

Scottish Widows Limited & Rothesay Life Plc

Supplementary Report of the Independent Expert on the
proposed Scheme to transfer certain long-term insurance
business from Scottish Widows Limited to Rothesay Life Plc

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1 Introduction

1.1 Background

- 1.1.1 Scottish Widows Limited (SWL) and Rothesay Life Plc (Rothesay), (the Companies), will be submitting a scheme for the transfer of a portfolio of insurance business (the Transferring Business) from SWL to Rothesay to the High Court of Justice of England and Wales (the Court) for approval.
- 1.1.2 I have been appointed as the Independent Expert to provide the required reports on the proposed scheme (the Scheme).
- 1.1.3 I prepared a report dated 9 December 2024 (my Main Report) in which I considered the Scheme and assessed its impact on the policyholders of SWL and Rothesay. In my Main Report I said I would provide an update on a number of matters. The purpose of this report (my Supplementary Report) is to provide these updates.
- 1.1.4 The content of my Main Report and Supplementary Report (my Reports) will be considered by the Court at a hearing, called the Sanction Hearing, when the Court will decide whether to approve the Scheme. The Sanction Hearing is expected to take place on 14 May 2025. If approved, it is expected that the Scheme will become operative and take effect on 11 June 2025 (the Scheme Effective Date).
- 1.1.5 My Supplementary Report should be read in conjunction with my Main Report, and both should be read in their entirety.

1.2 Qualification and disclosures

- 1.2.1 I set out my qualifications for the role of Independent Expert in sub-section 1.3 of my Main Report. In paragraph 1.3.2 of my Main Report, I stated that, as at the date of my Main Report, I acted as the Chief Actuary for four UK life insurance companies.
- 1.2.2 Since the date of my Main Report, I have stepped down from one of my Chief Actuary roles. The number of Chief Actuary roles I hold has therefore reduced from four to three. This change in role was planned and is unrelated to my role as Independent Expert in this Part VII transfer.
- 1.2.3 Barnett Waddingham LLP (BW) was acquired by Howden Group Holdings Ltd (Howden) on 3 April 2025. BW is now a subsidiary of Howden and operates with independent systems and separate teams. As a part of this acquisition, I ceased to be a Partner of BW, and I became a BW employee. In my opinion, this acquisition does not compromise my independence, create a conflict of interest, or compromise my ability to report on the Scheme.
- 1.2.4 There are no other changes to my qualifications or disclosures.

1.3 Purpose of my Supplementary Report

- 1.3.1 In my Main Report, I considered the proposed transfer and primarily assessed its impact on three classes of policyholders:
- Transferring Policyholders: The holders of existing SWL policies as at the Scheme Effective Date that will transfer to Rothesay under the Scheme (the Transferring Policies) and any other individuals who are or may become entitled to receive benefits under these policies.

- SWL Non-Transferring Policyholders: The holders of existing SWL policies as at the Scheme Effective Date that will not transfer to Rothesay under the Scheme (the SWL Non-Transferring Policies) and any other individuals who are or may become entitled to receive benefits under these policies.
- Rothesay Existing Policyholders: The holders of existing Rothesay policies (including reinsurance policies, where Rothesay is acting as reinsurer) as at the Scheme Effective Date (the Rothesay Existing Policies) and any other individuals who are or may become entitled to receive benefits under these policies.

1.3.2 In my Main Report, I also considered the impact on the four reinsurers whose contracts with SWL will be transferred to Rothesay by the Scheme.

1.3.3 In my Main Report I stated that, based on the information that was available at that time, I was satisfied that the implementation of the Scheme would not have a material adverse effect on:

- the security of the benefits of the policyholders of SWL and Rothesay, including the Transferring Policyholders;
- the reasonable expectations of the policyholders of SWL and Rothesay, including the Transferring Policyholders, in respect of their benefit expectations, service standards, management and governance; or
- the four reinsurers whose contracts with SWL will be transferred to Rothesay by the Scheme.

1.3.4 In my Main Report, I stated I would provide an update on the following matters in advance of the Sanction Hearing:

- the financial position of the Companies, based on audited financial information as at 31 December 2024, and following the finalisation of the Companies' implementation of the Solvency UK reforms as described in paragraph 4.3.34 of my Main Report;
- the outcome of the Companies' commitment to addressing the Financial Conduct Authority's (FCA's) request to consider whether additional measures could be taken to mitigate the impact of the Scheme on the discretionary benefits some Transferring Annuitants¹ may receive;
- progress against the Companies' Separation Plan, which is the plan that has been developed by the Companies and Aptia (the outsourced administration provider) to facilitate the transfer of the policy data and administration of the Transferring Policies, and the development of contingency plans;
- any implications of economic sanctions; and
- Rothesay's work to enhance the protection of its policyholders by establishing a framework and process whereby each outsourced pension administrator acts as a backup payroll provider and customer call centre for each of the other pension administrators.

1.3.5 The purpose of my Supplementary Report is to provide those updates, to consider any other relevant matters that have arisen, to consider any issues that have been raised by policyholders who have objected to the Scheme or otherwise corresponded with the Companies regarding the Scheme, and to update my conclusions concerning the Scheme in light of this information.

¹ The holders of bulk purchase annuity policies or individual annuity policies included in the Transferring Policies and any other individuals who are or may become entitled to receive benefits under these policies.

1.3.6 I confirm that, having considered the information that has become available to me, the issues that have been raised by policyholders who have objected to the Scheme and the events that have occurred since the date of my Main Report, my overall conclusions concerning the Scheme are unchanged.

1.4 Professional standards

1.4.1 In reporting on the Scheme as the Independent Expert, I recognise that I owe a duty to the Court to assist on matters within my expertise in accordance with Part 35 of the Civil Procedure Rules. This duty overrides any obligation to the Companies from whom I have received instructions. In my opinion, I have complied with this duty, and I confirm that I will continue to comply with this duty. A statement of my compliance with Part 35 of the Civil Procedure Rules is given in Appendix A.

1.4.2 The Financial Reporting Council sets out Technical Actuarial Standards (TASs) for members of the Institute and Faculty of Actuaries. My Supplementary Report, along with the work carried out to produce it, is subject to and, in my opinion, complies with the following standards:

- TAS 100: General Actuarial Standards
- TAS 200: Insurance.

1.4.3 The Institute and Faculty of Actuaries sets actuarial professional standards for its members. My Supplementary Report, along with the work carried out to produce it, is subject to and, in my opinion, complies with APS X2: Review of Actuarial Work. In particular, my Supplementary Report has been independently peer reviewed by a senior actuary, Kim Durniat, who holds Chief Actuary and other named roles for a number of UK insurance companies and friendly societies, has previously advised on insurance business transfers and who has not otherwise been part of the team working on this assignment. I have also considered APS L1: Duties and Responsibilities of Life Assurance Actuaries when carrying out my work.

1.5 Reliances and sources of information

1.5.1 In performing my review and in preparing my Supplementary Report, I have relied on the accuracy and completeness of information provided by the Companies, including information received orally, without independent verification. Any oral discussions material to my considerations have been subsequently confirmed in writing. I have reviewed the information provided for consistency and reasonableness using my knowledge of the life assurance industry in the UK. I have also had access to, and discussions with, senior management of the Companies.

1.5.2 In a number of areas, I have challenged the information presented to me, and/or have sought additional information and explanations to ensure that I could rely on that information. I have listed the financial information, data and written information that I have relied on for my Supplementary Report in Appendix B.

1.5.3 There are no documents or other items of information that I have requested and that have not been provided.

1.6 Distribution and use

- 1.6.1 My Supplementary Report has been written in accordance with English law. It is commissioned by the Companies and has been prepared primarily for the Court and for the use of the Companies and solely for the purpose of assisting in determining whether the Scheme should be permitted. Policyholders, reinsurers and any others affected by the Scheme may also place reliance on my Reports. My Reports should not be used for any other purpose.
- 1.6.2 Neither Barnett Waddingham, its staff, nor I owe or accept any duty to any other party and shall not be liable for any loss, damage or expense (including interest) of whatever nature, which is caused by any other party's reliance on representations in my Supplementary Report.
- 1.6.3 No liability will be accepted for the use of my Supplementary Report for which it was not intended or for the results of any misunderstandings by any user of my Supplementary Report. No liability will be accepted under the terms of the Contracts (Rights of Third Parties) Act 1999.
- 1.6.4 My Supplementary Report should be considered in its entirety, as parts taken in isolation may be misleading. Draft versions of my Reports should not be relied upon for any purpose. A copy of the final version of my Supplementary Report may be provided to the following parties:
- the Court, to assist in determining whether the Scheme should be approved
 - the Directors and senior management of SWL and its associated group companies
 - the Directors and senior management of Rothesay and its associated group companies
 - the Prudential Regulation Authority (PRA) and the FCA, for the purposes of the performance of their statutory obligations
 - the professional advisers of any of the above
 - policyholders
 - any other person who requests it.
- 1.6.5 A copy of the final version of my Supplementary Report will be published on the websites of the Companies. A printed copy will be provided to policyholders who previously requested a copy of my Main Report and to any other policyholders on request. A printed copy will be offered to policyholders who have raised objections to the Scheme or who have indicated they wish to attend the Sanction Hearing. Otherwise, my Supplementary Report (or any extract of it) should not be published without my prior written consent.
- 1.6.6 The conditions set out in this sub-section are consistent with those that apply to my Main Report.

