely basis, and the same obligations will apply to ALICO in respect of MLUK after the transfer under the UK NWMA.
- The parental guarantee arrangement (the "**UK Treaty Group Guarantee**") described in paragraph 5.59 of my Main Report remains in place on the same terms between MetLife, Inc. and MLE, and will be replicated after the transfer with MLUK.
- MLE's capital management policy remains unchanged, requiring MLE to target an SCR Coverage Ratio of between 145% and 150%. MLUK's capital management policy has now been fully drafted, but it remains the case that it will also require a 145% to 150% SCR Coverage Ratio for MLUK after the transfer.

⁹ In practice, MetLife was granted a waiver by the Court from sending a notice of the transfer to Non-Transferring Policyholders and other groups listed in paragraph 10.4 of my Main Report.

¹⁰ Paragraph 5.54 of my Main Report incorrectly defined the NWMA as a "Net Worth Management Agreement" instead of a "Net Worth Maintenance Agreement".

- SS&C International Managed Services Limited (“**SS&C**”) provides administration services to MLE in respect of the Transferring Policies and will continue to provide the same services to MLUK after the transfer.
- The arrangement between MLE and Deutsche Bank A.G. (“**Deutsche Bank**”), described in paragraph 5.34 of my Main Report, remains in place and will be replicated in MLUK after the transfer on broadly the same terms as the current arrangement. The Deutsche Bank arrangement continues to include protection for MLE (“**Gap Protection**”) against some of the risk of significant short-term movements in financial markets, albeit that the economics of the Gap Protection arrangement ultimately accrue to MRB under the UK Treaty. The Gap Protection will be replicated in MLUK.
- It remains the case that the portfolio of offshore UK wealth management business of MLE, referred to in paragraph 5.22 of my Main Report, will not be transferring to MLUK under the terms of the Scheme. It further remains the case that, as described in paragraph 7.33 of my Main Report, the UK Treaty Group Guarantee will not remain in place for this business after the transfer. As at 30 September 2023, this business had assets under management of £124 million.

POLICYHOLDER MAILING

- 3.5 The communication pack (the “**Policyholder Pack**”) described in paragraphs 10.8 to 10.11 of my Main Report has been mailed to all Transferring Policyholders other than those listed in paragraph 10.4 of my Main Report.
- 3.6 I have given details of queries and objections related to the transfer received from Transferring Policyholders in Section 6 of this Report.

FINANCIAL CONDITION OF MLE

- 3.7 In Table 5.3 of my Main Report I presented the regulatory solvency position of MLE under EU Solvency II as at 31 March 2023. The equivalent information as at 30 September 2023 is now available and is shown in Table 3.1 below along with the 31 March 2023 position for comparison.

TABLE 3.1 – MLE FINANCIAL POSITION UNDER EU SOLVENCY II AS AT 31 MARCH 2023 AND 30 SEPTEMBER 2023

MLE Solvency II financial position (€m)	31 March 2023	30 September 2023
Assets held to match Unit-Linked Liabilities	3,889.5	3,733.7
Other Invested Assets	1,982.7	2,046.8
Non-Invested Assets (other than Reinsurance Recoverables)	582.8	580.2
Reinsurance Recoverables	2,990.8	2,740.4
Total Assets (A)	9,445.9	9,101.1
Technical Provisions	4,941.4	4,710.5
Other Liabilities	3,245.6	3,096.3
Total Liabilities (B)	8,187.1	7,806.7
Eligible Own Funds (C = A – B)	1,258.8	1,294.3
SCR (D)	628.3	616.9
Excess Own Funds (=C – D)	630.5	677.4
SCR Coverage Ratio (=C/D)	200.4%	209.8%

- 3.8 Table 3.1 shows that MLE’s SCR Coverage Ratio increased from 200.4% to 209.8% between 31 March 2023 and 30 September 2023, partially arising from a small increase in Own Funds and partially from a small decrease in SCR.

- 3.9 The change in MLE's SCR Coverage Ratio arose from a number of sources, including favourable claims experience, updates to actuarial models and changes to actuarial assumptions.
- 3.10 There have been no changes to MLE's regulatory approvals since my Main Report. In particular:
- MLE's SCR is still determined using the Standard Formula under EU Solvency II.
 - MLE still uses the Volatility Adjustment for all its euro-denominated branches, as well as its euro-denominated liabilities from Bulgaria. As was the case for my Main Report, the Volatility Adjustment is not used in respect of the Transferring Business.
 - It remains the case that MLE does not make use of any other long-term guarantee measures available under EU Solvency II, such as the Matching Adjustment or transitional measures.
- 3.11 As was the case at 31 March 2023, MLE's Own Funds continue to be comprised of Tier 1 and Tier 3 items (see paragraphs 4.27 and 4.28 of my Main Report). Moreover, it remains the case that the Tier 3 item, which is the value of MLE's deferred tax asset, is not large enough to result in any restrictions on MLE's Eligible Own Funds (see paragraph 4.29 of my Main Report).

FINANCIAL CONDITION OF MLUK

- 3.12 As described in Section 6 of my Main Report, on 17 October 2023 MLUK received authorisation to carry on insurance business in classes I (Life and Annuity) and III (Linked Long-Term).
- 3.13 As a newly authorised insurance company, MLUK currently has no insurance business. However, MLUK is nonetheless required to hold eligible capital resources in excess of the regulatory minimum, which is subject to a floor of €4.0 million (approximately £3.4 million at 30 September 2023). Consequently, despite its lack of insurance business, MLUK has been capitalised to ensure it can cover the £3.4 million minimum capital requirement.
- 3.14 As described in paragraph 7.19 of my Main Report, in advance of the transfer, MLUK will be further capitalised to ensure its SCR Coverage Ratio after the transfer is at least 150%. In order to ensure that its SCR Coverage Ratio does not fall below 150% as a result of foreseeable market movements and transactions, MetLife intends to capitalise MLUK to an SCR Coverage Ratio of higher than 150% in advance of the Sanction Hearing. MetLife has informed me that it currently anticipates that the amount of capital injected into MLUK will be £2 million more than required to achieve a 150% SCR Coverage Ratio after the transfer. The capitalisation required will be determined based on the amount that would have been required had the transfer taken place on 30 September 2023; additional capital will then be provided to MLUK, should this be needed, on the Transfer Date to ensure that MLUK has sufficient capital to meet an SCR Coverage Ratio of 150%, plus £2 million, based on a balance sheet date of 31 December 2023 (as, by the time of the Transfer Date, the pro forma financial position of MLUK at 31 December 2023 will be known).

TRANSFERRING POLICIES

- 3.15 Table 7.1 of my Main Report showed a breakdown of the number of policies and the Best Estimate Liability ("BEL") of the Transferring Business as at 31 March 2023. Table 3.2 below shows an equivalent breakdown as at 30 September 2023.

TABLE 3.2 – TRANSFERRING BUSINESS BREAKDOWN AS AT 30 SEPTEMBER 2023

Product Type	Traditional VA		iCPPI		Total	
	No. policies	BEL (gross of reinsurance) €m	No. policies	BEL (gross of reinsurance) €m	No. policies	BEL (gross of reinsurance) €m
Stocks and Shares ISA	13	0.3	1,093	50.8	1,106	51.1
Investment Bond	6,461	499.2	875	84.3	7,336	583.5
Retirement Portfolio	11,461	1,233.9	3,358	375.1	14,819	1,609.0
Trustee Investment Plan	563	92.6	219	57.3	782	149.9
Total	18,498	1,826.0	5,545	567.5	24,043	2,393.4

3.16 For comparison, Table 3.3 shows the equivalent information as at 31 March 2023; this replicates Table 7.1 from my Main Report.

TABLE 3.3 – TRANSFERRING BUSINESS BREAKDOWN AS AT 31 MARCH 2023

Product Type	Traditional VA		iCPPI		Total	
	No. policies	BEL (gross of reinsurance) €m	No. policies	BEL (gross of reinsurance) €m	No. policies	BEL (gross of reinsurance) €m
Stocks and Shares ISA	13	0.3	1,161	55.2	1,174	55.4
Investment Bond	6,860	537.3	902	87.8	7,762	625.1
Retirement Portfolio	12,188	1,388.2	3,519	400.8	15,707	1,789.0
Trustee Investment Plan	611	101.5	227	59.0	838	160.5
Total	19,672	2,027.3	5,809	602.8	25,481	2,630.0

3.17 As would be expected, the number of Transferring Policies has reduced slightly since 31 March 2023 due to policies maturing or otherwise lapsing. The BEL for the Transferring Business has also reduced since 31 March 2023; the change in BEL is due to a combination of the reduction in the number of Transferring Policies and movements in financial markets since 31 March 2023.

UK SOLVENCY II REFORM

3.18 Paragraphs 4.51 to 4.58 of my Main Report described the situation at the time with respect to the reform of UK Solvency II.

3.19 On 28 September 2023 the PRA published “Consultation Paper 19/23: Review of Solvency II: Reform of the Matching Adjustment” (“CP19/23”). CP19/23 includes various reform proposals related to the Matching Adjustment (described in paragraph 4.39 of my Main Report). None of the proposals in CP19/23 is relevant to the transfer as MLUK will not be seeking approval to make use of the Matching Adjustment after the transfer.

3.20 The reforms to the Risk Margin under UK Solvency II, as described in paragraphs 4.54 to 4.56 of my Main Report, came into force with effect from 31 December 2023 following the enactment of Statutory Instrument No. 1346 – Financial Services and Markets – The Insurance and Reinsurance Undertakings (Prudential Requirements) (Risk Margin) Regulations 2023¹¹, dated 7 December 2023.

3.21 The Risk Margin is determined as the cost of holding future capital requirements against certain risks inherent in the insurance business; this is intended to be a proxy for the compensation over and above the BEL that an acquirer of an

¹¹ https://www.legislation.gov.uk/uksi/2023/1346/pdfs/ukxi_20231346_en.pdf

insurer would require in an arm's length transaction for taking on these risks. For balance sheet dates after 31 December 2023, the Risk Margin under UK Solvency II has changed in the following ways:

- The parameter representing the cost of holding future capital requirements¹² has reduced from 6% p.a. to 4% p.a. This means that, all else being equal, the Risk Margin would reduce by one third compared to the pre-reform levels.
- The future capital requirements within the Risk Margin calculation are no longer required to be recognised in full, with projected capital requirements further into the future being subject to a greater degree of derecognition than near-term capital requirements¹³. All else being equal, this change also reduces the Risk Margin, albeit that the size of the reduction will be different for each insurer.

3.22 Therefore, the Risk Margin for UK insurers will reduce in size as a result of the reforms by at least one third, and significantly more in the case of long-duration liabilities.

3.23 These changes are in line with what was expected at the time of finalisation of my Main Report. I have provided my overall conclusions on the security of benefits under the Transferring Policies in Section 4, but I can confirm here that the reform to the Risk Margin under UK Solvency II does not present me with any cause for concern in relation to the transfer.

EU SOLVENCY II REFORM

3.24 Paragraphs 4.59 to 4.69 of my Main Report describe the ongoing reform of EU Solvency II. There have been a few developments in this area since the finalisation of my Main Report. In particular, on 13 December 2023 it was announced that the European Parliament and the European Council have reached agreement on key elements of the reforms, including revised methodologies related to the Risk Margin and other areas, albeit that full details of the revisions have not yet been made public.

3.25 It is still not currently expected that any parts of the reform package will come into force before the Transfer Date, with implementation by insurers expected by 1 January 2026.

3.26 I have provided my overall conclusions on the security of benefits under the Transferring Policies in Section 4, but I can confirm here that the planned reforms to the Risk Margin under EU Solvency II do not present me with any cause for concern in relation to the transfer; in particular, the reforms are likely to bring the Risk Margin under EU Solvency II into closer alignment with the reformed Risk Margin under UK Solvency II.

RELIANCE ON LEGAL ADVICE

3.27 As described in paragraphs 3.26 to 3.29 of my Main Report, there are some aspects of the Scheme that relate to legal matters which fall outside my expertise. For these areas, I have considered whether it is appropriate to take independent legal advice and I have decided that it is appropriate for me to rely on the advice provided to MLE and MLUK by CMS Cameron McKenna Nabarro Olswang LLP ("**CMS**") for the same reasons as set out in my Main Report.

THE FINANCIAL INFORMATION IN THIS REPORT

3.28 The financial information shown in this Report is, unless otherwise stated, as at a balance sheet date of 30 September 2023.

¹² The cost of holding future capital requirements is expressed as a "cost-of-capital" rate, which is a rate prescribed under Solvency II, and which represents the estimated cost to the insurer each year of raising £1 of capital resources.

¹³ Under the reforms, future capital requirements can be reduced by 10% p.a. under the Solvency UK Risk Margin approach. For example, the capital requirement projected to be required in 5 years' time can be multiplied by a factor of 0.9 to the power of 5, which is approximately 0.59. The factor applied to projected future capital requirements is subject to a floor of 0.25.

3.29 As was the case for my Main Report, I have not carried out a full independent review of the Solvency II financial information that has been provided to me as at 30 September 2023, but MetLife has provided the materials supporting the overall internal sign-off of this information for MLE. These materials include:

- Details of the sign-off process for components of the various reporting outputs;
- Details of individuals responsible for each task and confirmation that sign-off of each task has been received;
- An attribution of the movement in MLE's Solvency II financial position between 31 December 2022 (i.e. the last point at which MLE's solvency position was subject to external audit and its Technical Provisions subject to external peer review) and 30 September 2023;
- Detailed explanation of changes in MLE's assets and liabilities between 31 December 2022 and 30 September 2023.

3.30 Having reviewed these materials, I am satisfied that it is reasonable to rely upon the Solvency II results as at 30 September 2023 for the purpose of this Report.

4. The effect of the implementation of the Scheme on the Transferring Policyholders

4.1 In paragraph 8.192 of my Main Report I concluded that the implementation of the Scheme would not have a material effect on:

- The security of benefits of the Transferring Policies; or
- The reasonable expectations of the Transferring Policyholders, including:
 - The reasonable benefit expectations of Transferring Policyholders; and
 - The standards of service, management and governance applicable to the Transferring Policies.

4.2 In this section I update my conclusions on the effect of the transfer on the Transferring Policyholders.

THE FINANCIAL RESOURCES AVAILABLE TO PROVIDE SECURITY OF BENEFITS

Sources of security of policy benefits

4.3 The sources of security of policy benefits for the Transferring Policies remain unchanged from those set out in my Main Report. In particular, they are:

- The assets backing the liabilities and capital requirements of MLE, including the value of amounts due to MLE from MRB under the UK Treaty, which is supported by the collateral arrangements and the fact that assets backing the unit-linked funds are withheld in MLE;
- Excess assets in MLE;
- The value of any amounts recoverable from Deutsche Bank under the Gap Protection arrangement;
- The assets of ALICO, to the extent that they facilitate ALICO's ability to provide capital and liquidity support to MLE under the terms of the NWMA; and
- The assets of MetLife, Inc., to the extent that these can be used to meet MetLife, Inc.'s obligations under the UK Treaty Group Guarantee.

4.4 After the transfer, the sources of security of policy benefits for Transferring Policies are also unchanged since my Main Report, and remain the following:

- The assets backing the liabilities and capital requirements of MLUK, which is principally the value of amounts that will be due to MLUK from MRB under the UK Treaty, supported by the collateral arrangements and the fact that the assets backing the unit-linked funds will be withheld in MLUK;
- Excess assets in MLUK;
- The value of any amounts recoverable from Deutsche Bank under the Gap Protection arrangement that will be put in place;
- The assets of ALICO, to the extent that they facilitate ALICO's ability to provide capital and liquidity support to MLUK under the terms of the UK NWMA; and
- The assets of MetLife, Inc., to the extent that these can be used to meet MetLife, Inc.'s obligations under the UK Treaty Group Guarantee.