1.7 Form of my Supplementary Report

- 1.7.1 The remainder of my Supplementary Report is structured as follows:
- Section 2 provides information on relevant developments since the date of my Main Report, other than those covered by Sections 3 and 4.
 - Section 3 sets out the updated financial positions of the Companies as at 31 December 2024 and the estimated impact of the Scheme on their financial positions.
 - Section 4 provides relevant information concerning the communication of the proposed transfer to policyholders, including details of any objections raised by policyholders.

- Section 5 contains a summary of my conclusions from my Main Report, the additional information I have considered concerning the updates provided in my Supplementary Report and whether those updates affect the conclusions of my Main Report.

1.7.2 The appendices contain:

- my certificate of compliance with Part 35 of the Civil Procedure Rules
- a list of data and information relied upon for forming my Supplementary Report conclusions
- a glossary of terms used throughout my Main Report and my Supplementary Report.

2 Recent developments

2.1 Introduction

2.1.1 In this section I discuss the following new information since the date of my Main Report:

- changes to the number of in-force Transferring Policies
- changes to the Reinsurance Agreement (described in sub-section 7.4 of my Main Report)
- the Companies' implementation of the package of Solvency UK reforms as at 31 December 2024
- progress of the transfer of data and policy administration from SWL to Rothesay against the Separation Plan, and development of contingency plans
- the outcome of the Companies' commitment to addressing the FCA's request to consider whether additional measures could be taken to mitigate the Scheme's impact on the discretionary benefits some Transferring Annuitants may receive
- Rothesay's work to enhance the protection of its policyholders by establishing a framework and process whereby each outsourced pension administrator acts as a backup payroll provider and customer call centre for each of the other pensions administrators
- an update on recent and planned corporate transactions for SWL and Rothesay
- updates to SWL's Capital Management Plan
- an update to the status of bespoke loan arrangements that are transferring from SWL to Rothesay if the Scheme is implemented
- an update on the economic sanctions position
- SWL and Rothesay's updated Consumer Duty assessments and reviews
- changes to Rothesay's Board
- recent financial market volatility arising from increased global macroeconomic uncertainty.

2.1.2 I have received confirmation from the Companies that there have been no changes to the Scheme since the version I reviewed when producing my Main Report and no changes are expected in advance of the Sanction Hearing (other than immaterial changes to add the registered addresses of the Companies and to fill in certain data items and names of supporting files).

2.1.3 The new information does not lead me to change the conclusions from my Main Report. I discuss each aspect below.

2.2 Transferring Policies

2.2.1 The Transferring Policies are defined in the Scheme and can be summarised (as at 31 December 2024) as:

- 28 bulk purchase annuity policies issued by SWL to 21 UK-based pension scheme trustees pursuant to various buy-in policies (see paragraph 5.3.10 of my Main Report for a general description of buy-in policies).

- 6,651 individual annuity policies issued by SWL to, or in respect of, individual pension scheme members and/or contingent beneficiaries², pursuant to the terms of nine bulk purchase annuity buy-in policies previously issued by SWL to pension scheme trustees that have since transitioned to buyout (see paragraph 5.3.12 of my Main Report for a general description of buyout policies).
- Two residual risk policies issued by SWL to pension scheme trustees that provide additional protection to pension scheme trustees against certain defined risks (see paragraph 5.3.13 of my Main Report).
- Four longevity insurance agreements entered into between SWL (acting as insurer) and Lloyds Banking Group Pensions Trustees Limited (as trustee to three Lloyds Banking Group pension schemes), the Ambrosia Policies (see paragraph 5.3.13 of my Main Report).

2.2.2 Table 2.1 below shows updated figures for the volume of in-force Transferring Policies as at 31 December 2024. The volume is expressed in terms of both the number of in-force annuities or policies and the Best Estimate Liability (BEL)³ of the Transferring Policies calculated by SWL as at 31 December 2024, with a comparison to the total volume as at 30 June 2024 (as shown in sub-section 7.6 of my Main Report). Note that all tables in my Report may include rounding differences where totals or the differences between two numbers are shown.

Table 2.1: Summary of Transferring Policies

	30 June 2024		31 December 2024	
	Number of in-force annuities/policies	BEL (£m)	Number of in-force annuities/policies	BEL (£m)
Annuities (deferred) ⁴	3,377	386	3,116	369
Annuities (in-payment) ⁴	31,342	5,170	31,160	4,934
Residual risk ⁵	2	0	2	0
Ambrosia	4	0	4	0
Total	34,725	5,556	34,282	5,304

Source: SWL

2.2.3 The number of in-force annuities included in the Transferring Policies fell by 443 between 30 June 2024 and 31 December 2024. This is due to:

² Contingent beneficiaries are persons entitled to receive benefits upon the death of the pension scheme member, such as a spouse.

³ The term "Best Estimate Liability" is defined in paragraph 4.3.11 of my Main Report as the best estimate, that is, neither an optimistic nor a pessimistic estimate, of the amount of money the insurance company needs to hold today to be able to pay policyholder benefits in the future on existing business.

⁴ The number of in-force annuities shows the approximate number of individual lives covered where a single policy covers multiple lives under a buy-in contract. A deferred annuity is one where benefits will become payable to the beneficiary in the future, whereas benefits are already being paid on in-payment annuities.

⁵ One of these residual risk policies will only come into force should a specified SWL buy-in policy be converted into a buyout and then only upon payment by the policyholder of the required premium.

- 690 deaths being processed;
- less 267 contingent annuities becoming payable (annuity benefits to individuals, for example a spouse or other dependant, who have become entitled to receive an annuity benefit following the death of the primary annuitant);
- plus one beneficiary choosing to exercise their option to transfer out (move the value of their benefits to a different pension provider);
- plus six beneficiaries choosing to exercise their option to take a trivial commutation (a lump sum payment instead of regular income, that results in termination of the annuity); and
- plus 13 contingent annuities, payable to children up until they reach a certain age, that ended over the period.

2.2.4 Between 30 June 2024 and 31 December 2024, the BEL decreased by £252m. This is primarily due to:

- an increase in the prescribed discount rates used in the BEL calculation, which reflects economic conditions and reduces the present value of liabilities payable in the future; and
- impacts from the portfolio maturing (changes to the expected benefit amounts payable after the valuation date reflecting changes in the in-force business and the passing of six months, and the period over which those benefits are discounted).

2.2.5 There will be further changes in the numbers of in-force policies between 31 December 2024 and the Scheme Effective Date. However, such changes do not affect my conclusions, as my conclusions are not dependent on the volume of Transferring Policies.

2.3 Reinsurance Agreement

2.3.1 SWL and Rothesay entered into a reinsurance agreement (the Reinsurance Agreement) on 30 April 2024. The purpose of the Reinsurance Agreement is to transfer the economic risk and reward associated with a material part of the Transferring Business from SWL to Rothesay in advance of the Scheme.

2.3.2 In paragraph 8.3.35 of my Main Report, I noted that the Companies had agreed a change to the Reinsurance Agreement, and that change would be reflected in an amendment to the Reinsurance Agreement at a later date.

2.3.3 In summary, the Reinsurance Agreement originally stated that the amounts payable by Rothesay to SWL under the Reinsurance Agreement in respect of option benefits (where a policyholder requests to take benefits from a policy in a form different to those guaranteed) would be determined using SWL's bases until 1 September 2024 and Rothesay's bases thereafter. The agreed change is for the amounts payable by Rothesay in respect of option benefits to continue to be determined using SWL's bases until 31 December 2025.

2.3.4 This change will be implemented in an amendment to the Reinsurance Agreement. This amendment had not been signed by the Companies as at 25 April 2025. The Companies have advised me that they expect to sign it before the Sanction Hearing. It should be noted that, if the Scheme is implemented, the amended Reinsurance Agreement will be terminated on the Scheme Effective Date, which is expected to be 11 June 2025.

2.3.5 I had considered this change when writing my Main Report, and the expected signing of the amendment ahead of the Sanction Hearing has not changed my conclusions with respect to the Scheme.

2.4 Solvency UK reforms

- 2.4.1 In paragraph 4.3.34 of my Main Report, I noted that a package of regulatory reforms (the Solvency UK reforms) has been introduced by the UK government and the PRA. Some of these reforms came into effect on 31 December 2024, which is after the date at which the Companies' financial information is presented in my Main Report.
- 2.4.2 In paragraph 5.3.30 of my Main Report, I noted that SWL had applied to the PRA for approval to not use the simplified Transitional Measure on Technical Provisions (TMTP) element of the Solvency UK reforms in certain circumstances. Prior to the PRA making a decision, SWL withdrew its application, and has confirmed to me that it will use the simplified TMTP element of the Solvency UK reforms in all circumstances. This does not affect my conclusions on the Scheme.
- 2.4.3 In paragraph 6.3.18 of my Main Report, I noted that Rothesay has received PRA approval to not use the simplified TMTP element of the Solvency UK reforms. This approval applies for as long as Rothesay meets relevant criteria set by the PRA. Rothesay has advised me that it expects to meet these criteria for the foreseeable future.
- 2.4.4 Both firms have implemented the Solvency UK reforms relevant for their business, except where they have received PRA approval not to. In my Main Report, I noted none of the reforms were expected to have a material impact on either of the Companies' solvency positions, either individually or cumulatively. Both Companies have privately provided me with the impacts of these reforms, and I confirm that, as at 31 December 2024, the reforms did not have a material impact on either of the Companies' solvency positions, either individually or cumulatively.
- 2.4.5 The impacts of these reforms are reflected in the financial information for each Company as at 31 December 2024. I have presented and commented on the Companies' financial positions in sub-sections 3.2 and 3.3 of this report.

2.5 Separation Plan and Contingency Plans

- 2.5.1 In sub-section 8.3 of my Main Report, I noted that SWL, Rothesay and Aptia have developed, and shared with me, a plan to facilitate the transfer of the policy data and administration of the Transferring Policies, including the Transferring Annuities, from SWL to Rothesay (the Separation Plan). I went on to conclude that the Separation Plan, together with other documentation provided to me, was reasonable, comprehensive and robust. As at the date of my Main Report, implementation of the Separation Plan was in progress.
- 2.5.2 The Companies have since provided me with monthly updates on their progress in implementing the Separation Plan. These monthly updates have shown that the ten workstreams defined in the Separation Plan are progressing on schedule, and, as at 25 April 2025, most planned activities have been completed in line with the timetable. For the finance workstream, there was a delay in setting up the bank account required to ensure Rothesay can provide Aptia with the funds to pay the Transferring Policyholders. The bank account has now been opened. Subsequent activities in the Separation Plan that rely on the bank account are scheduled to begin after the Sanction Hearing and, therefore, this delay has not delayed other aspects of the Separation Plan.
- 2.5.3 The Separation Plan includes actions that SWL is carrying out regardless of the Scheme and that are expected to complete prior to the Scheme Effective Date. These SWL actions are not directly related to the Scheme, but have been included in the Separation Plan to ensure that they are appropriately captured in the separation activities.

- 2.5.4 I noted in paragraph 8.3.62 of my Main Report that the Separation Plan contains two decision-making points at which a decision will be made on whether sufficient progress has been made in implementing the Separation Plan. If insufficient progress has been made at these decision points, then the Companies will delay the implementation of the Scheme until sufficient progress has been made. The dates of these two decision-making points are 6 May 2025 (shortly before the Sanction Hearing which is expected to be on 14 May 2025) and 6 June 2025 (shortly before the currently planned Scheme Effective Date of 11 June 2025).
- 2.5.5 In sub-section 8.3 of my Main Report, I also noted that the Companies were in the process of developing contingency arrangements to address any unforeseen issues that might arise shortly before or in the weeks immediately after the Scheme Effective Date (the Contingency Plans). The Companies have finished developing the Contingency Plans. The Contingency Plans cover the period between the second decision point referenced in paragraph 2.5.4 and the Scheme Effective Date, and the five-week period after the Scheme Effective Date. The Companies have developed a detailed plan of activities for the first period (between 6 June 2025 and 11 June 2025), and in the case of significant issues being identified, have plans for SWL to continue having ownership of administering the business until the activities can be reattempted. The Companies have put in place heightened monitoring, and have made additional resources of a range of skills and expertise available in the second period (post 11 June 2025) to enable them to quickly identify and remediate any issues arising. I have reviewed the Contingency Plans and consider them reasonable.
- 2.5.6 Having reviewed the updates provided to me up to 25 April 2025, I am satisfied that the work set out in the Separation Plan is progressing to plan, and I have no reason to believe that this work will not be completed successfully. My opinion remains that the Scheme will have no material adverse effect on the policy administration and service standards experienced by the Transferring Policyholders. I will continue to monitor the Companies' progress against the Separation Plan up to the date of the Sanction Hearing and will inform the Court if my opinion changes.

2.6 Benefit expectations and the Companies' work in response to the FCA request

- 2.6.1 In paragraphs 8.3.20 to 8.3.50 of my Main Report, I noted that in certain specific circumstances the benefits payable to Transferring Annuitants could change as a result of the Scheme. These changes may arise where the insurer is required to use discretion in the calculation of benefits, which primarily happens when policyholders request changes to their guaranteed benefits, called options. The main options available on the Transferring Annuities are outlined below.
- **Cash commutation:** The Transferring Annuitant may choose to forgo some or all of their annuity income in return for a lump sum payment. In most cases up to 25% of the value of the annuity may be commuted. Commutation can only be requested when the annuity first becomes payable and is therefore available only for deferred annuities.
 - **Trivial commutation:** If the Transferring Annuitant can demonstrate that the total value of their pensions benefits is less than £30,000, they may request the full annuity otherwise payable be converted to a lump sum payment. Trivial commutation is available on deferred annuities but, unlike a non-trivial cash commutation (described in the bullet point above), it may also be an option for a contingent annuitant (an individual to whom a benefit becomes payable upon the death of the main beneficiary). A trivial commutation paid to the spouse of the main beneficiary on the death of the main beneficiary is called a spouse trivial commutation. A trivial commutation can normally only be requested when the annuity first becomes payable to the recipient.

- **Early/late retirement:** The Transferring Annuitant may choose to retire earlier or later than the normal retirement date for the pension scheme to which they are or were a member (subject to any statutory or pension scheme imposed minimum or maximum retirement age). If they retire early the amount of annuity they receive is reduced compared to the guaranteed level (as the annuity will be paid for a longer period). If they retire late, the amount of the annuity is increased (as it will be paid for a shorter period). Early/late retirement is only an option for deferred annuities.
- **Transfer out:** The Transferring Annuitant may choose to move the value of their benefits (called a transfer value) to a different pension provider. Again, this is an option only for deferred annuities.

2.6.2 Where discretion is used to determine the amount of benefit payable, changes to the benefit payable may arise from reasonable differences in the assumptions used by Rothesay and SWL in calculating these benefits. In my Main Report, I noted that some Transferring Annuitants could receive higher benefits, and some could receive lower benefits, and that in aggregate there is no material difference in the average value of the option benefits. In paragraph 8.3.51 of my Main Report, I concluded that these differences will not have a material adverse effect on the reasonable benefit expectations of Transferring Annuitants.

2.6.3 The analysis I used to reach the above conclusions in my Main Report was carried out using data provided to me by the Companies as at 31 March 2024. I have reviewed my position again in light of updated analysis of the impacts using data provided to me by the Companies as at 31 December 2024. This has not changed my conclusions.

2.6.4 In paragraph 8.3.42 of my Main Report, I noted that where the Transferring Annuitant may receive a lower amount under Rothesay's bases, the FCA asked the Companies to consider whether additional measures could be taken to mitigate the impact of the difference.

2.6.5 Since the publication of my Main Report, the Companies have carried out work to address the FCA's request and have agreed an approach that reduces the impact for those Transferring Annuitants most impacted by an immediate change from the use of SWL's bases to Rothesay's bases. This will be achieved by Rothesay applying an increase, or "uplift", to certain discretionary benefits calculated using Rothesay's bases for a period of time following the Scheme Effective Date for a sub-set of the Transferring Annuitants.

2.6.6 The sub-set of Transferring Annuitants for which an uplift may apply (the Relevant Transferring Annuitants) are those individual beneficiaries under the Transferring Policies that, at the Scheme Effective Date, would be directly impacted by the change from using SWL's bases to Rothesay's bases to calculate discretionary benefits. The Relevant Transferring Annuitants are beneficiaries under those Transferring Policies that are either:

- individual annuity policies issued to pension scheme members as a result of the pension scheme entering into a buyout policy with SWL; or
- buy-in policies where the pension scheme that has entered into the policy with SWL uses SWL's bases to determine the discretionary benefits payable to its members.

2.6.7 An uplift will not apply to buy-in policies held by the trustees of pension schemes where, at the Scheme Effective Date, the pension scheme uses its own bases, and not SWL's, to determine the discretionary benefits payable to its members.