The financial strength required under Solvency II

- 4.5 The differences described in paragraphs 8.13 to 8.22 of my Main Report between the approach to the determination of Technical Provisions and the Solvency Capital Requirement (“**SCR**”) of MLE and MLUK remain very small. The exception to this is in the case of the Risk Margin, the methodology for calculating which has now diverged significantly under UK Solvency II from that under EU Solvency II as a result of the reforms to UK Solvency II, as described in paragraphs 3.19 to 3.23.
- 4.6 It should be noted that the reforms to the Risk Margin only came into force from 31 December 2023 and therefore the pro forma post-transfer financial position of MLUK as at 30 September 2023 is shown in this Report using the previous approach to the Risk Margin. However, I have also shown the post-transfer financial position of MLUK as at 30 September 2023 based on the same amount of capital injected into MLUK but assuming that the new approach to the Risk Margin had been in-force at that date.
- 4.7 As the reforms to the Risk Margin under UK Solvency II are now in-force, prior to the Transfer Date MLUK will be capitalised to at least a 150% SCR Coverage Ratio based on its Risk Margin under the reformed UK Solvency II requirements rather than the previous requirements. However, the financial analysis and commentary in this section remains applicable as the post-Scheme solvency position of MLUK shown in this Report is based on a capitalisation of MLUK to an SCR Coverage Ratio of 150% (albeit under the pre-reform Risk Margin).
- 4.8 The reforms to the Risk Margin under UK Solvency II do not affect MLE but, as described in paragraph 4.63 of my Main Report, the Risk Margin under EU Solvency II is also expected to be reduced in the future as part of a package of reforms to EU Solvency II, the timescales for which are not yet fully clear, although implementation is not expected until January 2026 at the earliest.

Comparison of pre- and post-Scheme financial strength available to support the Transferring Business

- 4.9 Table 8.1 of my Main Report showed the pre-Scheme financial strength of MLE and the pro forma post-Scheme financial strength of MLUK as at 31 March 2023 under Solvency II. This showed a comparison of the Solvency II financial position that currently provides security for the contractual benefits of the Transferring Policies (that is, MLE’s pre-Scheme financial position) with the one that will provide such security after the transfer (that is, MLUK’s post-Scheme financial position).
- 4.10 Table 4.1 below is an update to Table 8.1 of my Main Report as at 30 September 2023, with an additional column showing the post-transfer position of MLUK under the reformed UK Solvency II Risk Margin.

TABLE 4.1: COMPARISON OF SOLVENCY II FINANCIAL POSITIONS OF MLE (PRE-SCHEME) AND MLUK (POST-SCHEME) AT 30 SEPTEMBER 2023

30 September 2023	MLE (pre-Scheme) (€m)	MLE (pre-Scheme) converted to £m*	MLUK (post-Scheme) (£m)	MLUK (post-Scheme with reformed Risk Margin) (£m)
Assets held to match Unit-Linked Liabilities	3,733.7	3,238.8	2,100.4	2,100.4
Other Invested Assets	2,046.8	1,775.5	-	-
Non-Invested Assets (other than Reinsurance Recoverables)	580.2	503.3	39.0	39.0
Reinsurance Recoverables	2,740.4	2,377.1	2,075.6	2,075.6
Total Assets (A)	9,101.1	7,894.6	4,215.0	4,215.0
Technical Provisions	4,710.5	4,086.0	2,078.0	2,076.9
Other Liabilities	3,096.3	2,685.8	2,120.0	2,120.0
Total Liabilities (B)	7,806.7	6,771.9	4,198.0	4,196.9
Available Own Funds (C = A – B)	1,294.3	1,122.7	17.0	18.1
Own Funds Eligibility Restriction (D)	-	-	(8.4)	(8.4)
Eligible Own Funds (E = C + D)	1,294.3	1,122.7	8.6	9.7
SCR (F)	616.9	535.1	5.7	5.7
Excess Own Funds (= E – F)	677.4	587.6	2.9	4.0
SCR Coverage Ratio (= E / F)	209.8%	209.8%	150.0%	169.5%

Note: As was the case at 31 March 2023, a restriction to Own Funds eligibility is present in the MLUK financial position (£7.9 million at 31 March 2023). This arises because of the presence of a deferred tax asset¹⁴ in MLUK, which is classified as a Tier 3 Own Funds item under the Solvency II Own Funds classifications. The (UK and EU) Solvency II rules require that Tier 3 items can comprise a maximum of 15% of the SCR, and therefore part of the value of the deferred tax asset is removed from MLUK's Available Own Funds to determine its Eligible Own Funds.

*£/€ exchange rate used = 0.867436811

- 4.11 For comparison, Table 4.2 shows equivalent information as at 31 March 2023, excluding the impact of the reformed Risk Margin, which was not available as at 31 March 2023. Table 4.2 replicates Table 8.1 from my Main Report.

¹⁴ A deferred tax asset arises where a company has tax losses from prior tax years available to carry forward to reduce future tax payable. These tax losses therefore have value to the company and can (subject to meeting the requirements of the relevant accounting standards) be recognised as an asset on the insurer's balance sheet.

TABLE 4.2: COMPARISON OF SOLVENCY II FINANCIAL POSITIONS OF MLE (PRE-SCHEME) AND MLUK (POST-SCHEME) AT 31 MARCH 2023

31 March 2023	MLE (pre-Scheme) (€m)	MLE (pre-Scheme) converted to £m*	MLUK (post-Scheme) (£m)
<i>Assets held to match Unit-Linked Liabilities</i>	3,889.5	3,417.6	2,295.0
<i>Other Invested Assets</i>	1,982.7	1,742.2	-
<i>Non-Invested Assets (other than Reinsurance Recoverables)</i>	582.8	512.1	38.7
<i>Reinsurance Recoverables</i>	2,990.8	2,628.0	2,309.9
Total Assets (A)	9,445.9	8,299.9	4,643.6
<i>Technical Provisions</i>	4,941.4	4,342.0	2,313.2
<i>Other Liabilities</i>	3,245.6	2,851.9	2,313.1
Total Liabilities (B)	8,187.1	7,193.8	4,626.3
Available Own Funds (C = A – B)	1,258.8	1,106.1	17.3
<i>Own Funds Eligibility Restriction (D)</i>	-	-	(7.9)
Eligible Own Funds (E = C + D)	1,258.8	1,106.1	9.4
SCR (F)	628.3	552.1	6.3
Excess Own Funds (= E – F)	630.5	554.0	3.1
SCR Coverage Ratio (= E / F)	200.4%	200.4%	150.0%

4.12 Table 4.1 and Table 4.2 show a similar impact, that is, MLE's pre-transfer SCR Coverage Ratio is higher than that of MLUK after the transfer. However, the points made in paragraphs 8.31 and 8.32 of my Main Report still apply, namely that:

- MLE is free to remit any capital in excess of the amounts required under its capital management policy to its parent, or otherwise to deploy it to invest in strategic or other ventures; and
- MLE is open to new insurance business, whereas MLUK has no plans to sell new business, meaning that MLE chooses to hold capital in excess of its capital management policy requirement in order to meet the capital requirements of writing new business, with this not being necessary for MLUK.

4.13 Table 4.1 also shows that the impact of the UK reforms to the Risk Margin would, if they came into force after the transfer, have the effect of increasing MLUK's SCR Coverage Ratio by approximately 20 percentage points. This effect arises because the effect of the reforms would (as at 30 September 2023) be to reduce MLUK's Risk Margin from £1.86 million to £0.74 million. However, in practice, given that the changes came into force with effect from 31 December 2023, MLUK will be capitalised by MLE to an SCR Coverage Ratio of at least 150% under the new Risk Margin measure.

4.14 As described in paragraph 3.14, in practice MLUK will be capitalised by MLE to an SCR Coverage Ratio of somewhat higher than 150% to ensure that its SCR Coverage Ratio remains in excess of the 150% following foreseeable changes in market conditions. MetLife has informed me that it currently anticipates that the amount of capital injected into MLUK will be £2 million more than required to achieve a 150% SCR Coverage Ratio, but the size of this additional buffer is subject to change closer to the Transfer Date and therefore I have not relied on it in reaching my conclusions. A £2 million buffer would result in a post-transfer SCR Coverage Ratio for MLUK (as at 30 September 2023) of approximately 185%.

Additional sources of policyholder benefit security

4.15 The comments I made in my Main Report on additional sources of benefit security (that is, those outside of MLE and MLUK) remain fully applicable to this Report. In particular, I have placed significant weight on the presence of the UK NWMA in considering the post-transfer benefit security of Transferring Policies. MLUK's post-transfer capital

requirements are relatively small, reflecting the fact that 100% of the risks and liabilities associated with the Transferring Business will be reinsured to MRB. This means that the size of the SCR held by MLUK would fall significantly short of the amount of capital resources required to withstand the (unlikely) failure of MRB and the ensuing recapture by MLUK of these risks and liabilities. Therefore, the presence of the UK NWMA, backed by the significant capital resources of ALICO, is what allows me to conclude that the concentration risk to MRB to which MLUK will be exposed through the UK Treaty does not pose a material risk to the security of benefits under Transferring Policies.

4.16 The comments I made in my Main Report (in paragraphs 8.38 to 8.40 and elsewhere) on the UK Treaty Group Guarantee remain applicable. In particular, I have not placed material reliance on the presence of the UK Treaty Group Guarantee in reaching my conclusions, and have instead gained significantly more comfort from the presence of the UK NWMA to provide security to Transferring Policyholders.

Quality of Own Funds

4.17 The comments I made in paragraphs 8.45 to 8.50 of my Main Report on the impact of the transfer on the quality of Own Funds available to support the security of benefits of the Transferring Policies remain applicable, based on the financial information as at 30 September 2023. In particular:

- Both MLE (pre-transfer) and MLUK (post-transfer) continue to have Own Funds comprised of Tier 1 and Tier 3 items, the Tier 3 items being the value of the net deferred tax asset of each company;
- MLUK's Tier 3 Own Funds continue to represent a larger proportion of its total available Own Funds than is the case for MLE; and
- The Solvency II regulations (in both the UK and the EU) continue to require insurers to derecognise Tier 3 Own Funds items in excess of an amount equal to 15% of the SCR for the purpose of determining Eligible Own Funds. This has resulted in a derecognition of approximately £8.4 million of MLUK's post-transfer Own Funds. In the absence of such a derecognition, MLUK's SCR Coverage Ratio would be approximately 296%.

4.18 The analysis in paragraph 8.49 of my Main Report related to MLUK's post-transfer deferred tax asset remains valid based on the financial position of MLUK at 30 September 2023, and therefore I remain satisfied that differences in the relative composition of the Own Funds of MLE and MLUK will not have a material adverse impact on the security of benefits of the Transferring Policies.

The relative strengths of the capital management policies

4.19 The capital management policy of MLE remains unchanged since that set out in my Main Report and is described in paragraph 3.4. The capital management policy of MLUK has now been fully drafted, but the description of it set out in paragraph 6.17 of my Main Report remains valid, that is, MLUK will be subject to a normal operating range for its SCR Coverage Ratio of 145% to 150%.

4.20 MLUK's fully drafted capital management policy is now fully equivalent to that of MLE, in that both companies require the following ranges/triggers for the SCR Coverage Ratio:

- A normal operating level of 145% to 150%;
- A "heightened attention" range of 125% to 145%;
- An "indicated action" trigger of less than 125%; and
- The regulatory minimum of 100%.

4.21 Therefore, my conclusion that the impact of moving from MLE's to MLUK's capital management policy will not have a material adverse effect on the security of benefits under Transferring Policies, set out in paragraph 8.84 of my Main Report, remains unchanged.

- 4.22 Similarly, the available responses of MLE and MLUK to a breach of their respective capital management policies remain materially the same as set out in paragraphs 8.85 to 8.95 of my Main Report, and therefore I remain satisfied that both firms have a sufficient range of actions at their disposal to mitigate a scenario in which their solvency position starts to deteriorate. Consequently, there is no material adverse impact on the security of benefits of the Transferring Policyholders arising from the range of available actions in such circumstances.
- 4.23 Finally, my comments in relation to governance surrounding MLE's and MLUK's respective capital management policies, as set out in paragraphs 8.96 to 8.98 of my Main Report, remain valid. I therefore remain satisfied that there is no material impact on the security of benefits of the Transferring Policies arising from the change in governance applicable to the capital management policy covering the Transferring Business.

Resilience of the Solvency II financial positions of MLE and MLUK

- 4.24 Paragraphs 8.51 to 8.71 of my Main Report provide my conclusions on the resilience of the respective solvency positions of MLE and MLUK to adverse scenarios.
- 4.25 MLUK has not produced an updated Own Risk and Solvency Assessment ("ORSA") report since the date of finalisation of my Main Report, but I am comfortable that there have been no material changes to either company's ability to withstand adverse scenarios since my Main Report was produced.
- 4.26 In particular, MLE's (pre-transfer) risk exposures and MLUK's (post-transfer) risk exposures remain materially unchanged since the finalisation of my Main Report, and the actions available to both companies to mitigate adverse scenarios remain materially unchanged.
- 4.27 Additionally, it remains the case that:
- MLE has a broader range of risk exposures than MLUK will have after the transfer, but consequently enjoys a greater diversification of risks than MLUK.
 - MLUK's post-transfer regulatory solvency position will only be exposed to a small number of risks, with the most material risk by far being the risk of MRB failing to discharge its obligations under the UK Treaty.
 - The NWMA and UK NWMA provide general protection to MLE and (post-transfer) to MLUK respectively against scenarios that would result in a breach of SCR.
 - The risk management activities associated with the Transferring Business remain in place, for example, the derivatives held by MRB and the Gap Protection arrangement with Deutsche Bank remain in place and provide significant protection to MRB, and indirectly to MLE and MLUK, against the market risks associated with the Transferring Business.
- 4.28 Consequently, I remain satisfied that, while it is speculative to measure risks to solvency for both MLE and MLUK over the long periods during which their policies remain in force, owing to the presence of the collateral arrangements and the UK NWMA, MLUK would remain able to meet its obligations to policyholders and maintain a 100% SCR Coverage Ratio even after the manifestation of MLUK's most material risk, i.e., the extreme scenario that is the failure of MRB.

Conclusion on the financial resources available to provide security of benefits

- 4.29 Based on the analysis above, I remain satisfied that:
- The capital management policy of MLUK will provide adequate support for the security of benefits of the Transferring Policies;
 - Based on the financial position of the Companies at 30 September 2023 and other analysis with which I have been provided, the Scheme will not have a material adverse effect on the financial resources available to support the security of the benefits of the Transferring Business.

4.30 For these reasons, I remain satisfied that the implementation of the Scheme will not have a material adverse impact on the financial resources available to provide security of benefits under the Transferring Policies.

THE PROFILE OF RISKS TO WHICH THE TRANSFERRING POLICIES ARE EXPOSED

4.31 In Table 8.2 of my Main Report, I showed a breakdown of MLE's pre-transfer SCR and MLUK's post-transfer SCR as at 31 March 2023. Table 4.3 below shows an equivalent breakdown as at 30 September 2023.