- 2.6.8 In paragraph 8.3.27 of my Main Report, I noted that the bases used to calculate discretionary benefits are not guaranteed and will change over time. While such changes can be material to outcomes, particularly over the longer-term, the impact of changes over the short-term are typically not, where these reflect minor changes in actuarial judgement and typical changes in financial market conditions over the short-term. Uplifts will be calculated for the Relevant Transferring Annuitants that are intended to limit any immediate reduction in the amount of discretionary benefit at the Scheme Effective Date to no more than an amount that might result from minor changes in actuarial judgement and typical changes in market conditions over the short-term.
- 2.6.9 Whether an uplift will apply partly depends upon the difference between the discretionary benefit value calculated using SWL's basis (the SWL value) and the discretionary benefit value calculated using Rothesay's basis (the Rothesay value) at 28 February 2025. If the SWL value is greater than the Rothesay value, and the percentage difference between the SWL value and the Rothesay value is greater than a specified percentage, an uplift will apply. The specified percentage has been determined by the Companies and is intended to reflect the percentage difference in discretionary benefit values that might occur over the short-term as a result of minor changes in actuarial judgement, such as minor changes in longevity assumptions, or typical changes in financial market conditions such as changes in interest rates or the outlook for long-term inflation.
- 2.6.10 For certain types of discretionary benefit, the uplift determined in accordance with paragraph 2.6.9 will be increased or, if no uplift is applicable in accordance with paragraph 2.6.9, an uplift will be applied to the Rothesay value to compensate for certain differences between Rothesay's and SWL's bases as at 28 February 2025.
- 2.6.11 Rothesay has asked me not to disclose the specified percentage referred to in paragraph 2.6.9 or the detail of the additional uplift described in paragraph 2.6.10 as it considers these factors to be commercially sensitive information. I consider that the information included in my Reports, and the conclusions I have drawn, to be sufficient for the Relevant Transferring Annuitants (and Transferring Policyholders more generally) to determine whether they want to consider raising an objection to the Scheme due to the potential impacts on discretionary benefit values.
- 2.6.12 Applying this approach results in uplifts being applied to transfer values and trivial commutation values for some of the Relevant Transferring Annuitants. Other discretionary benefits are not subject to an uplift as the differences between the values calculated on SWL's bases and Rothesay's bases are less than what might result from reasonable changes in actuarial judgement and market conditions over the short-term or are not affected by the differences in bases referred to in paragraph 2.6.10.
- 2.6.13 The uplifts described in paragraph 2.6.9 have been calculated as at 28 February 2025 as a percentage of the option benefit calculated using Rothesay's bases. The uplifts described in paragraph 2.6.10 will be applied as a percentage of the discretionary benefit value calculated by Rothesay, including the uplift described in paragraph 2.6.9. The initial value of the uplifts will be such that any negative impact in moving from SWL's bases to Rothesay's bases, calculated as at 28 February 2025, is no more than the specified percentage referred to in paragraph 2.6.9. The uplifts will be applied from the Scheme Effective Date and will be reduced annually, on the anniversary of the Scheme Effective Date, by equal amounts each year over a four-year period. No uplifts will be applied from the end of the four-year period.
- 2.6.14 In my opinion, the approach being taken is a reasonable response to the FCA's request. I have formed this opinion taking into account:

- The approach of basing the uplifts on the differences in member option values at a point in time close to the Scheme Effective Date is pragmatic as it avoids the need to rely on the ongoing maintenance of SWL bases for business that it would no longer have. I am therefore confident that Rothesay can implement the approach as described.
- The approach helps to ensure the uplifts are targeted at those member options where the discretionary benefits are potentially most negatively impacted and where the reduction in the value of the discretionary benefit is beyond the percentage where it is considered that differences in value may have happened in any event. Whilst a range of parameters could be used, in my opinion the uplift amounts and the reduction in the uplifts over four years are reasonable. The uplifts limit any immediate negative impact on discretionary benefits for Relevant Transferring Annuitants to a maximum of the specified percentage referred to in paragraph 2.6.9, which is intended to be an amount that, in the absence of the Scheme, might reasonably arise from minor changes in actuarial judgment and typical changes in market conditions over the short-term. In my opinion the choice of four years from the Scheme Effective Date as the duration over which an uplift may be applied is reasonable as I would expect differences in demographic bases, such as mortality assumptions, to converge over time, as more data and information becomes available.
- Furthermore, when considering the appropriateness of the four-year period, as discussed in paragraphs 8.3.45 and 8.3.46 of my Main Report, there is uncertainty as to whether the current differences between discretionary benefit values calculated on the two Companies' different bases would persist over time, either generally as a result of reviews of the bases, or from a change in an individual's specific circumstances. Such changes over the longer-term, which may involve material changes in actuarial judgement or longer-term changes in financial markets, can have a significant impact on discretionary benefit values that are much larger than the impacts that might be seen over the short-term. Therefore, if the Scheme is implemented, there is uncertainty as to whether discretionary benefits payable to Relevant Transferring Annuitants calculated on Rothesay's bases in the future will be higher or lower than the discretionary benefits that the Relevant Transferring Annuitants might receive under SWL's bases if the Scheme is not implemented.
- Where the Companies have needed to make assumptions to be able to perform the uplift calculations, such as whether or not a Relevant Transferring Annuitant is married, the approach taken is expected to be either beneficial to the Relevant Transferring Annuitants or not material to the result of the calculations.
- The approach will reduce step changes in discretionary benefit values at the Scheme Effective Date and at the end of the four-year period over which uplifts are applied to amounts that might in any event be experienced over the short-term for the Relevant Transferring Annuitants who would be most directly affected by an immediate change to Rothesay's bases, if they were to exercise an option after the Scheme Effective Date.

2.6.15 This does not affect my conclusions with respect to the impact of the Scheme on the benefit expectations of Transferring Annuitants.

2.7 Pension administrator backup

- 2.7.1 In paragraph 8.3.80 of my Main Report, I explained that Rothesay is in the process of enhancing the protection of its policyholders by establishing a framework and process whereby each outsourced pension administrator acts as a backup payroll provider and customer call centre for each of the other pensions administrators. This will mean that if one of the pension administrators has a significant operational issue, then the holders of policies administered by that provider would continue to receive their annuity benefit, and customer support would remain accessible. This will reduce the risk of poor outcomes in significant stress scenarios.
- 2.7.2 Rothesay has now completed the implementation and testing of this framework for the Rothesay Existing Policyholders. Rothesay intends for the Transferring Annuitants to benefit from this framework. The Separation Plan includes extending the framework to cover the Transferring Annuitants and testing that it works appropriately.
- 2.7.3 This is an improvement for Transferring Annuitants, and it does not change my conclusions on the impact of the Scheme.

2.8 Corporate transactions

SWL

- 2.8.1 SWL has confirmed to me that it has not carried out any acquisitions or disposals since the date of my Main Report and that none are planned to complete in advance of the Scheme Effective Date. SWL has also confirmed that it is aware of no other matters that could potentially be relevant to my considerations that have not already been brought to my attention.
- 2.8.2 SWL has not written any further bulk purchase annuity policies since the date of my Main Report. It has continued to write other new business in line with the sources of business that I set out in paragraphs 5.3.23 to 5.3.26 of my Main Report.

Rothesay

- 2.8.3 Rothesay has confirmed to me that it has not carried out any acquisitions or disposals since the date of my Main Report and that none are planned to complete in advance of the Scheme Effective Date. Rothesay has also confirmed that it is aware of no other matters that could potentially be relevant to my considerations that have not already been brought to my attention.
- 2.8.4 Rothesay has continued to write new bulk annuity policies, in line with its business model.

2.9 SWL's Capital Management Plan

- 2.9.1 Paragraph 5.6.7 of my Main Report describes the Scottish Widows Group (SWG) Capital Management Plan, which is also SWL's Capital Management Plan. The Capital Management Plan sets out actions that may be taken to improve the solvency position of SWG or SWL. Since the date of my Main Report, SWL has made a change to its Capital Management Plan by including one further possible mitigating action in addition to those listed in paragraph 5.6.7 of my Main Report. The new action is categorised as a material action and is to use reinsurance to accelerate the sale of parts of its business (with the sale of parts of the business being a pre-existing management action).

2.9.2 This change does not alter the conclusion I reached in paragraph 8.2.39 of my Main Report that the main options to improve solvency open to both SWL and Rothesay are similar. This contributed to my conclusion in paragraph 8.2.44 of my Main Report, which also remains unchanged, that the change for the Transferring Policyholders to be covered by Rothesay's capital management policy rather than SWL's capital management policy will not have a material adverse effect on their security of benefits.

2.10 Bespoke loan arrangements

2.10.1 Paragraph 7.4.4 of my Main Report describes 50 loan arrangements that SWL had with 23 borrowers (the FW Assets). In my Main Report, I noted that SWL was planning to transfer some of these FW Assets to Rothesay under the terms of the Reinsurance Agreement prior to the Scheme Effective Date, and that the remainder were expected to be transferred to Rothesay on the Scheme Effective Date as part of the Scheme.

2.10.2 The Companies have confirmed to me that five of the FW Assets (owned by four borrowers) have been transferred and that the remainder will transfer on the Scheme Effective Date.

2.10.3 The progress in the transfer of the FW Assets does not affect my conclusions on the Scheme.

2.11 Economic sanctions

2.11.1 In my Main Report I stated that SWL had informed me that none of the policyholders or assets included in the Transferring Business were subject to economic sanctions that would restrict their transfer from SWL to Rothesay.