TABLE 4.3: COMPARISON OF SOLVENCY II FINANCIAL POSITIONS OF MLE (PRE-SCHEME) AND MLUK (POST-SCHEME) AT 30 SEPTEMBER 2023

Risk Module/Sub-Module	MLE Pre-Scheme (€m)	MLE Pre-Scheme converted to £m*	MLUK Post-Scheme (£m)
Market Risk	173.3	150.3	1.0
Life Underwriting Risk	462.8	401.5	0.4
Health Underwriting Risk	182.1	158.0	-
Non-Life Underwriting Risk	0.0	0.0	-
Counterparty Default Risk	38.7	33.5	2.4
Operational Risk	68.1	59.1	2.8
Diversification benefit	(230.2)	(199.7)	(0.8)
Loss-Absorbing Capacity of Deferred Taxes	(78.0)	(67.6)	-
Total SCR	616.9	535.1	5.7

*£/€ exchange rate used = 0.867436811

4.32 For comparison purposes, Table 4.4 below shows the same information as at 31 March 2023; this replicates Table 8.2 from my Main Report.

TABLE 4.4: COMPARISON OF SOLVENCY II FINANCIAL POSITIONS OF MLE (PRE-SCHEME) AND MLUK (POST-SCHEME) AT 31 MARCH 2023

Risk Module/Sub-Module	MLE Pre-Scheme (€m)	MLE Pre-Scheme converted to £m*	MLUK Post-Scheme (£m)
Market Risk	179.0	157.2	1.4
Life Underwriting Risk	462.6	406.5	0.7
Health Underwriting Risk	190.2	167.2	-
Non-Life Underwriting Risk	0.0	0.0	-
Counterparty Default Risk	51.1	44.9	2.2
Operational Risk	66.9	58.7	3.1
Diversification benefit	(243.8)	(214.2)	(1.1)
Loss-Absorbing Capacity of Deferred Taxes	(77.7)	(68.3)	-
Total SCR	628.3	552.1	6.3

*£/€ exchange rate used = 0.8787

4.33 As shown in Table 4.3, it remains the case that:

- MLUK's post-Scheme SCR will be significantly smaller than MLE's pre-Scheme SCR, reflecting the fact that 100% of MLUK's business will be reinsured to MRB under the UK Treaty.
- The largest component of MLUK's SCR relates to operational risk. The size of this component reflects the formulaic nature of the calculation of the operational risk contribution to the SCR under the Solvency II Standard Formula. However, in practice, under the UK Treaty, MRB is required to meet the cost of remediating any operational risk issues within MLE (and MLUK post-Scheme), and therefore MLUK's operational risk exposure will be minimal. Consequently, as described earlier in this section, the dominant risk for policyholders of MLUK will be the risk of the failure of MRB to meet its obligations under the UK Treaty, which makes up the most material component of the counterparty default risk component of the SCR.

Exposure of the Transferring Policyholders to MRB

4.34 As described above, the most material risk to which MLUK will be exposed is the risk of the failure of MRB to discharge its obligations under the UK Treaty. In paragraphs 8.105 to 8.126 of my Main Report I discussed in some detail the exposure of MLUK to MRB and the actions available to MLUK in the event of the failure of MRB.

4.35 As described in paragraph 8.126 of my Main Report, MetLife has been refining its contingency planning related to the failure of MRB, and I have now been provided with the draft contingency plan covering this eventuality. This draft contingency plan identifies a list of actions that MetLife believes it is reasonable to assume would be available to it to mitigate the impact of the failure of MRB. The actions are listed below; these are not intended to be mutually exclusive or in the order in which they would be carried out:

- Invoke the UK Treaty Group Guarantee, which requires MetLife, Inc. to honour MRB's obligations under the UK Treaty in respect of the Variable Annuity business, in an aggregate amount up to \$1 billion;
- Recover the termination payment that is provided for in the UK Treaty, which would provide payment (in the form of assets or letters of credit) up to the value of the collateral posted as at the date of termination. As described in paragraph 8.106 of my Main Report, the collateral required to be posted is based on the loss given default measure under Solvency II, which is a measure of the capital loss that MLUK would incur upon the default of MRB, including any additional amounts in excess of policyholder units required to honour the guarantees under the policies;
- Request capital or liquidity support from the MetLife Group. This could take one of two forms:
 - A request for discretionary group support, under which a request would be made to MetLife Group for capital or liquidity support, which MetLife Group would not be legally obliged to provide. However, MetLife Group does have a process in place for subsidiaries to request such support, with delegated authority limits set out depending on the materiality of the request; and
 - Unilaterally invoking the UK NWMA, under which ALICO would be legally obliged to provide support to ensure that MLUK maintains an SCR Coverage Ratio of at least 100% at all times and can make contractual payments on a timely basis;
- MLUK would consider putting in place a derivatives hedging programme to manage the market risk associated with the wealth management business. Such a programme already exists within MRB, and MetLife believes those positions could be transferable to MLUK. The decision as to whether to proceed with a hedging programme would consider various factors, including:
 - The remaining portfolio size at the point of MRB failure; and
 - The solvency position of MLUK at the point of MRB failure, including an analysis of the cost of holding capital against market risk versus the cost of managing the risks using derivatives, noting that an MRB

failure could plausibly coincide with market events, resulting in a potentially increased cost of hedge implementation;

- MLUK would consider whether it could invest its general account assets (i.e. those not backing policyholder liabilities) in less risky assets, which could potentially reduce its SCR and hence improve its solvency position; and
- MLUK would consider seeking alternative reinsurance arrangements. As part of the contingency planning it has identified another MetLife legal entity that it believes would be the most appropriate candidate to assume the UK wealth management liabilities. Reinsurance with an external counterparty may also be considered, but MLUK believes that this might necessitate a combination of external participants.

4.36 For all of the actions listed above, MetLife has set out the process it would go through to execute the actions and the governance processes required. It has also considered how its assessment of each option might change in stressed conditions.

4.37 The draft contingency plan concludes that, where the MetLife Group is willing and able to provide support, either through capital support, the invocation of the UK NWMA, or reinsurance, MLUK could recover from the failure of MRB. However, if MetLife Group were unable or unwilling to provide support (a scenario considered by MetLife to be extremely unlikely), the recovery capacity of MLUK would be very limited.

4.38 Having reviewed the draft contingency plan, I am satisfied that the list of potential recovery actions available to MLUK is comprehensive and that the actions are plausible, subject to my comments relating specifically to the UK Treaty Group Guarantee in paragraph 4.16. Moreover, nothing in the draft contingency plan causes me to materially diverge from my analysis in paragraphs 8.105 to 8.126 of my Main Report in relation to the exposure of Transferring Policyholders to MRB.

Liquidity risk

4.39 In paragraphs 8.133 to 8.137 of my Main Report, I discussed MLUK's exposure to liquidity risk, and noted that its principal liquidity exposure after the transfer will relate to:

- The timing difference between any guarantee payments (and associated expenses) it makes to policyholders and MLUK's ability to reclaim these payments from MRB under the UK Treaty; and
- Any short-term timing mismatch between payments to policyholders when divestments are made from external unit-linked funds and the sales of relevant assets held in such funds.

4.40 At the time of finalisation of my Main Report, MLUK did not yet have a liquidity framework and I undertook to comment further on liquidity risk in this Report.

4.41 I have now been provided with the liquidity risk policy that will apply to MLUK. This sets out the sources of liquidity risk for MLUK, which are those set out in paragraph 4.39, as well as the framework through which MLUK will measure, manage, monitor and report liquidity risk. The policy suggests that the following actions could be used by MLUK to mitigate or react to liquidity-related issues:

- Timing differences between policyholder payments and recoverables from MRB can be managed through robust cash management forecasting and holding sufficient liquid assets.
- Short-term timing mismatches related to divestments from external unit-linked funds can be managed through the process of forecasting changes in units, which aligns the trading cycle to the policyholder payment cycle.

4.42 Liquidity needs are also considered by carrying out regular liquidity stress testing over a range of time horizons.

4.43 I am satisfied that the liquidity risk policy and the approaches to liquidity risk set out therein are sufficient to ensure that MLUK's liquidity risk exposures are measured, managed, monitored and reported effectively. I therefore remain

satisfied that MetLife appears to be adequately considering and addressing the liquidity risk to which MLUK will be exposed.

Other comments on risk exposures

4.44 In addition to the liquidity risk policy, I have also received all of the risk policies that will be in place for MLUK after the transfer. These cover the following areas:

- ALM¹⁵ Stress Testing;
- Capital management;
- Credit risk;
- Insurance risk;
- Market risk;
- MLUK's ORSA;
- Reinsurance risk;
- Risk Management Framework; and
- Risk Strategy and Appetite.

4.45 I have reviewed these documents and am satisfied that they constitute a comprehensive set of risk management policies that are similar/comparable to those in place for MLE.

4.46 All of the other comments on risk exposures I made in my Main Report remain relevant to this Report.

Conclusion in relation to the profile of risks to which Transferring Policies will be exposed

4.47 For the reasons set out above and those set out in paragraphs 8.141 to 8.143 of my Main Report, I remain satisfied that the change in risk profile to which the Transferring Policies will be exposed as a result of the transfer will not have a material adverse impact on the security of their benefits.

THE REASONABLE EXPECTATIONS OF TRANSFERRING POLICYHOLDERS

4.48 As set out in paragraph 8.114 of my Main Report, the Transferring Policies are wealth management products, and policyholders' reasonable expectations in respect of their policies are principally that:

- They receive their benefits under the Policy Guarantees as specified under the policy, on the dates and in the contingencies specified in the policy's terms and conditions;
- The unit-linked benefits they receive reflect the investment performance of the assets in which their units are invested, net of contractual charges payable under the policies;
- The linked funds in which their policies are invested are managed appropriately and in line with fund factsheets and other information on the funds provided to policyholders;
- The administration, management, and governance of the policies are in line with the contractual terms under the policies;
- A good standard of service is received; and

¹⁵ In this context, "ALM" refers to asset-liability management, which is the term given to the processes undertaken by insurers to manage their assets and liabilities and the interaction between the two. This can include processes to optimise returns, ensure the insurer remains solvent and undertake hedging and other forms of risk management.

- The charges levied on their policies are reasonable and represent value for money.

Reasonable benefit expectations of the Transferring Policyholders

- 4.49 I set out my analysis and conclusions in respect of the reasonable benefit expectations of Transferring Policyholders in paragraphs 8.146 to 8.154 of my Main Report. None of the facts or circumstances set out in those paragraphs has changed since the date of my Main Report, and therefore I remain satisfied that the implementation of the Scheme will not have a material adverse effect on the likelihood that the reasonable benefit expectations of the Transferring Policies will be met.

The administration and service standards applied to the Transferring Policies

- 4.50 As described in paragraph 8.155 of my Main Report, the administration of the Transferring Business is currently outsourced to MLE's third-party administrator, SS&C, an administration and software services provider specialising in outsourced administration services in the life and pensions sector.
- 4.51 It remains the intention for SS&C to continue to administer the Transferring Business on behalf of MLUK after the implementation of the Scheme.
- 4.52 As described in paragraph 8.159 of my Main Report, MLE and MLUK have a contingency plan covering the event of a material failure of SS&C in its service provision. MetLife has now provided me with a more detailed exit management plan covering this contingency. This plan is consistent with the previous plan I saw in terms of the actions available to MetLife in such a scenario, but it includes more detail on the processes and governance structures that would be put in place in order to manage such a scenario. It also maps out the detailed areas that would need to be discussed and settled in such a scenario.
- 4.53 Having reviewed the contingency plan, I am satisfied that it is reasonable and gives me confidence that MetLife has given sufficient thought and planning to the risk of SS&C failure. Moreover, it remains the case that the transfer will have no impact on the overall risk of a material failure of SS&C in its service provision, and the contingency plan in the event of such a failure is the same for both MLE (pre-Scheme) and MLUK (post-Scheme). Finally, it remains the case that the transfer would not introduce any impediments to the execution of such a contingency plan.

Non-UK policies within the Transferring Business

- 4.54 Paragraphs 8.167 to 8.174 of my Main Report describes any risk of impediments after the transfer to the servicing of Transferring Policies whose holders are non-UK residents.
- 4.55 It remains the case that the number of Transferring Policyholders resident outside of the UK is very small, and the legal advice received by MLE on this point remains unchanged, that is, that there is a very little risk that the transfer would be an impediment to the ongoing servicing of non-UK resident Transferring Policyholders.
- 4.56 There have been no further developments in relation to this issue, and therefore my conclusions and analysis in paragraphs 8.172 to 8.174 of my Main Report remain unchanged, that is, I am satisfied that the risk of impediments to the servicing of Transferring Policies whose holders reside outside of the UK is sufficiently low for me to conclude that the transfer will not have a material adverse impact on the ability of MetLife to administer and service the Transferring Policies.

Other areas related to administration and servicing

- 4.57 There have been no material developments in relation to the other areas related to the administration and servicing of the Transferring Policies that are covered in my Main Report and that have not been covered above.

Conclusion in relation to administration and service standards

4.58 Taking the above into account, I remain satisfied that the implementation of the Scheme will not result in a material adverse impact on standards of administration and service experienced by holders of Transferring Policies.

Governance and management of the Transferring Policies

4.59 Paragraphs 8.176 to 8.182 of my Main Report set out my analysis and conclusions in relation to the impact of the transfer on the governance and management of the Transferring Policies.

4.60 There have been no material developments or changes in the area of governance and management since the date of my Main Report that could have a bearing on the transfer, and therefore I remain satisfied that the implementation of the Scheme will not materially adversely affect the standards of governance and management applicable to the Transferring Business.

The Consumer Duty Requirements

4.61 Paragraphs 8.185 to 8.190 of my Main Report set out my analysis and conclusions in relation to the new Consumer Duty rules and guidance set by the FCA.

4.62 The Consumer Duty rules and guidance are still expected to apply to MLUK from 31 July 2024, and it remains the case that these requirements would apply to the UK wealth management business whether they are policies of MLE or MLUK.

4.63 I understand that the implementation plan in relation to Consumer Duty remains on track.

4.64 There having been no other material developments in the area of the Consumer Duty rules and guidance, I remain satisfied that the proposed transfer would not affect the ability of MetLife to comply with the Consumer Duty rules and guidance in relation to the Transferring Business.

Conclusions in relation to the reasonable expectations of Transferring Policyholders

4.65 Taking the above into account, I remain satisfied that the implementation of the Scheme will not have a material adverse effect on the reasonable expectations of Transferring Policyholders.

CONCLUSION FOR THE TRANSFERRING POLICIES

4.66 Overall, I remain satisfied that the implementation of the Scheme will not have a material effect on:

- The security of benefits of the Transferring Policies; or
- The reasonable expectations of the Transferring Policyholders, including:
 - The reasonable benefit expectations of Transferring Policyholders; and
 - The standards of service, management and governance applicable to the Transferring Policies.

5. The effect of the implementation of the Scheme on the Non-Transferring Policyholders

5.1 In paragraph 9.31 of my Main Report I concluded that the implementation of the Scheme would not have a material effect on:

- The security of benefits of the Non-Transferring Policies; or
- The risk that the reasonable expectations of holders of Non-Transferring Policies are not met, including:
 - The reasonable benefit expectations of holders of Non-Transferring Policies; and
 - The standards of service, management and governance applicable to Non-Transferring Policies.