2.11.2 SWL has confirmed to me that, at 25 April 2025, this remains the position. SWL continues to follow Lloyds Banking Group's (LBG's) processes for determining whether sanctions apply, which includes frequent checking of the sanctions list.

2.12 Consumer Duty assessments

2.12.1 Since the date of my Main Report, both Companies have produced further Consumer Duty assessments that are relevant to their bulk annuity businesses.

2.12.2 SWL undertook a Consumer Duty review of its bulk annuity business in November 2024, with the review report produced in December 2024. Rothesay's annual Consumer Duty assessment was completed in April 2025.

2.12.3 Both reports indicate that the Companies are meeting Consumer Duty requirements, with both Companies having implemented the monitoring of outcomes for policyholders and governance arrangements for the monitoring process. Each of the Companies have identified improvements that they can make to enhance the monitoring of outcomes and actions that they have taken or are planning to take to improve interactions with policyholders and the overall policyholder experience.

2.12.4 I have reviewed both reports and the monitoring outcomes. I have identified no material differences that are expected to have an adverse impact on the Transferring Policyholders if the Scheme is implemented. In my opinion both Companies are taking a rigorous approach to ongoing monitoring of operational performance in respect of the Consumer Duty and are committed to make improvements where identified.

2.12.5 Since I wrote my Main Report, the FCA requirement for firms to have a Consumer Duty champion has been removed. Both Companies have confirmed that they continue to have a Consumer Duty champion and do not have any immediate plans to remove this role. Both Companies are committed to ensuring that the Consumer Duty has appropriate ongoing senior management focus.

2.13 Rothesay Board

2.13.1 In April 2025, Rothesay announced changes to its Board. In particular:

- the current chair of the Rothesay Board will be stepping down on 30 June 2025;
- a new independent non-executive director (iNED) joined the Rothesay Board in April 2025; and
- the new iNED will be the designate chair of the Rothesay Board from 1 May 2025, and is expected to take over as chair of the Rothesay Board from 1 July 2025.

2.13.2 The upcoming change to the chair of the Rothesay Board is not connected to the proposed transfer and does not affect my conclusions on the Scheme.

2.14 Recent financial market volatility

2.14.1 In early April 2025, global equity, bond and currency markets experienced a significant increase in volatility, which was driven by the introduction, or potential introduction, of tariffs and other trade barriers in a number of countries.

2.14.2 The Companies have been monitoring the impact of the changing market conditions on their financial strength. I review and comment on the impact on SWL's and Rothesay's financial strength in sub-sections 3.2 and 3.3 respectively.

3 The financial position of the Companies

3.1 Introduction

3.1.1 In my Main Report, I considered the impact the Scheme will have on the security of policyholders' benefits by comparing the sources of benefit security provided by the Companies including:

- the extent of assets held by each of the Companies in respect of their Technical Provisions (broadly the value of insurance liabilities) and Solvency Capital Requirements (SCR), (their regulatory capital requirements); and
- assets held by each of the Companies in addition to their regulatory capital requirements.

3.1.2 For my Main Report, I primarily considered the financial position, or solvency position, of the Companies as at 30 June 2024. I also considered estimates of their financial positions as at 30 September 2024.

3.1.3 In my Supplementary Report I consider the Companies' financial results as at 31 December 2024, which are based on audited information.

3.1.4 The financial positions of the Companies are calculated in accordance with the Solvency II framework, as set out in sub-section 4.3 of my Main Report. Since the 30 June 2024 position that I considered in my Main Report, the Companies have implemented the Solvency UK reforms as discussed in sub-section 2.4 above. The Solvency UK reforms do not have a material impact on either of the Companies' solvency positions, aligned with expectations set out in paragraphs 5.5.10 and 6.5.10 of my Main Report. The Companies have also updated the assumptions they use in their calculations. I have reviewed the assumptions used to produce the 31 December 2024 financial positions and note that these assumptions have been externally audited. I am content that the changes the Companies have made are appropriate within the regulatory framework and they do not change my conclusions on the Scheme.

3.1.5 Based on the updated information provided to me on the financial positions of the Companies, I am satisfied that both continue to hold capital resources at least equal to their respective targets and this is expected to remain the case following implementation of the Scheme. Furthermore, I have reviewed Rothesay's updated financial projections and stress testing results which show that its solvency position is expected to remain strong and that it can withstand a range of extreme adverse scenarios. My conclusions in respect of the security of policyholders' benefits are therefore unaffected by this new information.

3.2 SWL's financial position

Position as at 31 December 2024

3.2.1 Table 3.1 compares the regulatory solvency position of SWL immediately before and after the transfer (on a pro-forma basis), as at both 30 June 2024 (as shown in Table 9.1 of my Main Report) and 31 December 2024. In both cases, the transfer is assumed to have taken place at the balance sheet date, and the post-transfer results are estimates. The pre-transfer position reflects the Reinsurance Agreement currently in place between SWL and Rothesay, which transfers the economic risks and rewards associated with a material part of the Transferring Business to Rothesay.

Table 3.1: Impact of the Scheme on SWL's pro-forma regulatory solvency position⁶

	30 June 2024			31 December 2024		
	Pre-transfer £m	Post-transfer £m	Impact £m	Pre-transfer £m	Post-transfer £m	Impact £m
Own Funds (A)	5,064	5,088	24	4,738	4,760	22
Solvency Capital Requirement (B)	3,295	3,278	(17)	3,291	3,275	(17)
Excess capital (=A-B)	1,769	1,809	40	1,447	1,486	39
SCR cover ratio (%) (=A/B)	154%	155%	2%	144%	145%	1%

Source: SWL

3.2.2 Table 3.1 shows that whilst SWL's Own Funds have decreased between 30 June 2024 and 31 December 2024, the SCR has remained relatively stable. As a result, the SCR cover ratio has decreased. The SCR cover ratio still remains above SWL's capital target level. Key contributions to the movement in Own funds and, consequently, the SCR cover ratio from 30 June 2024 to 31 December 2024 are:

- Dividends paid or foreseeable, where foreseeable dividends are excluded from Own Funds, totalling £130m.
- The impact of SWL's annual basis review that led to changes in the assumptions it uses to value liabilities.

3.2.3 The impact of the Scheme on SWL's regulatory solvency position has not materially changed between 30 June 2024 and 31 December 2024. The solvency position is expected to improve slightly following the transfer due to the release of the counterparty risk capital currently held by SWL in respect of the Reinsurance Agreement with Rothesay. Based on the position at 31 December 2024, SWL would continue to have capital in excess of the level required by its capital management policy (as described in sub-section 5.6 of my Main Report) immediately post-transfer, thereby providing a high level of benefit security to its policyholders.

3.2.4 SWL uses the TMTP and the Matching Adjustment (MA) in calculating its solvency position. These elements of the solvency regulations are explained in paragraph 4.3.21 of my Main Report. The amount of TMTP as at 31 December 2024 was £351m for SWL (equivalent to 11% of SWL's SCR and 0.2% of SWL's BEL). This will run down to zero by 1 January 2032 in line with the Solvency II rules. The impact of removing the MA as at 31 December 2024 would have been to increase SWL's BEL by £1.0bn (1%), to reduce Own Funds by £0.6bn (13%) and to increase the SCR by £1.7bn (52%). If the MA is removed, then there will also be a change in the TMTP. However, as noted in paragraph 2.4.2, SWL is now using the simplified TMTP element of the Solvency UK reforms and SWL has publicly disclosed that, if the benefit of the MA was removed, the change in value of the simplified TMTP would be small.

⁶ Note that, as previously stated in paragraph 2.2.2, all tables in my Report may include rounding differences where totals or the differences between two numbers are shown. Such rounding differences are present on Table 3.1.

3.2.5 The updated financial position of SWL as at 31 December 2024, including the extent of the benefits of the TMTP and MA, does not change my conclusions on the Scheme.

Recent and upcoming events

3.2.6 SWL paid a dividend of £60m in February 2025 to SWG. This dividend is reflected in the financial results shown above despite being paid after the balance sheet date.

3.2.7 SWL has provided me with an estimate of its regulatory solvency position as at 31 March 2025, together with estimates of how the increase in volatility in global equity, bond and currency markets experienced in early April 2025 has affected SWL's financial strength. My conclusions in respect of the security of policyholders' benefits are unaffected by this information.

3.3 Rothesay's financial position

Position as at 31 December 2024

3.3.1 Table 3.2 below compares the regulatory solvency position of Rothesay immediately before and after the transfer (on a pro-forma basis), as at both 30 June 2024 (as shown in Table 10.1 of my Main Report) and 31 December 2024. In both cases, the transfer is assumed to have taken place at the balance sheet date, and the post-transfer results are estimates. The pre-transfer position reflects the Reinsurance Agreement currently in place between SWL and Rothesay, which transfers the economic risks and rewards associated with a material part of the Transferring Business to Rothesay.