5.2 In this section I update my conclusions on the effect of the transfer on the Non-Transferring Policyholders.

THE FINANCIAL RESOURCES AVAILABLE TO PROVIDE SECURITY OF BENEFITS

5.3 As described in paragraph 9.3 of my Main Report, the security that the holders of Non-Transferring Policies in MLE enjoy with respect to their contractual benefits currently arises from the assets held by MLE, which are:

- Assets backing the Technical Provisions and SCR of MLE, including the value of amounts recoverable under the UK Treaty; and
- Excess capital resources of MLE.

5.4 It remains the case that, under the Scheme, the liabilities relating to the Transferring Policies will transfer to MLUK, while the Non-Transferring Policies and the assets of MLE will remain in MLE, with the exception of the assets backing the policyholder funds for the Transferring Policies and the asset representing the value of amounts recoverable from MRB in relation to the Transferring Policies under the UK Treaty. These assets will be transferred to MLUK.

5.5 Table 9.1 of my Main Report shows the pre- and post-transfer solvency positions (under EU Solvency II) of MLE as at 31 March 2023. Table 5.1 below provides an update to this as at 30 September 2023.

TABLE 5.1 – THE MLE PRE-TRANSFER AND PROJECTED POST-TRANSFER SOLVENCY POSITION AS AT 30 SEPTEMBER 2023

30 September (€m)	MLE (pre-Scheme)	MLE (post-Scheme)
Assets held to match Unit-Linked Liabilities	3,733.7	1,312.3
Other Invested Assets	2,046.8	2,046.8
Non-Invested Assets (other than Reinsurance Recoverables)	580.2	536.9
Reinsurance Recoverables	2,740.4	347.6
Total Assets (A)	9,101.1	4,243.6
Technical Provisions	4,710.5	2,315.8
Other Liabilities	3,096.3	652.3
Total Liabilities (B)	7,806.7	2,968.1
Available Own Funds (C = A – B)	1,294.3	1,275.5
Own Funds Eligibility Restriction (D)	-	-
Eligible Own Funds (E = C + D)	1,294.3	1,275.5
SCR (F)	616.9	613.8
Excess Own Funds (= E – F)	677.4	661.7
SCR Coverage Ratio (= E / F)	209.8%	207.8%

Totals/differences may not be additive due to rounding

5.6 For comparison, Table 5.2 below shows the same information as at 31 March 2023; this replicates Table 9.1 from my Main Report.

TABLE 5.2 – THE MLE PRE-TRANSFER AND PROJECTED POST-TRANSFER SOLVENCY POSITION AS AT 31 MARCH 2023

31 March 2023 (€m)	MLE (pre-Scheme)	MLE (post-Scheme)
<i>Assets held to match Unit-Linked Liabilities</i>	3,889.5	1,277.6
<i>Other Invested Assets</i>	1,982.7	1,982.7
<i>Non-Invested Assets (other than Reinsurance Recoverables)</i>	582.8	538.8
<i>Reinsurance Recoverables</i>	2,990.8	362.0
Total Assets (A)	9,445.9	4,161.1
<i>Technical Provisions</i>	4,941.4	2,309.9
<i>Other Liabilities</i>	3,245.6	613.2
Total Liabilities (B)	8,187.1	2,923.1
Available Own Funds (C = A – B)	1,258.8	1,238.0
<i>Own Funds Eligibility Restriction (D)</i>	-	-
Eligible Own Funds (E = C + D)	1,258.8	1,238.0
<i>SCR (F)</i>	628.3	625.7
Excess Own Funds (= E – F)	630.5	612.3
SCR Coverage Ratio (= E / F)	200.4%	197.9%

Totals/differences may not be additive due to rounding

5.7 As was the case at 31 March 2023, Table 5.1 shows that the impact of removing the Transferring Policies from MLE is small as the risks and rewards associated with these policies are already 100% reinsured to MRB. In particular, the only impact of the transfer on MLE as at 30 September 2023 is a modest reduction in SCR Coverage Ratio as a result of the following:

- An expected €20.1 million reduction in MLE's Own Funds as MetLife intends to use assets of MLE to capitalise MLUK in advance of the transfer; and
- The expected €1.2 million reduction in MLE's Risk Margin as a result of the transfer, reflecting the reduction in the capital required to be held against operational risk and the reduction in MLE's exposure to the default of MRB as a result of the transfer.

5.8 As described in paragraph 4.14, in practice MLUK will be capitalised to an SCR Coverage Ratio of somewhat higher than 150% to ensure that its SCR Coverage Ratio remains in excess of the 150% following foreseeable changes in market conditions. MetLife has informed me that it currently anticipates that the amount of capital injected into MLUK will be £2 million more than required to achieve a 150% SCR Coverage Ratio. The provision of this additional buffer by MLE to MLUK is not reflected in the post-transfer financial position of MLE in Table 5.1, but it should also be noted that, in practice, the amount MLE injects into MLUK will be based on the amount required to capitalise MLUK based on the reformed Risk Margin under UK Solvency II, which is approximately £1.1 million less than the pre-reform Risk Margin. Therefore, while the actual amount of capital injected into MLUK will be slightly more than the amount reflected in Table 5.1 (and described in paragraph 5.7), the difference will not be material in the context of MLE's capital resources.

5.9 As described in paragraph 9.10 of my Main Report, MLE has established a liability in its pre-Scheme Solvency II balance sheet in relation to the costs related to establishing MLUK and the costs of putting the Scheme into effect. This means that these costs are already deducted from MLE's Eligible Own Funds in both the pre-Scheme and post-Scheme figures.

5.10 Given that the expected impact of the Scheme on MLE's solvency position as at 30 September 2023 is very similar to that described in my Main Report as at 31 March 2023, the updated financial position at 30 September 2023 does not affect my conclusions in relation to the impact of the transfer on Non-Transferring Policyholders.

Longer-term capital management implications of the Scheme

5.11 As described in paragraph 9.12 of my Main Report, the only UK wealth management business remaining in MLE after the transfer will be the relatively small portfolio of offshore policies, and therefore the UK Treaty Group Guarantee will not remain in place for MLE after the transfer.

5.12 However, I set out in paragraph 9.13 of my Main Report why the removal of the UK Treaty Group Guarantee would not have a material adverse effect on the ability of MLE to take action to manage its solvency position should the need arise, and there have been no developments since the date of my Main Report that cause me to change this conclusion.

5.13 There have been no material developments in relation to longer-term capital management implications for MLE as a result of the transfer, and therefore I remain satisfied that the transfer will not have a material adverse effect on the ability of MLE to meet or manage its capital needs over the longer term.

Conclusions in relation to security of benefits of Non-Transferring Policyholders of MLE

5.14 Given that:

- The impact of the Scheme on MLE's regulatory solvency position remains small;
- It remains the case that the Scheme would not cause MLE to breach the requirements of its capital management policy; and
- It remains the case that the Scheme is not expected to result in changes to MLE's ability to absorb or mitigate the impact of stress events,

I remain satisfied that the transfer will not have a material adverse impact on the security of benefits under the Non-Transferring Policies.

The profile of risks to which the Non-Transferring Policies are exposed

5.15 The risk profile of MLE remains materially unchanged to that set out in paragraphs 5.67 and 5.68 of my Main Report, and the impact of the transfer on MLE's risk profile also remains materially unchanged to that described in paragraphs 9.18 and 9.19 of my Main Report.

5.16 Consequently, I remain satisfied that the impact of the implementation of the Scheme on the profile of risks to which the Non-Transferring Policies will be exposed will not have a material adverse effect on the security of benefits under these policies.

Approvals under Solvency II

5.17 It remains the case that the implementation of the Scheme will not affect MLE's ability to continue to make use of the Volatility Adjustment.

THE REASONABLE EXPECTATIONS OF THE NON-TRANSFERRING POLICYHOLDERS

5.18 It remains the case that the Non-Transferring Policies comprise a range of linked and non-linked policies, and that no contractual benefits will be affected by the Scheme.

- 5.19 There have been no developments since the date of my Main Report that cause me to change my analysis and conclusions in relation to the reasonable expectations of Non-Transferring Policyholders, as set out in paragraphs 9.24 to 9.29 of my Main Report.
- 5.20 Consequently, I remain satisfied that the implementation of the Scheme will not have a material adverse impact on the risk that the reasonable expectations of the Non-Transferring Policyholders are not met.

CONCLUSION FOR THE NON-TRANSFERRING POLICIES

- 5.21 Overall, I remain satisfied that the implementation of the Scheme will not have a material effect on:
- The security of benefits of the Non-Transferring Policies; or
 - The risk that the reasonable expectations of holders of Non-Transferring Policies are not met, including:
 - The reasonable benefit expectations of holders of Non-Transferring Policies; and
 - The standards of service, management and governance applicable to Non-Transferring Policies.

6. Policyholder correspondence relating to the Scheme

- 6.1 MetLife has provided me with weekly information on the phone calls, letters and emails received from affected policyholders and their representatives (for example, financial advisers).
- 6.2 As at the most recent available information (26 January 2024), MetLife had received a total of 148 contacts from policyholders or their representatives.
- 6.3 No objections to the transfer have been made at this stage.
- 6.4 A total of 97 of the contacts were “business as usual” questions that had been prompted by receipt of the policyholder mailing pack, but which did not directly relate to the transfer.
- 6.5 Of the 51 contacts relating to the transfer, many were general questions seeking an explanation of the transfer, with others seeking clarity on specific areas, such as:
- Seeking reassurance that policy benefits and guarantees would be unaffected by the transfer;
 - Seeking reassurance that fund charges would be unaffected by the transfer;
 - Seeking reassurance regarding the respective financial strengths of MLE and MLUK;
 - Seeking reassurance that the transfer would not affect policyholders’ underlying investments;
 - Seeking clarity on why the transfer was necessary;
 - Seeking clarity on whether both offshore and onshore policies would be transferring;
 - Seeking clarity on whether policyholders could opt out of the transfer; and
 - Seeking clarity on how the transfer would affect fund management provision by MetLife.
- 6.6 Based on the information I have received to date, and in particular based on the fact that no objections to the transfer have yet been received, I am satisfied that the contacts received from policyholders do not give me any reason to change my conclusions in relation to the transfer.
- 6.7 In the event that any formal objections to the transfer are made after the date of finalisation of this Report, I will update the Court in a separate note.

7. Other considerations relevant to the Scheme

7.1 In this section I consider any other areas of relevance to the Scheme beyond those considered in earlier sections of this Report.

SANCTIONS ON RUSSIA

7.2 In paragraphs 10.31 to 10.34 of my Main Report, I described the impact of the Russia-Ukraine war and the resulting US/EU/UK sanctions on the transfer, and noted that:

- By the end of 2022, all external funds relating to the Transferring Policies had a negligible Russian exposure, with the largest exposure on any one fund being 0.016%.
- MetLife had received legal advice that the US/EU/UK sanctions on Russia would not result in it being prohibited for MLUK to acquire ownership of these external funds.
- MetLife undertakes continuous screening to identify sanctioned individuals¹⁶, and no sanctioned individuals within the group of Transferring Policyholders have been identified. Following the transfer, MetLife will continue to undertake screening as is currently the case.

7.3 MetLife has provided me with more detail on the due diligence it has carried out to date to ensure that its exposure to Russian holdings in external linked funds is negligible. In particular:

- During 2022, a “deep dive” exercise was carried out by MetLife to identify all exposures to Russia within linked funds across the Group;
- MetLife’s Investment Management Oversight function carries out regular monitoring of all unit-linked fund exposure levels, which has concluded that Russian exposures have remained static or reduced relative to those identified in the 2022 deep dive exercise.

7.4 I have now been informed by MetLife that all identified exposures to Russia via external funds relevant to the Transferring Business have all now been fully removed, either as a result of actions by the relevant fund manager or through MetLife redeeming the relevant units, including a unit holding in an emerging markets fund operated by J.P. Morgan, which has been redeemed since the date of finalisation of my Main Report. The exception to this is a unit holding in the BlackRock Managed Volatility Fund (the “**Umbrella Fund**”), which is a UK non-UCITS¹⁷ retail fund which hold units in other, underlying, funds. One of the underlying funds is the BlackRock UK Equity Fund (the “**Underlying Fund**”, which is a UK UCITS fund) which is a managed fund and which has holdings in two Russian entities which are listed on the FTSE All-Share Index. Following the imposition of sanctions BlackRock re-valued these assets at £0.01 per share. Within the Umbrella Fund I understand that these represent no more than 0.00003% of the net asset value.

7.5 I am not a lawyer or an expert in the operation of sanctions in the UK or EU, but MetLife has received an analysis from its external legal advisers in relation to the J.P. Morgan exposure described in paragraph 7.4, which concluded that the legal advisers have not identified that any prohibitions under UK or EU sanctions would be breached as a result of the redemption of units in this fund. In this context, “UK sanctions” refers to Regulations 12, 13, 14 and 15 of the Russia (Sanctions) (EU Exit) Regulations 2019 (the “**UK Russia Regulations**”), and “EU sanctions” refers to Council Regulation 833/2014 and Council Regulation 269/2014, specifically Article 2(2) of Council Regulation 269/2014. I have relied on this analysis in concluding that MetLife was in a position to lawfully redeem these units.

¹⁶ In this context, sanctioned individuals are individuals whose activities a country or international organisation has imposed certain commercial and economic restrictions upon. These can include putting financial restrictions in place for the individual, such as the freezing of assets and bank accounts, or restrictions on international travel and their freedom of movement.

¹⁷ UCITS refers to Undertakings for the Collective Investments in Transferable Securities, a regulatory framework that allows for the sale of cross-boundary mutual funds for EU member states.

- 7.6 In relation to the BlackRock Umbrella Fund, it should be noted that Section 12 of Appendix 3 of the prospectus¹⁸ for the Underlying Fund states that BlackRock “*must not acquire or cause to be acquired for the authorised unit trusts for which it acts as manager, transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if immediately before the acquisition, the aggregate of any such securities held for that Fund together with any other securities held for authorised unit trusts managed by the Manager gives the Manager power significantly to influence the conduct of business of that body corporate, or the acquisition gives the Manager that power*”.
- 7.7 It therefore appears that it would be against the relevant fund rules for BlackRock to seek to use its holdings in the Underlying Fund to exercise significant influence over the entities in which the fund is invested.
- 7.8 I am not a lawyer or an expert in the operation of sanctions in the UK or EU, but MetLife has received an analysis from its external legal advisers in relation to the BlackRock exposure described in paragraph 7.4, which concluded that the legal advisers have not identified that the transfer of ownership of units in the Umbrella Fund would breach any of the following prohibitions:
- The prohibition under UK sanctions from acquiring (i) an indirect ownership interest in a person, other than an individual, connected with Russia¹⁹ or (ii) an ownership interest in a ‘relevant entity’²⁰ (defined as a person, other than an individual, which is not a person connected with Russia²¹) if it is for the purpose of making funds or economic resources available directly or indirectly to a person connected with Russia or for the benefit of a person connected with Russia²²;
 - The prohibition under UK²³ and EU²⁴ sanctions from acquiring a participation in companies with a place of business in non-government controlled Ukrainian territories if the related investment is destined for businesses in those territories;
 - The prohibition under EU sanctions²⁵ from acquiring any new participation in companies operating in the Russian energy and/or mining and quarrying sectors;
 - The prohibition from making funds or economic resources available to or for the benefit of a “designated person” under UK sanctions²⁶ or a “sanctioned person” under EU sanctions²⁷; or
 - The prohibition under UK²⁸ or EU²⁹ sanctions from dealing in certain shares or other instruments depending on the date of issue and the issuer.
- 7.9 It should also be noted that MetLife has identified that certain of the external funds in which it invests have the practice of taking derivative positions where the value of the derivative is linked to the return on a particular equity index. To the extent that these indices have exposure to Russian companies, these exposures are in most cases valued at zero, or in some instances valued at a de minimis amount (less than £0.01). The purpose of such derivative positions is to acquire an economic exposure to changes in the value of such indices, and to the extent that MetLife acquires an interest in such derivative positions through any external funds, MetLife is not acquiring any ownership, direct or indirect, of any underlying Russian companies that may form constituent parts of the underlying indices, and in

¹⁸ <https://www.blackrock.com/uk/literature/prospectus/prospectus-blackrock-uk-equity-fund.pdf>

¹⁹ Regulation 18B(2)(d), UK Russia Regulations

²⁰ Regulation 18B(2)(e), UK Russia Regulations

²¹ Regulation 18B(8), UK Russia Regulations

²² Regulation 18B(3), UK Russia Regulations

²³ Regulation 18(2)(b), UK Russia Regulations

²⁴ Article 2a(1)(b), Council Regulation 692/2014, Article 3(1)(b), Council Regulation 2022/263

²⁵ Regulations 3a(1)(a) and 3a(2)(a), Council Regulation 833/2014

²⁶ Regulations 12, 13, 14 and 15, UK Russia Regulations

²⁷ Article 2(2), Council Regulation 269/2014

²⁸ See Regulations 16(1) to 16(4), UK Russia Regulations

²⁹ See Article 5 and Article 5a, Council Regulation 833/2014

particular no funds or economic resources are being made available to such companies as a result of the entering into of such derivative positions by external linked funds.

7.10 Finally, MetLife has a very high level of confidence that its regular monitoring means that any new exposures to Russia since the 2022 deep dive would have been identified.

7.11 I have also been informed that it remains the case that no sanctioned individuals have been identified within the group of Transferring Policyholders.

7.12 MetLife is in the process of finalising its additional due diligence in relation to exposures to Russia, with the following activities planned to be completed in advance of the Sanction Hearing:

- Completing a further standalone and independent deep dive of the external linked fund assets within MetLife's global sanction screening process;
- Reaching out to external fund managers for confirmation that no sanction breaches are outstanding or have yet to be notified to MetLife; and
- Continuing to undertake MetLife's regular sanctions monitoring.

Should any additional issues be identified during this due diligence after the date of finalisation of this Report, I will write to the Court to provide my views and update my conclusions.

7.13 The issue of sanctions and exposures to Russian companies via external linked funds, and the ability of MLE to transfer ownership of units in such funds to MLUK, is primarily a legal question. In particular, I have not identified any material concerns related to policyholder detriment associated with this issue, which is my principal focus as Independent Expert. Additionally, the legal analysis received by MetLife, described in paragraphs 7.5 and 7.8, has not identified that the transfer would result in a breach of any of the relevant prohibitions under UK or EU sanctions, albeit that I am not in a position to form a view on this question myself.

7.14 Based on the analysis above, and the analysis provided by MetLife's external legal advisers, I am satisfied that the transfer from MLE to MLUK of any residual exposures to Russian investments will not have a material adverse effect on the security of benefits under the Transferring Policies or the reasonable expectations of Transferring Policyholders.

POLITICALLY EXPOSED PERSONS

7.15 As described in paragraph 10.35 of my Main Report, a Politically Exposed Person ("**PEP**") is defined in in regulation 35(12) of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 as an individual who is entrusted with prominent public functions, other than as a middle-ranking or more junior official.

7.16 Paragraph 10.36 of my Main Report stated that MetLife had identified two individuals who are either PEPs or who are believed to have an association with a PEP (for example, through family or business connections) who hold UK wealth management policies with MLE.

7.17 MetLife has now provided me with an update on these individuals which confirms that one of these individuals has surrendered their policy since the date of finalisation of my Main Report, and therefore only one of the two individuals remains as a Transferring Policyholder. I understand that this individual is not classified as a PEP but has a family connection to a PEP; however, MetLife undertakes the same level of enhanced customer due diligence for family members of PEPs as it does for PEPs themselves.

7.18 The policy or policies of this policyholder will be transferred to MLUK under the terms of the Scheme, and MetLife will continue to fulfil all of its legal and regulatory obligations in relation to this individual.

7.19 MetLife has informed me that no other individuals holding UK wealth management policies with MLE have been identified as being PEPs or as having an association with a PEP since the date of finalisation of my Main Report.

THE NON-SANCTION OF THE SCHEME

- 7.20 I stated in paragraph 10.55 of my Main Report that MetLife was in the process of producing a contingency plan setting out its proposed actions should the Court elect not to sanction the Scheme.
- 7.21 I have now been provided with this contingency plan, which sets out the following actions in the event that the Scheme is not sanctioned and the UK wealth management business remains in the UK Branch of MLE:
- **Action 1:** MetLife would explore the feasibility of the sale of the UK wealth management business to a third party; and
 - **Action 2:** In parallel with Action 1, it would seek regulatory authorisation for the relevant permissions to allow MLUK to take over the writing of new business from MLE's UK Branch³⁰, and would put into effect a project to migrate the processes for writing new business from MLE's UK Branch to MLUK.
- 7.22 In the event of the non-sanction of the Scheme, Action 1 would be MetLife's preferred outcome, that is, an outcome in which MetLife reaches agreement to sell the UK wealth management business to a third party, noting that this option is also likely to require a Part VII transfer.
- 7.23 In the event that a sales process under Action 1 is deemed to be unviable, Action 2 would allow the UK wealth management business to continue to reside in MLE's UK Branch while new UK business would be written into MLUK, meaning that MLE's UK Branch would reduce in size over time. It should be noted that MetLife estimates that the time taken to seek the relevant permissions and to complete the migration of new business processes to MLUK under Action 2 would mean that new business would need to continue to be written into MLE's UK Branch until 30 September 2024, at which point MLUK would take over as the entity into which new business is written.
- 7.24 I understand that, in the event that Action 1 was successful, Action 2 would become redundant.
- 7.25 Having reviewed the contingency plan, I am satisfied that it considers and plans for the consequences of the non-sanction of the Scheme as far as possible. However, I note that it is not possible to guarantee the successful execution of the actions set out in the contingency plan given that they are reliant on the actions and decisions of third parties, for example, potential buyers of the UK wealth management business and the UK regulators.

OTHER AREAS RELEVANT TO THE SCHEME

- 7.26 I am not aware of any material developments affecting the areas described out in Section 10 of my Main Report, other than those already described in this section.

³⁰ MLE's UK Branch includes some lines of business that are open to new sales; these lines of business are not part of the UK wealth management business and are not transferring to MLUK under the Scheme.

8. Assumptions made in reaching my conclusions

8.1 Section 9 of this Report sets out my updated conclusions in relation to the Scheme. In reaching those conclusions I have made a number of assumptions based on undertakings made to me by MetLife management, the most material of which are listed below. To the extent that any of these assumptions are not borne out, my conclusions in relation to the Scheme could be invalidated. MetLife has confirmed to me that it is aware of and accepts these assumptions as dependencies in respect of the proposed transfer. There are no new assumptions in addition to those set out in Section 11 of my Main Report.

- I have assumed that, upon the implementation of the Scheme:
 - The UK Treaty will be novated to MLUK;
 - The NWMA between ALICO and MLE will remain in place; and
 - The UK NWMA between ALICO and MLUK will be put in place on materially the same terms as apply under the NWMA.
- I have assumed that the fund allocation and Gap Protection arrangement between MLE and Deutsche Bank will be replicated in MLUK upon the implementation of the Scheme.
- I have assumed that MLUK will be capitalised in advance of the Transfer Date to a level that ensures its SCR Coverage Ratio is at least 150% under UK Solvency II after the transfer.
- I have assumed that MLUK's Board will approve capital and risk management policies for MLUK that are materially the same or stronger than those I have described in this Report.

9. Conclusions

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

- The security of benefits of the policyholders of MLE or MLUK, including the Transferring Policyholders; or
- The reasonable expectations of the policyholders of MLE or MLUK, including the Transferring Policyholders, including:
 - The reasonable benefit expectations of the policyholders of MLE and MLUK, including the Transferring Policyholders; and
 - The standards of service, management and governance applicable to the MLE and MLUK policies, including the Transferring Policies.

9.2 I remain satisfied that the Scheme is equitable to all classes and generations of MLE and MLUK policyholders.



Robert Bugg

29 January 2024

Fellow of the Institute and Faculty of Actuaries

Fellow of the Society of Actuaries in Ireland

Appendix 1: Statement of Independence

On 19 May 2023 the Prudential Regulation Authority, in consultation with the Financial Conduct Authority, approved me to report on the terms of the insurance business transfer, pursuant to Part VII of the Financial Services and Markets Act 2000, of the UK wealth management business of MetLife Europe d.a.c. ("**MLE**") to MetLife UK Limited ("**MLUK**").

I am based in the UK and am a partner of Milliman LLP (Milliman's UK practice).

I am a Fellow of the Institute and Faculty of Actuaries ("**IFoA**"), which was established in 2010 by the merger of the Institute of Actuaries and the Faculty of Actuaries. I became a Fellow of the Institute of Actuaries in 2009. I am also a Fellow of the Society of Actuaries in Ireland. I hold a Chief Actuary (Life) Practising Certificate, issued by the IFoA.

Neither me nor any member of my team:

- Holds any policies issued by MLE or other companies within the MetLife Group;
- Is a shareholder of MetLife, Inc. or any of its subsidiaries; nor
- Is a member of any pension schemes under the management of MLE or any other company in the MetLife Group.

In the period 2018 to 2023, Milliman LLP (that is, Milliman's UK practice, of which I am a partner) has not carried out any assignments for any companies within the MetLife Group.

The MetLife Group is a global insurance group, and therefore other practices within Milliman (in which neither I nor any of the other partners of Milliman LLP have a financial interest) have provided services to entities within the MetLife Group. However, in the period 2018 to 2023, Milliman's work globally with MetLife has resulted in revenue of less than 1% of Milliman's total global revenue. It should be noted that, as a result of Milliman's structure, Milliman LLP does not have a financial interest in revenue resulting from work carried out by other parts of Milliman.

It should be noted that Milliman's practice in the Republic of Ireland ("**Milliman Ireland**") has provided consulting support and advice to MLE in the past, and Milliman's Financial Risk Management ("**FRM**") Practice, headquartered in the U.S., has also provided support (principally software provision) to MetLife in relation to its hedging arrangements for many parts of its global business, of which the Transferring Business is a relatively small part. However, in relation to this work by Milliman Ireland and Milliman's FRM Practice:

- I am a partner of Milliman LLP (that is, Milliman's UK practice) and all other members of my team are employed by Milliman LLP.
- Neither I nor any of the members of my team have carried out any work for MetLife, including MLE and MRB.
- None of the members of my team are employees or partners of Milliman Ireland or Milliman's FRM Practice, and none of the partners or employees of Milliman LLP, including me and the members of my team, supported any of the work carried out by Milliman for MLE or MRB.
- No part of Milliman has advised MetLife on any aspect of the transfer in question.
- During the period 2018 to 2023, Milliman Ireland's work for MLE comprised less than 5% of its revenue, with most of that work carried out in 2018 and 2019.
- The work for MetLife carried out by Milliman's FRM Practice was for MRB rather than MLE.
- As a partner of Milliman LLP, the nature of Milliman's financial structure is such that neither I nor any member of my team have any financial interest in any work carried out by other practices of Milliman, including Milliman Ireland and Milliman's FRM Practice. As described above, Milliman LLP has carried out no work for MetLife in the period 2018 to 2023.

- Neither I, nor any of the members of my team, have any visibility of the work that was carried out by other parts of Milliman for MLE or MRB. Moreover, none of the materials I have reviewed as part of my considerations for this transfer were produced by Milliman or had material input from Milliman.
- Other than the challenge I have provided to MetLife in my role as Independent Expert, Milliman has never provided any advice or input to MetLife in relation to any aspect of MLUK nor to the arrangements applicable to it.
- Milliman practices are largely operationally separate from one another. For example, Milliman LLP, Milliman Ireland and Milliman's FRM Practice all provide services from different legal entities, and we ensure information barriers are in place. In particular, employees/partners of these practices have no visibility of, or access to, the work carried out by the other practices.

In light of the above, I am satisfied that there are no actual or potential conflicts of interests, arising from either commercial or personal reasons, for me or my team in relation to MLE, MLUK or the MetLife Group. I do not believe that there is anything that would adversely affect my ability, or that of my team, to act independently in the assessment of the effects of the proposed Scheme.



Robert Bugg

29 January 2024

Fellow of the Institute and Faculty of Actuaries

Fellow of the Society of Actuaries in Ireland

Milliman LLP

Appendix 2: Information relied upon

In addition to discussions (both orally and electronically) with MetLife staff, I have relied upon the following principal documents, in addition to those set out in Appendix 2 of my Main Report, in formulating my conclusions:

- Pre- and post-Scheme solvency positions of MLE and MLUK as at 30 September 2023
- Correspondence with legal advisers of MLE/MLUK
- Draft risk and capital management policies of MLUK
- MLE 2023 ORSA
- Breakdown of Transferring Policies as at 30 September 2023
- Contingency plans covering the failure of MRB, the failure of SS&C and the non-sanction of the Scheme
- Information provided by MetLife on interactions and correspondence with policyholders affected by the Scheme

Appendix 3: Certificate of Compliance

I understand that my duty in preparing my report is to help the Court on all matters within my expertise and that this duty overrides any obligations I have to those instructing me and / or paying my fee. I confirm that I have complied with this duty.

I confirm that I am aware of the requirements applicable to experts set out in Part 35 of the Civil Procedure Rules, the Practice Direction and the Protocol for Instruction of Experts to give Evidence in Civil Claims. As required by Part 35 of the Civil Procedure Rules, I hereby confirm that I have understood and complied with my duty to the Court.

I confirm that I have made clear which facts and matters referred to in my 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.

I understand that proceedings for contempt of court may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief in its truth.



Robert Bugg

Fellow of the Institute and Faculty of Actuaries

Fellow of the Society of Actuaries in Ireland

29 January 2024

Appendix 4: My Terms of Reference

My terms of reference as Independent Expert, as set out in the agreement between MLE, MLUK and Milliman LLP, are reproduced below.

The Scheme Report will consider the terms of the Scheme generally and the effect that the Scheme will have on the holders of (re)insurance policies of the Companies.

My review and the Scheme Report will address generally the way in which the Companies have conducted their (re)insurance business but taking into account the particular circumstances of each of the different groups of policyholders of the Companies involved in the Scheme. They will deal inter alia with the following aspects:

- *The impact of the Scheme on the security of / financial strength afforded to the different groups of policyholders of the Companies involved in the Scheme;*
- *The impact of the Scheme on the reasonable benefit expectations of the different groups of policyholders of the Companies involved in the Scheme;*
- *The corporate governance arrangements operating in the Companies involved in the Scheme and the impact of any differences in these arrangements on any groups of policyholders in the Companies involved in the Scheme;*
- *The impact of the Scheme on the levels of service provided to the different groups of policyholders of the Companies involved in the Scheme;*
- *The future business plans and the capital management policies of the Companies following implementation of the Scheme;*
- *The existing and proposed agreements between the Companies and their reinsurers;*
- *Guarantees and/or agreements (if any) between the Companies;*
- *Guarantees and/or agreements (if any) between each of the Companies and their respective parent company;*
- *Transactions (outside the Scheme) that impact upon one or both of the Companies;*
- *The terms and conditions (if any) expected to be imposed by the Scheme to be presented to the Courts;*
- *The matters required by applicable provisions of the PRA's April 2015 Statement of Policy on its approach to insurance business transfers (as amended in January 2022) and of Chapter 18 of the supervision manual in the FCA's Handbook (including the guidance contained within the FCA's February 2022 paper on Part VII Transfers (FG22/1));*
- *The matters required by applicable provisions of Actuarial Standard of Practice LA-6 ("Transfer of Insurance Portfolio of a Life Insurance Company – Role of the Independent Actuary"), promulgated by the Society of Actuaries in Ireland;*
- *A review of the communications to be made to policyholders and the categories of policyholders to be excluded from any direct communications;*
- *Any other matters drawn to my attention by the UK Regulators or the Irish Regulators which are required by the UK Regulators or the Irish Regulators to be addressed within the Scheme Report.*

The above list is not intended to be exclusive to any other aspects that may be identified during the completion of the project and which are considered to be relevant.