Table 3.2: Impact of the Scheme on Rothesay's pro-forma regulatory solvency position

	30 June 2024			31 December 2024		
	Pre-transfer £m	Post-transfer £m	Impact £m	Pre-transfer £m	Post-transfer £m	Impact £m
Own Funds (A)	8,667	8,667	0	8,628	8,628	0
Solvency Capital Requirement (B)	3,506	3,506	0	3,262	3,262	0
Excess capital (=A-B)	5,161	5,161	0	5,366	5,366	0
SCR cover ratio (%) (=A/B)	247%	247%	0%	264%	264%	0%

Source: Rothesay

3.3.2 Table 3.2 shows that the size of Rothesay's Own Funds has not materially changed between 30 June 2024 and 31 December 2024, while its SCR cover ratio has increased over the period. Profits arising over the period from Rothesay's in-force portfolio made a positive contribution to Own Funds and largely offset the payment of a dividend. The increase in SCR cover ratio is explained by the fall in the SCR, which is primarily due to changes in economic conditions and an increase in the amount of longevity reinsurance in place.

- 3.3.3 Rothesay's SCR cover ratio is not expected to materially change as a result of the Scheme. There may be some small, positive impacts post-Scheme due to potential changes in expenses (for example, by realising cost efficiencies) and investments (for example, direct and unencumbered ownership of the assets backing the liabilities may allow for improved asset-liability management and investment risk management). These impacts are not expected to be material or immediate.
- 3.3.4 Based on the position at 31 December 2024, Rothesay would continue to have capital in excess of the level required by its capital management policy (as described in sub-section 6.6 of my Main Report) immediately post-Scheme, thereby providing a high level of benefit security for policyholders. Rothesay has not paid any dividends to date in 2025 and has no plans to do so ahead of the Scheme Effective Date.
- 3.3.5 Similar to SWL, Rothesay uses the TMTP and the MA in calculating its solvency position. Rothesay also uses the volatility adjustment (VA), which is explained in paragraph 4.3.21 of my Main Report. The amount of TMTP as at 31 December 2024 was £177m for Rothesay (equivalent to 5% of Rothesay's SCR and 0.3% of Rothesay's BEL) and this will run down to zero by 1 January 2032 in line with the Solvency II rules. The impact of removing the VA as at 31 December 2024 would have been to increase Rothesay's BEL by £0.1bn (0.2%), to reduce Own Funds by £0.1bn (0.6%) and to increase the SCR by £0.03bn (1.0%). The impact of removing the MA as at 31 December 2024 would have been to increase Rothesay's BEL by £7.5bn (13%), to reduce Own Funds by £6.4bn (74%) and to increase the SCR by around £8.7bn (266%). As noted in paragraph 2.4.3, Rothesay has received permission from the PRA to not use the simplified TMTP element of Solvency UK reforms, subject to it meeting relevant criteria set by the PRA. Consequently, subject to PRA approval, the impacts of removing the MA would have been partly offset by an increase in the TMTP. Rothesay has publicly disclosed that after recalculation of the TMTP, the impact on its Own Funds would have been a reduction of £4.6bn (53%) compared to the £6.4bn noted earlier. The updated financial position of Rothesay as at 31 December 2024, including the extent of the benefits of the TMTP, MA and VA, does not change my conclusions on the Scheme.

Recent and upcoming events

- 3.3.6 Rothesay has provided me with an estimate of its regulatory solvency position as at 31 March 2025, together with estimates of how the increase in volatility in global equity, bond and currency markets experienced in early April 2025 has affected Rothesay's financial strength. My conclusions in respect of the security of policyholders' benefits are unaffected by this information.

4 Policyholder communications

4.1 Introduction

4.1.1 In this section, I set out relevant information concerning the communication of the proposed transfer to policyholders and any responses from policyholders. I have relied upon information concerning communications to policyholders and their responses that has been provided to me by the Companies. This information has also been, or will be, included in the Companies' witness statements to the Court, so I believe it is reasonable for me to rely on its accuracy.

4.1.2 Based on the information presented to me by the Companies, I am satisfied that the communications plan has been carried out as intended, with Policyholder Communication Packs (described in paragraph 7.9.7 of my Main report) distributed to relevant policyholders in good time ahead of the Sanction Hearing.

4.1.3 I have considered the issues and objections raised by policyholders in their correspondence to date and have reviewed the responses provided by the Companies. I am satisfied that policyholders who have wished to raise an objection have had appropriate opportunities to do so and the Companies have responded to the objections raised fully and in an appropriate manner. My conclusions on the Scheme currently remain unchanged. In the event that any further objections to the Scheme are received by either of the Companies after the date of the data used for my Supplementary Report but prior to the Sanction Hearing, I will review the further objections and associated correspondence and provide the Court with my views on the further objections in a separate document.

4.2 Communications to policyholders

4.2.1 The Companies' intended approach to communicating with their policyholders was set out in sub-section 7.9 of my Main Report. The Companies have confirmed to me that they have now communicated with their policyholders in accordance with that plan.

4.2.2 As per paragraph 7.9.5 of my Main Report, SWL placed notices of the transfer in each of:

- The London, Edinburgh and Belfast Gazettes (10 January 2025)
- The Daily Mail (14 January 2025)
- The Sun (11 January 2025)
- The Daily Telegraph (16 January 2025)
- The Financial Times (13 January 2025).

4.2.3 As per paragraph 7.9.6 of my Main Report, information about the transfer has been made available on each of SWL's and Rothesay's websites. Both websites include the full Scheme document, a summary of the Scheme, my Main Report and a summary of my Main Report (and this Report when it is available). In addition:

- The SWL website includes the SWL Chief Actuary's report, the SWL With Profits Actuary's report (and the supplementary reports from the SWL Chief Actuary and the SWL With Profits Actuary when they are available).
- The Rothesay website includes the Rothesay Chief Actuary's report (and the Rothesay Chief Actuary's Supplementary Report when it is available).

- 4.2.4 As noted in Table 2.1 above, as at 31 December 2024 there were 34,276 annuities included in the Transferring Policies. Of these, 6,651 were individual annuitants who held SWL buyout policies. The remaining 27,625 annuitants were underlying beneficiaries of one of the 21 pension schemes that held one or more SWL buy-in policies.
- 4.2.5 As noted in sub-section 7.9 of my Main Report, the Companies sought a waiver from the Court in respect of the requirement to notify all policyholders affected by the transfer. This waiver was granted by the Court at the Directions Hearing.
- 4.2.6 In accordance with this waiver:
- SWL dispatched a total of 6,657 Policyholder Communication Packs to Transferring Policyholders.
 - Policyholder Communication Packs were mailed to the trustees of 20 of the 21 pension schemes that hold one or more SWL buy-in policies. The trustee of the remaining scheme elected to receive the pack by email. The trustee mailing, including the trustee email, was completed on 10 January 2025.
 - The packs sent to trustees included letter templates that the trustees could use to inform their underlying members of the Scheme, if they so wished. SWL understands from its communications with trustees that 13 of the 21 trustees were planning to inform their members, covering approximately 70% of the underlying beneficiaries of the buy-in policies included in the Scheme. The timing and format of the communication from the pensions scheme trustees to their members is at the discretion of the pension scheme trustees. SWL will not necessarily be informed when communications have been sent or see the format of the communications, although at least some trustees are expected to use the template provided by SWL.
 - A Policyholder Communication Pack was mailed to the Lloyds Banking Group Pension Trustees Limited as trustee of the three pension schemes that hold the four Ambrosia policies. This mailing was completed on 13 January 2025.
 - Of the 6,651 Transferring Policies that were in-force buyout policies (individual annuitants) as at 31 December 2024, six policies were excluded from the mailing as SWL did not have the policyholders' current addresses and a further 10 policies were excluded as SWL had received notification of these policyholders' deaths and there was no dependant's benefit under the policies. 6,565 Policyholder Communication Packs were mailed directly to buyout policyholders, including two in large print. All regular print mailings were sent on 9 January 2025 and the large print mailings were sent on 13 January 2025. Four individual policyholders resident in the UK and four overseas individual policyholders received their Policyholder Communication Pack by email (on 9 January 2025) as they had indicated a preference for paper-free communication. None of these emails have been recorded as undelivered. In nine cases, the Policyholder Communication Pack was sent to executors or personal representatives where deaths had been notified in advance of the mailing date and benefits remain payable (and in two of those cases, the Policyholder Communication Pack was sent by email as the recipients had indicated a preference for paper-free communication). The mailings and emails were sent to executors or personal representatives on 31 January 2025. In 48 cases, the Policyholder Communication Pack was mailed to a power of attorney (on 9 January 2025). All overseas policyholders, except the four who had opted for paper-free communication, were sent the Policyholder Communication Pack by mail. Where SWL also held an email address on record, the overseas policyholders were also sent the Policyholder Communication Pack by email. One of those overseas policyholder emails was recorded as undelivered. As the policyholder had already been sent the Policyholder Communication Pack by mail, SWL took no further action. In five cases the policyholder is not in receipt of any benefits,

but a contingent benefit is payable to a beneficiary in the event of the policyholder's death. For these five cases, the Policyholder Communication Packs were sent on 28 February 2025. After making an allowance for the time taken for the mailing to reach the beneficiary in these five cases, each beneficiary has had nine to ten weeks to consider the transfer ahead of the Sanction Hearing. This is in excess of the expectation set in the FCA Guidance to usually give at least six to eight weeks' notice⁷. I am satisfied that these beneficiaries will have had sufficient time to consider the Policyholder Communications Pack sent to them. In total, 6,635 Policyholder Communication Packs were issued to individual policyholders or their representatives (either by mail or email).