I shall not be directly involved in the formulation of the proposed transfer although I should expect to give guidance during the evolution of the detailed proposals on those issues that concern me, or that I consider unsatisfactory.

I will meet with the Companies at an early stage to identify key issues and will also discuss the initial findings in respect of the Scheme with the Companies.

I will support the Companies in their liaison with, and provision of information to, the UK and Irish Regulators and will also participate in discussions with the UK and Irish Regulators as required.

I will produce (i) the Scheme Report for submission to the Court; (ii) a supplementary report to the Scheme Report for submission to the Court at the final court hearing; and (iii) a summary of the Scheme Report to form part of the summary of the Scheme for inclusion within letters to policyholders. I will share the Scheme Report (and drafts) and any supplementary reports with those noted at paragraph 7(b) of the engagement letter.

I will also provide guidance to the Companies where relevant in relation to their responses to questions, objections or complaints from affected policyholders, and if necessary I will provide direct responses to such policyholders.

I will also review drafts of the Scheme and give guidance on any areas that I believe are unsatisfactory or any changes that may be needed in order to ensure a fair outcome for policyholders, noting that I am not a legal expert.

I will review drafts of the policyholder circular(s) relating to the Scheme.

If required, I will attend the Court hearings.

I will not provide any advice with respect to the merits of the proposed Scheme.

In discharging my role as Independent Expert, I will liaise with the Companies' Heads of Actuarial Function and their legal advisers, as well as with the CBI, PRA and FCA.

For the avoidance of doubt, the work involved in discharging the Independent Expert role will include the following:

- *Reviewing relevant information about both of the Companies;*
- *Reviewing drafts of the proposed Scheme and providing guidance on any changes that may be required to ensure the transfer does not have a material adverse effect on any group of policyholders;*
- *Liaising with the Heads of Actuarial Function of both of the Companies;*
- *Liaising with legal advisors of both of the Companies;*
- *Liaising with the CBI, PRA & FCA as required;*
- *Preparing a full report on the proposed transfer;*
- *Preparing a summary report for inclusion in the policyholder communication;*
- *Reviewing the policyholder circular; and*
- *Preparing the supplementary report.*

Appendix 5: Glossary of Terms

A glossary of abbreviations used throughout this Report is given below.

A

ALICO	American Life Insurance Company
APS	Actuarial Profession Standard, published by the IFoA
ASP	Actuarial Standard of Practice, published by the SAI

B

BEL	Best Estimate Liability
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C

CBI	Central Bank of Ireland
CMS	CMS Cameron McKenna Nabarro Olswang LLP
The Companies	MLE and MLUK
The Court	High Court of Justice of England and Wales

D

Deutsche Bank	Deutsche Bank A.G.
Directions Hearing	An initial Court hearing at which the Companies' plans for notifying policyholders of the Scheme are considered

E

EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
EU	European Union
EU Solvency II	Regulatory solvency framework for the European Economic Area insurance and reinsurance industry
External Linked Fund	A Linked Fund operated by a third party insurer or investment manager

F

FCA	Financial Conduct Authority
FCA Guidance	FG22/1 - "The FCA's approach to the review of Part VII insurance business transfers", dated 15 February 2022
FG22/1	Final Guidance 22/1 - "The FCA's approach to the review of Part VII insurance business transfers" – 15 February 2022
FOS	Financial Ombudsman Service
FRM	Milliman's Financial Risk Management Practice
FSCS	Financial Services Compensation Scheme
FSMA	Financial Services and Markets Act 2000

G

H

Hymans Robertson Hymans Robertson LLP

I

IFoA Institute and Faculty of Actuaries

Internal Linked Fund A Linked Fund operated by the insurer

L

Linked Fund A fund in which policyholder premiums are invested and whose unit price is linked to the underlying value of the investments

Liquidity Risk The risk of being unable to meet financial obligations as they fall due. Liquidity risk may arise due to illiquidity of the assets held to meet the cash flow requirements, but also due to insufficient funds being available to meet cash flow requirements

M

MCR Minimum Capital Requirement

Milliman Milliman LLP – The legal entity out of which Milliman’s UK practice operates

Milliman Ireland Milliman’s practice in the Republic of Ireland

MLE MetLife Europe d.a.c.

MRB MetLife Reinsurance Company of Bermuda

MLUK MetLife UK Limited

N

Net Worth Maintenance Agreement An agreement between MLE and ALICO under which ALICO is obliged to provide capital and liquidity support to ensure that MLE maintains an SCR Coverage Ratio of at least 100% at all times and can make contractual payments on a timely basis.

NWMA Net Worth Maintenance Agreement

O

ORSA Own Risk and Solvency Assessment. A requirement under Solvency II whereby insurers must regularly undertake a forward-looking assessment of risks, solvency needs and adequacy of capital resources

Own Funds The excess of assets over liabilities under Solvency II

P

Policy Guarantees Collective term for the Secure Capital Option and the Secure Income Option.

Policyholder Pack The communication pack to be sent to Transferring Policyholders in relation to the Scheme

PRA Prudential Regulation Authority

PRA Policy Statement “Statement of Policy - The Prudential Regulation Authority’s approach to insurance business transfers”, January 2022

R

Risk Margin An adjustment designed to bring the Technical Provisions up to the amount that another insurance or reinsurance undertaking would be expected to require in order to take over and meet the insurance obligations in an arm's length transaction

S

SAI Society of Actuaries in Ireland

Sanction Hearing A hearing of the Court to approve the terms of the Scheme prior to effective date of the Scheme

Scheme The proposed scheme of transfer and all proposals included in the scheme, including any documents referred to in the scheme relating to its proposed implementation and operation

SCR Solvency Capital Requirement

SCR Coverage Ratio Own Funds divided by SCR

SS&C SS&C International Managed Services Limited

Standard Formula Prescribed method of determining the SCR under UK and EU Solvency II

SUP Supervision Manual contained in the FCA Handbook

SUP 18 Chapter 18 of the Supervision Manual contained in the FCA Handbook

T

TAS Technical Actuarial Standards

Technical Provisions Pillar 1 liabilities under Solvency II consisting of the sum of the BEL and Risk Margin

TPR Temporary Permissions Regime

Transfer Date The effective date of the Scheme which is expected to be 1 April 2024

Transferring Business The Transferring Policies, together with the associated assets and liabilities which will be included in the proposed transfer to MLUK

Transferring Policies The policies of MLE transferring to MLUK under the Scheme

Transferring Policyholders Holders of Transferring Policies.

U

UK Branch The UK branch of MLE

UK NWMA The version of the NWMA that will apply to MLUK after the transfer

UK Regulatory Guidance Collective term for the PRA Policy Statement, SUP 18 and the FCA Guidance

UK Solvency II Regulatory solvency framework applicable to insurers and reinsurers in the UK

UK Treaty Reinsurance treaty under which 100% of the risks under the UK wealth management business of MLE are reinsured to MRB

UK Treaty Group Guarantee Contractual arrangement between MetLife, Inc. and MLE under which MetLife, Inc. has agreed to guarantee policyholder benefit payments related to the guarantees under the VA business, up to a total amount of \$1 billion.

Appendix 6: Compliance with Regulatory Requirements

The tables below indicate how I have complied with the provisions of SUP 18, the PRA Statement of Policy PS1/22 “The Prudential Regulation Authority’s approach to insurance business transfers”, dated January 2022 (updated from April 2015); the FCA Guidance FG22/1 “*The FCA’s approach to the review of Part VII insurance business transfers*” dated 15 February 2022 that pertain to the form of the Supplementary Report. The tables include references to relevant parts of this Report and also show where in my Main Report I have addressed each point. I have not included references to paragraphs in the Executive Summary of this Report; there is nothing material in the Executive Summary that has not been stated or explained in other parts of the Report.

It should be noted that, where requirements are shown as “N/A” in the column pertaining to this Supplementary Report but where there is a reference in the column pertaining to my Main Report, this generally means that there have been no further developments in this particular area since the date of my Main Report, and therefore the commentary in my Main Report remains valid.

SUP 18 Reference	Requirement	Main Report paragraph reference	Supplementary Report paragraph reference
SUP 18.2.33	The scheme report should comply with the applicable rules on expert evidence and contain the following information:		
	1. who appointed the independent expert and who is bearing the costs of that appointment;	1.5, 1.21	1.5, 1.21
	2. confirmation that the independent expert has been approved or nominated by the appropriate regulator;	1.5	1.5
	3. a statement of the independent expert’s professional qualifications and (where appropriate) descriptions of the experience that fits him for the role;	1.17 to 1.19	1.17 to 1.19
	4. whether the independent expert has, or has had, direct or indirect interest in any of the parties which might be thought to influence his independence, and details of any such interest;	1.20	1.20
	5. the scope of the report;	1.10, 1.15, 3.2	1.10, 1.15
	6. the purpose of the scheme;	7.3	No change since Main Report
	7. a summary of the terms of the scheme in so far as they are relevant to the report;	7.5 to 7.7	3.4
	8. what documents, reports and other material information the independent expert has considered in preparing his report and whether any information that he requested has not been provided;	Appendix 2	Appendix 2
9. the extent to which the independent expert has relied on:			
(a) information provided by others;	Appendix 2, 7.53 to 7.56	Appendix 2	
(b)			

	<p>(b) the judgment of others;</p> <p>10. the people on whom the independent expert has relied and why, in his opinion, such reliance is reasonable;</p> <p>11. his opinion of the likely effects of the scheme on policyholders (this term is defined to include persons with certain rights and contingent rights under the policies), distinguishing between:</p> <p>(a) transferring policyholders;</p> <p>(b) policyholders of the transferor whose contracts will not be transferred; and</p> <p>(c) policyholders of the transferee;</p> <p>(11A) his opinion on the likely effects of the scheme on any reinsurer of a transferor, any of whose contracts of reinsurance are to be transferred by the scheme;</p> <p>12. what matters (if any) that the independent expert has not taken into account or evaluated in the report that might, in his opinion, be relevant to policyholders' consideration of the scheme; and</p> <p>13. for each opinion that the independent expert expresses in the report, an outline of his reasons.</p>	<p>3.26 to 3.29</p> <p>3.26 to 3.29</p> <p>Section 8</p> <p>Section 9</p> <p>N/A</p> <p>10.16 to 10.20</p> <p>1.15</p> <p>Throughout</p>	<p>No change since Main Report</p> <p>No change since Main Report</p> <p>Section 4</p> <p>Section 5</p> <p>N/A</p> <p>No change since Main Report</p> <p>1.15</p> <p>Throughout</p>
SUP 18.2.35	<p>The summary of the terms of the scheme should include:</p> <p>1. a description of any reinsurance arrangements that it is proposed should pass to the transferee under the scheme; and</p> <p>2. a description of any guarantees or additional reinsurance that will cover the transferred business or the business of the transferor that will not be transferred.</p>	<p>5.23 to 5.30, 7.28 to 7.31</p> <p>7.32 to 7.33</p>	<p>3.4</p> <p>3.4</p>
SUP 18.2.36	<p>The independent expert's opinion of the likely effects of the scheme on policyholders should:</p> <p>1. include a comparison of the likely effects if it is or is not implemented;</p> <p>2. state whether he considered alternative arrangements and, if so, what;</p> <p>3. where different groups of policyholders are likely to be affected differently by the scheme, include comment on those differences he considers may be material to the policyholders; and</p> <p>4. include his views on:</p> <p>(a) the effect of the scheme on the security of policyholders' contractual rights,</p>	<p>Sections 8 to 12</p> <p>1.15</p> <p>7.45 to 7.47</p> <p>8.5 to 8.144, 9.3 to 9.23</p>	<p>Sections 4 to 7</p> <p>1.15</p> <p>No change since Main Report</p> <p>4.3 to 4.30 5.3 to 5.14</p>

	<p>including the likelihood and potential effects of the insolvency of the insurer;</p> <p>(b) the likely effects of the scheme on matters such as investment management, new business strategy, administration, expense levels and valuation bases in so far as they may affect:</p> <ul style="list-style-type: none"> (i) the security of policyholders' contractual rights; (ii) levels of service provided to policyholders; or (iii) for long-term insurance business, the reasonable expectations of policyholders; and <p>(c) the cost and tax effects of the scheme, in so far as they may affect the security of policyholders' contractual rights, or for long-term insurance business, their reasonable expectations.</p>	<p>Sections 8 and 9</p> <p>10.37 and 10.38</p>	<p>Sections 4 and 5</p> <p>No change since Main Report</p>
<p>SUP 18.2.38</p>	<p>For any mutual company involved in the scheme, the report should:</p> <ol style="list-style-type: none"> 1. describe the effect of the scheme on the proprietary rights of members of the company, including the significance of any loss or dilution of the rights of those members to secure or prevent further changes which could affect their entitlements as policyholders; 2. state whether, and to what extent, members will receive compensation under the scheme for any diminution of proprietary rights; and 3. comment on the appropriateness of any compensation, paying particular attention to any differences in treatment between members with voting rights and those without. 	<p>N/A</p>	<p>N/A</p>
<p>SUP 18.2.39</p>	<p>For a scheme involving long-term insurance business, the report should:</p> <ol style="list-style-type: none"> 1. describe the effect of the scheme on the nature and value of any rights of policyholders to participate in profits; 2. if any such rights will be diluted by the scheme, how any compensation offered to policyholders as a group (such as the injection of funds, allocation of shares, or cash payments) compares with the value of that dilution, and whether the extent and method of its proposed division is equitable as between different classes and generations of policyholders; 3. describe the likely effect of the scheme on the approach used to determine: <ul style="list-style-type: none"> (a) the amounts of any non-guaranteed benefits such as bonuses and surrender values; and (b) the levels of any discretionary charges; 4. describe what safeguards are provided by the scheme against a subsequent change of 	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>8.151, 9.25</p> <p>10.51 to 10.54</p>	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>No change since Main Report</p> <p>No change since Main Report</p>