- 4.2.7 In paragraphs 7.9.15 and 8.4.3 of my Main Report, I commented on SWL's attempts to trace the six policyholders for whom it does not have a current address. SWL has not been successful in tracing these policyholders. I am satisfied that SWL has taken all reasonable measures to trace these policyholders.
- 4.2.8 Two of the Policyholder Communication Packs that were issued on 9 January 2025 have been returned to SWL as undelivered. The two packs returned were:
- one issued to a main beneficiary, returned on 6 March 2025; and
 - one issued to a contingent beneficiary, returned on 11 March 2025.
- 4.2.9 SWL commissioned traces on these Transferring Policyholders, which were successful. SWL was able to email the two policyholders, on 31 March 2025 and 3 April 2025 respectively, and followed this up by sending the Policyholder Communication Packs by post on 9 April 2025. The covering email sent to these two Transferring Policyholders outlined the purpose of the email and stated that it was important for the recipients to read the information carefully. Although one of these policyholders will have received slightly less than six weeks' notice, noting the FCA Guidance is to usually give at least six to eight weeks' notice, this was not fully within the control of SWL as the policyholders had failed to inform SWL of their change in address. I am content that the actions taken to inform the two policyholders were reasonable.
- 4.2.10 No other Policy Communication Packs have been returned to SWL as undelivered. 124 of the policyholders included in the mailing have an overseas address. SWL has received queries on the transfer from policyholders resident both in the UK and overseas, indicating that the Policyholder Communication Packs have been successfully delivered.
- 4.2.11 SWL Non-Transferring Policyholders and Rothesay Existing Policyholders were not notified of the Scheme directly, in line with the waiver sought and granted by the Court at the Directions Hearing.

4.3 Objections raised by SWL policyholders

Overview

- 4.3.1 Policyholders (and other interested parties) are entitled to object to a proposed Part VII transfer if they believe that they will be adversely affected by it. The Court will take these objections into account in reaching its decision at the Sanction Hearing.

⁷ See paragraph 7.39 of FCA Finalised Guidance [FG22/1: The FCA's approach to the review of Part VII insurance business transfers](#).

- 4.3.2 As at 25 April 2025, SWL had received 132 responses from Transferring Policyholders and other interested parties in relation to the Scheme. The interested parties are twelve non-policyholders, three borrowers in relation to the FW Assets, and one company within the LBG group of companies. Many of those responding were seeking clarifications or specific information and were not objecting to the Scheme. In general, I have relied upon SWL's classification that the policyholders and others seeking clarifications or specific information are not objecting to the Scheme. However, I have reviewed a sample of such cases, and I can confirm that I am content with how they have been classified. I am also satisfied that SWL's responses were reasonable and made appropriate allowances for characteristics of vulnerability.
- 4.3.3 As at 25 April 2025, SWL has informed me that it had received communications from five policyholders that it has classified as objections to the transfer, all of which are from holders of Transferring Policies. Four of these objections were raised in writing and one by telephone call.
- 4.3.4 Where the objections were raised in writing, I have seen the correspondence from the policyholder. Where the objection was raised over a telephone call, I have seen a transcript of the call. I have also reviewed the responses provided by SWL and I consider that they appropriately address the material issues raised.
- 4.3.5 I have summarised the issues raised in objections by SWL policyholders below. I note that on some occasions an objecting policyholder raised multiple issues. The issues raised are:
- That Rothesay and/ or SWL would profit from the transfer and policyholders would lose out as a result.
 - That the financial strength of Rothesay is weaker than SWL and this poses a long-term risk to payment of their pension or that their current exposure to Rothesay will be increased as they currently have an interest in another Rothesay insurance policy.
 - That the policyholder wants to cash out their policy because of the transfer.
 - That this is the second time the policyholder's pension provider has changed in a short space of time.
 - That the policyholder is concerned that the Transfer Guide included in the Communication Pack does not provide any information about the effect of inflation on their pension payments.
 - That it is unfair that the pension payable to a spouse in the event of the policyholder's death may be reduced by the Scheme due to a large age difference between the policyholder and their spouse.
- 4.3.6 In addition, one policyholder has objected but has not provided a reason for their objection.
- 4.3.7 All policyholders who have been classified as having objected to the Scheme have been offered a copy of my Supplementary Report. SWL intends to inform each objecting policyholder when my Supplementary Report has been published, and will repeat their offer to provide a copy of any Scheme documents.
- 4.3.8 I provide my views on the issues raised in the paragraphs below.
- ### Fairness and profit
- 4.3.9 One policyholder raised concerns that the Companies involved in the transfer are making a financial profit from the transfer and that policyholders were losing out as a result.

- 4.3.10 As noted in sub-section 7.10 and paragraph 8.7.24 of my Main Report, the Companies will meet all costs related to the transfer and none of these costs will be passed on to the Transferring Policyholders or other policyholders of either SWL or Rothesay.
- 4.3.11 As noted in paragraph 8.3.19 of my Main Report, no changes will be made to the terms and conditions of any of the Transferring Policies as a result of the Scheme and guaranteed benefit amounts, including any applicable inflationary increases, and payment dates will be unchanged.
- 4.3.12 Where discretion is applied, when a policyholder exercises an option to change their guaranteed benefit to another form or benefit or, in some circumstances, when a Young Spouse Reduction is applied, the resulting benefit under Rothesay's bases may differ to that under SWL's bases. This is discussed in detail in paragraphs 8.3.20 to 8.3.51 of my Main Report. Depending upon the exact circumstances, this may lead to the amount of benefit being higher or lower under Rothesay's bases compared to SWL's bases for individual policyholders. However, in aggregate, there is no material difference in the value of benefits calculated using discretion under Rothesay's bases compared to SWL's bases. For this reason, in my opinion, Rothesay is not profiting from the changes to discretionary bases at the expense of the Transferring Policyholders. Also, as outlined in sub-section 2.6, SWL and Rothesay are taking action to reduce the impact on individual policyholders likely to be most negatively affected by the changes to discretionary bases post-transfer.
- 4.3.13 SWL's reasons for implementing the Scheme are summarised in paragraph 2.2.4 of my Main Report. In my opinion, the implementation of the Scheme does not result in either of the Companies profiting at the expense of the Transferring Policyholders.

Rothesay financial strength and exposure to Rothesay

- 4.3.14 One policyholder raised concerns that they did not believe Rothesay to be as financially secure as SWL.
- 4.3.15 One policyholder, whose spouse already has a pension policy with Rothesay, raised a concern that, following the transfer, both of the couple's pensions would be with Rothesay rather than with two separate companies and that this would have a significant impact on them should Rothesay become unable to pay their benefits.
- 4.3.16 Sub-section 8.2 of my Main Report found that the level of benefit security provided by the two Companies is similarly high and stated that I am satisfied that the implementation of the Scheme will have no material adverse effect on the benefit security provided to the Transferring Policyholders. I have reviewed updated financial information relating to both SWL and Rothesay as at 31 December 2024, and my opinion remains unchanged.
- 4.3.17 In addition, as I noted in sub-section 4.6 of my Main Report, most Transferring Policyholders are eligible for compensation from the Financial Services Compensation Scheme (FSCS). This means that in the unlikely event of the insolvency of the insurer such that the insurer is unable to pay policyholder benefits in part or in full, the FSCS will arrange for 100% of any successful eligible claim to be paid, meaning eligible policyholders should receive or continue to receive their guaranteed benefits even if the insurance company fails. The policyholders that have raised this objection are both eligible for this FSCS protection (as is the spouse of the policyholder referred to in paragraph 4.3.15).

Cashing out policy

- 4.3.18 One policyholder who objected to the Scheme wanted to take a lump sum payment and cease their regular annuity payments because of the Scheme. This action is not permitted under the terms and conditions of the policy, which are unchanged by the Scheme. In most circumstances, taking some or all of the benefit as a lump sum payment (either as a cash commutation or a transfer out which, for a transfer out, must be transferred to another pension provider) is only available as an option to the Transferring Annuitant if they are not already in receipt of regular annuity payments. A Transferring Annuitant may also be eligible to take all their benefit as a lump sum payment (trivial commutation) at the point in time when their regular annuity payments begin, if the total value of the benefit, including pensions not with SWL, is lower than a specified threshold. As this policyholder is already in receipt of regular annuity payments, neither of these options are available under the terms and conditions of their policy.