	<p>approach to these matters that could act to the detriment of existing policyholders of either firm;</p> <p>5. include the independent expert's overall assessment of the likely effects of the scheme on the reasonable expectations of long-term insurance business policyholders;</p> <p>6. state whether the independent expert is satisfied that for each firm the scheme is equitable to all classes and generations of its policyholders; and</p> <p>7. state whether, in the independent expert's opinion, for each relevant firm the scheme has sufficient safeguards (such as principles of financial management or certification by a with-profits actuary or actuarial function holder) to ensure that the scheme operates as presented.</p>	<p>8.191, 9.30</p> <p>12.2</p> <p>10.51 to 10.54</p>	<p>4.65, 5.20</p> <p>9.2</p> <p>No change since Main Report</p>
SUP 18.2.40	<p>Where the transfer forms part of a wider chain of events or corporate restructuring, it may not be appropriate to consider the transfer in isolation and the independent expert should seek sufficient explanations on corporate plans to enable him to understand the wider picture. Likewise he will need information on the operational plans of the transferee and, if only part of the business of the transferor is transferred, of the transferor. These will need to have sufficient detail to allow him to understand in broad terms how the business will be run.</p>	<p>7.1 to 7.4, 10.40 to 10.41, and 10.50</p>	<p>3.4</p>
SUP 18.2.41	<p>A transfer may provide for benefits to be reduced for some or all of the policies being transferred. This might happen if the transferor is in financial difficulties. If there is such a proposal, the independent expert should report on what reductions he considers ought to be made, unless either:</p> <ol style="list-style-type: none"> 1. the information required is not available and will not become available in time for his report, for instance it might depend on future events; or 2. otherwise, he is unable to report on this aspect in the time available. <p>Under such circumstances, the transfer might be urgent and it might be appropriate for the reduction in benefits to take place after the event, by means of an order under section 112 of the Act. Each regulator would wish to consider any such reduction against its statutory objectives and section 113 of the Act allows the court, on the application of either regulator, to appoint an independent actuary to report on any such post-transfer reduction in benefits.</p>	<p>N/A</p>	<p>N/A</p>

PRA Statement of Policy Reference	Requirement	Main Report paragraph reference	Supplementary Report paragraph reference
2.30 (1)	Who appointed the independent expert and who is bearing the costs of that appointment	1.4 and 1.21	1.5, 1.21
2.30 (2)	Confirmation that the independent expert has been approved or nominated by the appropriate regulator.	1.5	1.5

2.30 (3)	A statement of the independent expert's professional qualifications and (where appropriate) descriptions of the experience that fits him for the role	1.17 to 1.19	1.17 to 1.19
2.30 (4)	Whether the independent expert, or his employer, has, or has had, direct or indirect interest in any of the parties which might be thought to influence his independence, and details of any such interest	1.20 and Appendix 1: Statement of Independence	1.20 and Appendix 1: Statement of Independence
2.30 (5)	The scope of the report	1.10 to 1.15 and 3.1 to 3.6	1.10, 1.15
2.30 (6)	The purpose of the scheme	1.1 and 7.1 to 7.4	1.1
2.30 (7)	A summary of the terms of the scheme in so far as they are relevant to the report	7.5 to 7.7	3.4
2.30 (8)	What documents, reports and other material information the independent expert has considered in preparing his report, whether they have identified any material issues with the information provided and whether any information that he requested has not been provided	1.26 and Appendix 2: Information relied upon	Appendix 2
2.30 (8A)	Any firm-specific information the independent expert considers should be included, where the applicant(s) consider it inappropriate to disclose such information, then the independent expert should explain this and the reasons why disclosure has not been possible	n/a	n/a
2.30 (9)	The extent to which the independent expert has relied on: (a) information provided by others; and (b) the judgment of others	3.26 to 3.29	(a) Appendix 2 (b) No change since Main Report
2.30 (10)	The people on whom the independent expert has relied and why, in his opinion, such reliance is reasonable	3.26 to 3.29	No change since Main Report
2.30 (11)	His opinion of the likely effects of the scheme on policyholders (this term is defined to include persons with certain rights and contingent rights under the policies), distinguishing between: (a) transferring policyholders; (b) policyholders of the transferor whose contracts will not be transferred; (c) policyholders of the transferee; and (d) any other relevant policyholder groupings within the above that the independent expert has identified	Sections 8 and 10	Sections 4 to 7
2.30 (12)	His opinion on the likely effects of the scheme on any reinsurer of a transferor, any of whose contracts of reinsurance are to be transferred by the scheme	10.16 and 10.20	No change since Main Report
2.30 (12A)	Their definition of 'material adverse' effect	3.18 and 3.20	No change since Main Report
2.30 (13)	What matters (if any) that the independent expert has not taken into account or evaluated in the report that might, in his opinion, be relevant to policyholders' consideration of the scheme	n/a	n/a
2.30 (14)	For each opinion that the independent expert expresses in the report, an outline of his reasons.	Sections 8 to 12	Sections 4 to 7
2.30 (15)	An outline of permutations if a scheme has concurrent or linked schemes, and analysis of the likely effects of the permutations on policyholders	n/a	n/a

2.31A	The independent expert is ultimately responsible and accountable for the opinions and conclusions expressed in the scheme report, including where reliance has been placed on others. Therefore where the independent expert has placed reliance on others, they must be clear why they are content to do so.	3.26 to 3.29	No change since Main Report
2.32 (1)	The summary of the terms of the scheme should include a description of any reinsurance agreements that it is proposed should pass to the transferee under the scheme	5.23 to 5.30 and 7.28 to 7.31	3.4
2.32 (2)	The summary of the terms of the scheme should include a description of any guarantees or additional reinsurance that will cover the transferred business or the business of the transferor that will not be transferred	5.31 to 5.33	3.4
2.33	The independent expert's opinion of the likely effects of the scheme should be assessed at both firm and policyholder level	Sections 8 to 12	Sections 4 to 7
2.33 (1)	The independent expert's opinion of the likely effects of the scheme on policyholders should include a comparison of the likely effects if it is or is not implemented	Sections 8 to 12	Sections 4 to 7
2.33 (2)	The independent expert's opinion of the likely effects of the scheme on policyholders should state whether the firm(s) considered alternative arrangements and, if so, what were the arrangements and why were they not proceeded with	1.15	1.15
2.33 (2A)	The independent expert's opinion of the likely effects of the scheme on policyholders should analyse and conclude on how groups of policyholders are affected differently by the scheme, and whether such effects are material in the independent expert's opinion. Where the independent expert considers such effects to be material, they should explain how this affects their overall opinion	Sections 8 to 12	Sections 4 to 7

2.33 (3)	<p>The independent expert's opinion of the likely effects of the scheme on policyholders should include his views on:</p> <p>(a) the likely effect of the scheme at firm and policyholder level on the ongoing security of policyholders' contractual rights, including an assessment of the stress and scenario testing carried out by the firm(s) and of the potentially available management actions that have been considered by the board of the firm(s) and the likelihood and potential effects of the insolvency of the transferor(s) and transferee(s). The independent expert should also consider whether it is necessary to conduct their own stress and scenario testing or to request the firm(s) to conduct further stress and scenario testing;</p> <p>(aa) the transferor's and transferee's respective abilities to measure, monitor, and manage risk and to conduct their business prudently. This includes their ability to take corrective action in the event there is a material deterioration of their balance sheets;</p> <p>(aaa) the likely effects of the scheme, in relation to the likelihood of future claims being paid, with consideration of not only the regulatory capital regime, but also any other risks not falling within the regime. This would include those likely to emerge after the first year or that are not fully captured by the regulatory capital requirements;</p> <p>(aaaa) whether the transferee(s) existing (or proposed, where applicable) capital model would remain appropriate following the scheme;</p> <p>(b) the likely effects of the scheme on matters such as investment management, capital management, new business strategy, claims reserving, administration, expense levels and valuation bases for both transferor(s) and transferee(s) in relation to:</p> <p>(i) the security of policyholders' contractual rights;</p> <p>(ii) levels of service provided to policyholders;</p> <p>(iii) for long-term insurance business, the reasonable expectations of policyholders; and</p> <p>(c) the cost and tax effects of the scheme, in so far as they may affect the security of policyholders' contractual rights, or for long-term insurance business, their reasonable expectations</p> <p>(d) the likely effects at firm and policyholder level due to any change in risk profiles and/or exposures resulting from the scheme or related transactions.</p>	<p>(a) to (aaaa) Sections 8 to 9</p> <p>(b) Sections 8 to 9</p> <p>(c) 10.14 to 10.15 and 10.37 to 10.38</p> <p>(d) Sections 8 to 9</p>	<p>(a) to (aaaa) Sections 4 to 5</p> <p>(b) Sections 4 to 5</p> <p>(c) No change since Main Report</p> <p>(d) Sections 4 to 5</p>
2.35 (1)	<p>For any mutual company involved in the scheme, the report should describe the effect of the scheme on the proprietary rights of members of the company, including the significance of any loss or dilution of the rights of those members to secure or prevent further changes which could affect their entitlements as policyholders</p>	n/a	n/a
2.35 (2)	<p>For any mutual company involved in the scheme, the report should state whether, and to what extent, members will receive compensation under the scheme for any diminution of proprietary rights</p>	n/a	n/a
2.35 (3)	<p>For any mutual company involved in the scheme, the report should comment on the appropriateness of any compensation, paying particular attention to any differences in treatment between members with voting rights and those without.</p>	n/a	n/a

2.36 (1)	For a scheme involving long-term insurance business, the report should describe the effect of the scheme on the nature and value of any rights of policyholders to participate in profits	10.48 to 10.49	No change since Main Report
2.36 (2)	For a scheme involving long-term insurance business, the report should, if any such rights will be diluted by the scheme, how any compensation offered to policyholders as a group (such as the injection of funds, allocation of shares, or cash payments) compares with the value of that dilution, and whether the extent and method of its proposed division is equitable as between different classes and generations of policyholders	n/a	n/a
2.36 (3)	For a scheme involving long-term insurance business, the report should describe the likely effect of the scheme on the approach used to determine: (a) the amounts of any non-guaranteed benefits such as bonuses and surrender values; and (b) the levels of any discretionary charges	8.151 and 9.25	No change since Main Report
2.36 (4)	For a scheme involving long-term insurance business, the report should describe what safeguards are provided by the scheme against a subsequent change of approach to these matters (in 2.36(1)-(3)) that could act to the detriment of existing policyholders of either firm	10.51 to 10.54	No change since Main Report
2.36 (5)	For a scheme involving long-term insurance business, the report should include the independent expert's overall assessment of the likely effects of the scheme on the reasonable expectations of long-term insurance business policyholders	8.145 to 8.191 and 9.24 to 9.30	4.48 to 4.65 and 5.18 to 5.20
2.36 (6)	For a scheme involving long-term insurance business, the report should state whether the independent expert is satisfied that for each firm the scheme is equitable to all classes and generations of its policyholders	12.2	9.2
2.36 (7)	For a scheme involving long-term insurance business, the report should state whether, in the independent expert's opinion, for each relevant firm the scheme has sufficient safeguards (such as principles of financial management or certification by a with-profits actuary or actuarial function holder) to ensure that the scheme operates as presented	10.51 to 10.54	No change since Main Report
2.37	Where the transfer forms part of a wider chain of events or corporate restructuring, it may not be appropriate to consider the transfer in isolation and the independent expert should seek sufficient explanations on corporate plans to enable them to understand the wider picture. Likewise, the independent expert will also need information on the operational plans of the transferee and, if only part of the business of the transferor is transferred, of the transferor. These will need to have sufficient detail to allow them to understand in broad terms how the business will be run. The PRA expects the independent expert to comment on how any such plans (including other insurance business transfers involving the parties to the scheme) would impact the likely effects of the scheme at firm and policyholder level	7.1 to 7.4, 10.40 to 10.41, and 10.50	No change since Main Report

FCA FG22/1 reference	Requirement	Main Report paragraph reference	Supplementary Report paragraph reference
6.2	Report is constructed in such a way that it is easily readable and understandable by all its users, paying attention to the following:		
	<ul style="list-style-type: none"> Technical terms and acronyms should be defined on first use. 	Appendix 5: Glossary of Terms	Appendix 5: Glossary of Terms
	<ul style="list-style-type: none"> There should be an executive summary that explains, at least in outline, the proposed transfer and the IE's conclusions. 	Section 2	Section 2
	<ul style="list-style-type: none"> The business to be transferred should be described early in the report. 	1.1 and 5.11 to 5.22	1.1, 3.4
	<ul style="list-style-type: none"> The detail given should be proportionate to the issues being discussed and the materiality of the Transfer when viewed as a whole. While all material issues must be discussed, IEs should try to avoid presenting reports that are disproportionately long. 	All sections	All sections
	<ul style="list-style-type: none"> IEs should prepare their reports in a way that makes it possible for non-technically qualified readers to understand. 	All sections	All sections
6.3	Report must consider and compare:		
	<ul style="list-style-type: none"> Reasonable benefit expectations (including impact of charges). 	8.123 to 8.154, and 9.25 to 9.27	No change since Main Report
	<ul style="list-style-type: none"> Type and level of service. This includes details of the analysis to support any conclusions including factors like claims and complaints handling (speed and quality), means of access to the service (including service provided by third parties) and any changes in functionality, speed and usability of service, past performance and customer feedback, reliability of service, number of requests for assistance or complaints, quality and speed of Policyholder support services, quality and frequency of communications. 	8.155 to 8.175, and 9.28 to 9.29	4.50 to 4.53
	<ul style="list-style-type: none"> Management, administration and governance arrangements. 	8.96 to 8.98, 8.155 to 8.175, 8.176 to 8.184, and 9.28 to 9.29	4.50 to 4.60
	<ul style="list-style-type: none"> Where the scheme includes Employers' Liability/ Public Liability claimants and Run Off Claims, we expect the IE to include their view of the quality of the firms' Employers' Liability tracing arrangements 	n/a	n/a
<ul style="list-style-type: none"> Where there are significant changes during the process, for example due to pandemic or economic fluctuations, we expect the IE to have adequately reflected on these in the supplementary report or for firms to consider whether the proposal has materially altered and needs a fuller reconsideration or delay to the process. 	3.24 to 3.25, 7.57, 8.16, 8.135, 8.174, 10.27	Throughout	
The level of reliance on the Applicants assessments and assertions			
6.6	Question the adequacy of assessments carried out by Applicants before relying on them to reach own conclusions (including requesting additional work and evidence from Applicants in order to support their assertions to ensure that the IE can be satisfied on a specific point).	1.26	No change since Main Report
6.7	Explain the nature of any challenges made to the Applicants and the outcome of these within the IE report, rather than just stating the final position.	Sections 8 to 10	Sections 4 to 7
6.8	Where conclusions are supported solely or largely by statements such as 'I have discussed with the firm's management and they tell me that...' followed by 'I have no reason to doubt what they have told me...', then:		
	<ul style="list-style-type: none"> Where a feature of the proposed transfer forms a significant part of the IE's own assessment of the Scheme's impact, the IE should review relevant underlying material, rather than relying on the Applicants' analysis of the material and subsequent assertions. 	Appendix 2: Information Relied Upon	Appendix 2: Information Relied Upon

	<ul style="list-style-type: none"> If there are concerns about matters that fall outside the IE's sphere of expertise, such as legal issues, the Applicants must provide the IE with any advice that they have received. If the issue is significant or remains uncertain, the IE must make sure that the Applicants had obtained appropriate advice from a suitably qualified independent subject matter expert. 	3.26 to 3.29	No change since Main Report
6.9	IE has challenged calculations carried out by the Applicants if there is cause for doubt on review of the Scheme and supporting documents. As a minimum, the IE should:		
	<ul style="list-style-type: none"> review the methodology used and any assumptions made to satisfy themselves that the information is likely to be accurate and to challenge it where appropriate 	1.26 and Appendix 2: Information Relied Upon	1.26 and Appendix 2: Information Relied Upon
	<ul style="list-style-type: none"> challenge the factual accuracy of matters that, on the face of the documents or considering the IE's knowledge and experience, appear inconsistent, confusing or incomplete 	1.26 and Appendix 2: Information Relied Upon	1.26 and Appendix 2: Information Relied Upon
6.10	Documents provided by the Applicants have been challenged where they contain an insufficient level of detail or analysis. For example:		
	<ul style="list-style-type: none"> Applicants' assertions that service levels will be maintained to at least the pre-transfer standard: IE should include not only details of the Applicant's plans and any gap analyses that have been produced but also include their view of their adequacy. We also expect the IE to include a comparison of service standards and quality, including where outsourcers are used. 	8.155 to 8.175, and 9.28 to 9.29	4.50 to 4.53
	<ul style="list-style-type: none"> Change in governance arrangements in the Transferee that may lead to poorer customer outcomes: the IE must review and compare the governance arrangements in the Transferor which produce good customer outcomes (e.g. any committees with conduct responsibilities) within the Transferee's governance arrangements. 	8.96 to 8.98, 8.176 to 8.190, and 9.28 to 9.29	4.59 to 4.60
	<ul style="list-style-type: none"> Consideration of the strain on resources that may occur post-transfer and that could impact on the service standards of the Transferee's existing customers and/or control over conduct of business risk. The IE report should include a review of relevant management information indicators and related contingency planning. 	n/a	n/a
Balanced judgements and sufficient reasoning			
6.12	The IE must state in their report whether they are certain there will be no material adverse impact to Policyholders or whether this is their best judgement, but lacks certainty. In these instances, the IE must consider the following:		
	<ul style="list-style-type: none"> Where the IE takes the view that there is probably no material adverse impact, the IE must challenge the Applicants about further work the Applicants could undertake to enable the IE to be satisfied to a greater degree. 	8.41	No change since Main Report
	<ul style="list-style-type: none"> The IE should challenge the Applicants in order to gain the necessary level of confidence that their report's conclusions are robust. Applicants and IEs should be aware that they will need to consider how any proposed changes/mitigations will impact all Policyholder groups. 	Sections 8 to 10	Sections 4 to 7
6.13	The IE must check that the documents they are relying, and forming judgements, on are the most up-to-date available when finalising their report.	Appendix 2: Information Relied Upon	Appendix 2: Information Relied Upon
6.14	If market conditions have changed significantly since the IE's analysis was carried out and they formed their judgement, the Applicants must discuss any changes with the IE and for the IE to update their report as necessary. If the Scheme document has been finalised, the IE should comment in more detail in their Supplementary Report or by issuing supplementary letters to the Court to confirm whether their judgement is unchanged.	3.24 to 3.25, 7.57, 8.16, 8.135, 8.174, and 10.27	Throughout
Sufficient regard to relevant considerations affecting Policyholders			
6.15	Consider all relevant issues for each individual group of Policyholders in both firms, as well as how an issue may impact each group. The IE is expected, when giving their opinion, to consider the:		

	<ul style="list-style-type: none"> Current and proposed future position of each Policyholder group 	Sections 8 to 10	Sections 4 to 7
	<ul style="list-style-type: none"> Potential effects of the transfer on each of the different Policyholder groups 	Sections 8 to 10	Sections 4 to 7
	<ul style="list-style-type: none"> Potential material adverse impacts that may affect each group of Policyholders, how these impacts are inter-related and how they will be mitigated 	Sections 8 to 10	Sections 4 to 7
6.16	Consider whether the groups of affected Policyholders have been identified appropriately. For example, this could include instances where certain Policyholder groups' services are provided by an outsourced function which is changing, but other Policyholder groups do not.	7.45 to 7.47	No change since Main Report
	Review and give opinion on administrative changes affecting Policyholders, including:		
	<ul style="list-style-type: none"> Consideration of the impact of an outsourcing agreement entered into by the parties before the Part VII process began, where the administration duty 'moved' from the Transferor to the Transferee in preparation for the transfer. Provide a comparison of the pre and post-outsourced administration arrangements so the IE can clearly review and compare any changes to Policyholder positions and service expectations. 	8.96 to 8.98, 8.155 to 8.175, 8.176 to 8.184, and 9.28 to 9.29	4.50 to 4.53
6.17	<ul style="list-style-type: none"> Policyholder service level - we expect the IE and the firms not only to have consideration of the impact on Policyholder service levels due to changes in services or service providers specifically contemplated by the proposed transfer, but also to consider the possible risks associated with the transfer that may impact service levels. For example, the risk that the transferee may change services or service providers to align with its broader offering, or risks associated with the migration of systems or services. We expect IEs to consider whether changes in service levels, provision and migrations could lead to consumer harms and what could be done to mitigate those risks. We expect IEs to consider whether there are differences in the identification of customers in vulnerable circumstances. In relation to migration of systems or services we expect to see a sufficiently detailed report of the possible impact. 	8.96 to 8.98, 8.155 to 8.175, 8.176 to 8.184, and 9.28 to 9.29	4.50 to 4.53
	<ul style="list-style-type: none"> For the case where the IE concludes that because the transfer will not create any change to the administrative arrangements, there will be no material impact on Policyholders: consider what might happen if the Transfer does not proceed and the possibility that the outsourcing agreement could be cancelled, returning the administrative arrangements to the original state. In such circumstances, consider the impact on Policyholders and claimants of the outsourcing agreement as part of the Part VII process. 	8.96 to 8.98, 8.155 to 8.175, 8.176 to 8.184, and 9.28 to 9.29	4.50 to 4.53
6.18	Where the transferring business involves employer's liability policies the IE should consider the quality of the firms' tracing procedures.	n/a	n/a
	Review and provide opinion on all relevant issues for all Policyholder groups where reinsurance was entered into in anticipation of a transfer:		
6.19	<ul style="list-style-type: none"> Some firms pre-empt regulatory scrutiny by buying reinsurance against risks before they begin the transfer process. In these instances, consider if it is appropriate to compare the proposed Scheme with the position the Transferor would be in if they did not benefit from the reinsurance contract. 	n/a	n/a
	<ul style="list-style-type: none"> If the transfer is not sanctioned and the reinsurance either terminates automatically or can be terminated by the Transferee, consider the Scheme as if the reinsurance was not in place. 	n/a	n/a
6.20	If the IE identifies particular sub-groups of Policyholders whose benefits, without other compensating factors, are likely to be adversely affected, the IE should take into account the Transferor's obligations under Principle 6 (Customers' interests) of the FCA's Principles for Businesses.	n/a	n/a
6.21	Ensure there is consideration and analysis of alternatives when a loss is expected for a particular subgroup of Policyholders, even if the IE does not consider this loss to be material.	Sections 8 to 10	Sections 4 to 7

6.22	Provide the analysis outlined in 6.21 even if the IE is able to conclude that the Policyholder group as a whole is not likely to suffer material adverse impact, even if a minority may. For example where:		
	<ul style="list-style-type: none"> Some Policyholders within a group/sub-group will suffer higher charges post-transfer because the Transferee has a different charging structure. 	n/a	n/a
	<ul style="list-style-type: none"> Some Policyholders within a group/sub-group had free access to helplines that will no longer be available or have a significantly altered service after the transfer. 	n/a	n/a
6.23	Ensure that no conclusions are reached based on the balance of probabilities and without adequately considering the possible impact on all affected Policyholder groups.	All sections	All sections
6.25	Present the consideration, evidence and reasoning to support the IE's opinion that a change due to the Part VII Transfer will not materially adversely impact a group of Policyholders.	Sections 8 to 12	Sections 4 to 7
Commercially sensitive or confidential information			
6.26	When considering commercially sensitive information, consider policyholders' interests as the information will not be publically available.	Throughout	Throughout
6.27	In these situations, document the analysis and the information relied upon and require it to be sent separately from the IE Report. Consider sending a separate document with further details, solely for the Court's use and not for public disclosure. Please note that this is at the Court's discretion.	Appendix 2: Information Relied Upon	Appendix 2: Information Relied Upon
The level of reliance on the work of other experts			
6.28	For large scale and complex insurance business transfers, if relying on the analytical work of other qualified professionals, it is still expected the IE to have carried out their own review of this analysis to ensure they have confidence in, and can place informed reliance on, the opinions they draw from another professional's work.	1.26 and Appendix 2: Information Relied Upon	1.26 and Appendix 2: Information Relied Upon
6.29	Obtain a copy of any legal advice given to the Applicants. This should be in writing or transcribed, and approved by the advisor. It should also be in a sufficiently final form for the IE to be able to review and rely on it. The IE should reflect this review, and the opinions drawn from the advice, within their report.	3.26 to 3.29	7.5, 7.8
6.30	If referring to factors outside of expertise and relying on advice received by the Applicants, the IE should consider whether or not to obtain their own independent advice on the relevant issue.	3.26 to 3.29	No change since Main Report
6.31	Consider if the IE needs to obtain separate legal advice, this will depend on the significance and materiality of the issue.	3.26 to 3.29	No change since Main Report
6.32	Consider whether it is reasonable for the IE to rely on advice and whether their independence is compromised by doing so. Whether or not the legal advisor has acknowledged that it owes a duty of care to the IE will be relevant to this consideration. Depending on how complex the legal issue is, IEs who rely on the Applicants' legal advice and merely state that they have no reason to doubt the advice and/or that it is consistent with their understanding of the position or experience of similar business transfers may be challenged.	3.26 to 3.29	No change since Main Report
6.33	When deciding whether to obtain independent legal advice, the IE should consider, amongst other things, the following:		
	<ul style="list-style-type: none"> The significance of the issue and the degree of potential adverse impacts to Policyholders if the position turns out to be different from that considered likely in the legal advice. 	3.26 to 3.29	No change since Main Report
	<ul style="list-style-type: none"> How much the IE relies on the legal advice to reach their conclusions and, if they did not rely on the legal advice, would the report contain too little information to justify the view that there is no material adverse impact? 		
<ul style="list-style-type: none"> The difficulty, novelty or peculiarity of the issue to the Applicants' own circumstances. 			

	<ul style="list-style-type: none"> Applicants' proposals to explain to Policyholders in communication documents the issues involved, any uncertainty, and any residual risks. Whether, depending on the issue's significance or uncertainty, the Applicants have obtained an adequate level of advice. Where relevant, whether the Applicants have engaged external advisors with the appropriate expertise and qualifications for the specific subject or jurisdiction. Whether any advice already received is heavily caveated, qualified or there is a significant degree of uncertainty. 		
6.34	The IE may need to explain why they consider that they do not need to get independent advice to be adequately satisfied on a point. The IE's assessment should consider whether there are credible alternative arguments that could be made, whether identified in the Applicant's advice or otherwise. Consider where risks are identified with no suggestion about how they can be mitigated, or what the impact on Policyholders may be if the risks do occur. These considerations would allow the IE to consider the worst case scenario of these impacts.	Sections 8 to 12	Sections 4 to 7
6.35	Consider the Applicant's contingency plans if the risks identified in the legal advice occur and whether this may create negative consequences for Policyholders.	n/a	n/a
6.37	Consider obtaining a legal opinion on whether a transfer involving overseas Policyholders will be recognised in non-UK jurisdictions. Should the work of overseas legal advisors be relied upon, the IE should not use such advice as the sole basis of their conclusion that there are no materially adverse effects, the IE is expected to consider the position if the advice turns out to be incorrect.	7.8 to 7.10	4.54 to 4.56
6.38	If the IE is uncertain, for example, because the legal advice is heavily qualified or uncertain and cannot form a conclusion on an issue. In this case, they may wish to get their own independent legal advice to ensure they can reach a more considered conclusion.	n/a	n/a
6.39	<p>The position may be different depending on whether the Transferor remains authorised/in existence:</p> <ul style="list-style-type: none"> If the Transferor's authorisations are to be cancelled and it could wind up or is planning to do so eventually, acceptable mitigations include the Transferee making a deed poll which is directly enforceable by Policyholders in either the UK or the relevant jurisdiction. It is unlikely that treating these policies as excluded policies is itself an adequate mitigation. Some IEs have received advice that even if the scheme is not formally recognised in another jurisdiction, the courts of that jurisdiction will still act to prevent the Transferee from denying that it is liable. This may well be correct, but we still expect the IE to assess any material possibility, and any mitigations if it is not. Where the Transferor is expected to remain in existence for the foreseeable future, the position is less likely to have an adverse impact. This is because Policyholders will still be able to claim against the Transferor as an excluded policy. We will still expect an IE to examine what possible material adverse impact this could have on Policyholders. For example, any delay in dealing with claims, and any risk that the Transferor changes their approach to dealing with claims because of uncertainty around the Transferee indemnifying the Transferor in full. Mitigations could include some clear commitment by both Transferor and Transferee in the scheme, enforceable by Policyholders, that Policyholders claims will not be affected or delayed because of the excluded policy and indemnity arrangements. 	n/a	n/a
6.40	Ensure the likelihood for consumers to be adversely affected is low. The IE should take a view on that and seek the appropriate reassurances.	Sections 8 to 12	Sections 4 to 7
6.42	At the start of the document, the IE should provide a description of where they propose to rely on information provided by the Applicants. Overly general reliance will indicate a lack of critical assessment or challenge.	1.26	1.26

6.44	If the report does not reach a clear conclusion, either generally or on a specific issue, the IE report should state clearly:		
	<ul style="list-style-type: none"> That the IE has considered and is satisfied about the likely level of impact on a particular point. Where uncertainty remains, the IE report needs to include details of, and reasons for, this uncertainty as well as any further steps the IE has taken to get clarification, such as seeking further advice from a subject matter expert. 	n/a	n/a
	<ul style="list-style-type: none"> How the IE satisfied themselves about the identified uncertainty and formed an opinion on any potential impact. 	n/a	n/a
Demonstrating challenge			
6.45	To ensure the IE report is complete and considered there should be challenge from all involved parties. Including evidence that Applicants have made appropriate challenges, especially when believed there are issues that the IE has not fully addressed. It is in Applicants' interests to make sure that the Court, regulators and Policyholders can rely on the IE report, taking into account to the IE's disclaimers. Applicants can make these challenges without compromising the IE's independence.	All sections	All sections
6.46	To ensure effective two-way challenge it is expected the IE engages with FCA or PRA approved senior management function holders at the Applicant firm, such as senior actuaries, including possibly the Chief Actuary, the Chief Financial Officer or Senior Underwriters.	1.26	1.26
6.48	IEs who are members of the Institute & Faculty of Actuaries should pay proper regard to the Technical Actuarial Standards (TAS) published by the Financial Reporting Council, especially those for compiling actuarial reports.	1.32	1.32
6.49	IEs should be aware of the revised versions of the TAS which came into force with effect from 1 July 2017 (TAS 100: Principles for Technical Actuarial Work and TAS 200: Insurance) specifically apply to technical actuarial work to support Part VII Transfers.	1.32	1.32
6.50	Ensure compliance with paragraph 5 of TAS 100 which states that actuarial communications should be 'clear, comprehensive and comprehensible so that users are able to make informed decisions understanding the matters relevant to the actuarial information' and to paragraph 5.2 of TAS 100 which states that 'the style, structure and content of communications shall be suited to the skills, understanding and levels of relevant technical knowledge of users'.	1.32	1.32
6.51	Actuarially qualified IEs and peer reviewers should also bear in mind the Actuaries' Code and Actuarial Profession Standards documents APS X2: Review of Actuarial Work and APS L1: Duties and Responsibilities of Life Assurance Actuaries.	1.33	1.33
Review of the communications strategy			
7.3	IEs should include consideration of the proposed communications strategy and any supporting requests for dispensations from the Transfer Regulations in their report. There should be evidence that the IE has challenged proposed communications that are not clear and fair and do not adequately explain the transfer and the potential effect on Policyholders and how this is addressed.	10.1 to 10.13	No change since Main Report