Frequent change in pension provider

- 4.3.19 One policyholder objected because the Scheme would result in their pension provider changing for the second time within the last 3 years. This was the same policyholder that asked to take a lump sum payment discussed in paragraph 4.3.18.
- 4.3.20 The first time their pension provider changed was when the trustees of the pension scheme that the policyholder was a member of bought a buyout policy on behalf of its members. The Scheme would be the first time this policyholder's pension provider would change from one insurer to another.
- 4.3.21 I note that this policyholder has an in-payment annuity and is receiving their regular pension. The terms and conditions of the policyholder's policy are not changing, and neither are their benefits.
- 4.3.22 In sub-section 7.2 of my Main Report, I set out the reasons for SWL taking the decision to sell this business to Rothesay. I consider these reasonable. Furthermore, I have concluded that the Scheme will have no material adverse effect on the Transferring Policyholders.

Impact of inflation on future pension payments

- 4.3.23 One policyholder has objected to the Scheme because the Transfer Guide provided by SWL as part of the Policyholder Communication Pack did not mention the impact of inflation on future pension payments.
- 4.3.24 The primary purpose of the Transfer Guide is to provide information on how the Scheme may affect Transferring Policyholders. The Scheme does not change the way that inflation impacts on future pension payments or the way in which pension payments are increased once they become payable, for those policies that receive inflationary increases.
- 4.3.25 This policyholder has an in-payment annuity and is receiving their regular pension. These regular pension payments form the policyholder's guaranteed benefits.
- 4.3.26 In sub-section 8.3 of my Main Report, I have set out that guaranteed benefit amounts, including any applicable inflationary increases, will be unchanged by the Scheme.

Reduced pension to younger spouses

- 4.3.27 One policyholder has objected to the Scheme because they considered it unfair that, following their death, the pension payable to their spouse could be reduced if there is a large age difference between the policyholder and their spouse, with the spouse being younger.

- 4.3.28 In sub-section 8.3 of my Main Report I explain that such reductions, referred to as Young Spouse Reductions (YSRs), are only applicable to some of the Transferring Policies and that these reductions are part of the existing contractual terms and conditions for the relevant policies. The terms and conditions of all Transferring Policies are unchanged by the Scheme.
- 4.3.29 Furthermore, the terms and conditions of the policy held by the objecting policyholder are such that no YSR will be applied to their policy.

No reason provided

- 4.3.30 One policyholder has objected to the Scheme but has not provided a reason for doing so. SWL has engaged with this policyholder to provide further information about the Scheme and to try to understand their objection further. Although, through this engagement, the policyholder has not articulated a reason for their objection, they have told SWL that they have been reassured by the further information provided and requested a copy of my Summary Report, which SWL has provided.
- 4.3.31 I have concluded that the Scheme will have no material adverse effect on the Transferring Policyholders.

4.4 Communications from Rothesay policyholders

- 4.4.1 Rothesay has been contacted by three of its existing policyholders in relation to the Scheme, one of whom has contacted me directly.
- 4.4.2 I have reviewed the initial queries from the two policyholders that have not contacted me directly. I agree with Rothesay's assessment that these policyholders were not objecting to the Scheme. Neither of these policyholders have any vulnerable characteristics recorded. Given the simplistic nature of the queries, I have reviewed just one of the Rothesay responses, and I agree that it was appropriate.
- 4.4.3 Rothesay has also been contacted by two SWL policyholders. Both enquiries have been referred to SWL to respond and are included in the SWL policyholder enquiry statistics stated in paragraph 4.3.2.
- 4.4.4 The policyholder that has contacted me directly has sent a large volume of communications since 9 January 2025 and has stated their intention to attend the Sanction Hearing. I have had several telephone calls with, and received over 150 emails from, the policyholder, either as the main recipient or by way of being copied into emails addressed to other parties, including Rothesay. The policyholder's direct communications with me that are relevant to my consideration of the Scheme cover the same issues and themes as those that the policyholder has raised with Rothesay.
- 4.4.5 Paper documents written by Rothesay and sent to this policyholder have been provided in large font to address a known vulnerability. Electronic communications that allow on-screen enlargement and which have not also been sent as paper mail have not been in large font. This is consistent with the policyholder's own electronic communications.
- 4.4.6 This policyholder has stated that they do not want to be classified as an objector to the Scheme but has raised a number of specific issues that warrant my consideration. I will categorise the issues between:
- concerns about their annuity policy and their interactions with Rothesay; and
 - concerns related to the Part VII transfer process.

4.4.7 I discuss the issues raised in each of these categories below. Rothesay responded to the policyholder on 4 February 2025. I have reviewed that response and consider that it appropriately addresses the material issues raised by the policyholder. I have also provided my own response to the policyholder, which has been, or will be, shared with the Companies, the PRA, the FCA and the Court.

Concerns about their annuity policy and interactions with Rothesay

4.4.8 The policyholder has raised various concerns regarding his experience with Rothesay. The policyholder's policy was transferred to Rothesay from Prudential Assurance Company (PAC) in late 2021, under a Part VII transfer. Since that transfer, the policyholder has been in dispute with Rothesay over confirmation of the terms and conditions applicable to his policy and the provision of evidence to prove the policy was actually transferred from PAC to Rothesay. The policyholder has also expressed dissatisfaction with the way Rothesay has interacted with him over this period of dispute. Rothesay has been unable to pay the policyholder's benefits since the policy was transferred to it from PAC as the policyholder has not provided information to allow payments to be made.

4.4.9 The scope of my role as Independent Expert for the Scheme does not extend to arbitrating such disputes, but I have considered whether the policyholder's experience provides me with new information that may affect my conclusions when assessing whether the Scheme will have a material adverse effect on service standards, management and governance for Transferring Policyholders compared to their current position.

4.4.10 Part of the policyholder's dispute with Rothesay appears to stem from PAC's administrative procedures that meant certain documents that form part of the insurance contract were not held against individual policy records transferred from PAC to Rothesay. There are no such issues or ambiguities for the Transferring Policyholders under the Scheme.

4.4.11 I also need to consider if the concerns raised by the policyholder with regards to his interactions with Rothesay are likely to lead to a material adverse effect on the Transferring Policyholders compared to their current position.

4.4.12 Having reviewed correspondence from both the policyholder and Rothesay, my view is that the circumstances of the policyholder's dispute are not typical of Rothesay's interactions with its policyholders. In my opinion, Rothesay acted reasonably in respect of information provided to the policyholder shortly after the transfer from PAC to Rothesay and many of the subsequent concerns stem from a difference in opinion between the policyholder and Rothesay as to the reasonableness of ongoing interactions (in particular, repeated requests by the policyholder for additional information that Rothesay was unable or, on reasonable grounds, unwilling to provide, or on matters that Rothesay had considered it had addressed). I consider that, overall, Rothesay has acted reasonably and such a difference in opinion is unlikely to occur for the Transferring Policyholders given the absence of issues or ambiguities in the contractual documents that will be transferred for the Transferring Policies. Some of the policyholder's concerns relate to Rothesay's third-party administrator of his policy, which is not Aptia and, therefore, not of particular relevance to the Transferring Policyholders, whose policies will continue to be administered by Aptia. Furthermore, I do not consider the policyholder's concerns relating to the third-party administrator to be significant.

- 4.4.13 Some of the policyholder's concerns are connected to him residing overseas, which include issues with the addressing and delivery of paper mail and initially being given inaccurate information on the payment of annuities overseas, which was subsequently corrected by Rothesay. As some of the Transferring Policyholders are based overseas, it is appropriate for me to consider whether the Transferring Policyholders that reside overseas are likely to be adversely affected by the proposed transfer in general, or specifically as a result of the concerns raised by the policyholder. Rothesay currently pays a material number of annuities to overseas policyholders. I have considered Rothesay's complaints data in general and, in particular, complaints data from Rothesay's overseas policyholders on similar issues to those raised by the policyholder over the five-year period 2020 to 2024. The numbers of complaints on similar issues, which include those made by the policyholder, are small, suggesting such incidents are isolated rather than widespread. Given this, the concerns raised by the policyholder do not change my opinion that the Scheme will have no material adverse impact on the Transferring Policyholders that reside overseas.
- 4.4.14 Most, if not all, insurance companies will take actions or make mistakes from time to time which will lead to complaints or disputes between the firm and a policyholder. In most circumstances such disputes can be resolved between the firm and the policyholder, each acting reasonably. Where resolution cannot be agreed due to a remaining difference of opinion or disagreement, the appropriate route is for the policyholder to escalate a complaint with the Financial Ombudsman Service (FOS).
- 4.4.15 I have considered updated complaints data of both Rothesay and SWL, including FOS referrals and outcomes. I have also considered that administration of the Transferring Policyholders will continue to be performed by Aptia.
- 4.4.16 Taking the above into account, in my opinion, the Transferring Policyholders are unlikely to find themselves in an unresolved dispute similar to that of the policyholder. Furthermore, taking the above into account, the issues raised by the policyholder do not change my opinion that the Scheme will have no material adverse effect on Transferring Policyholders with regards to service standards, management and governance.

Concerns related to the Part VII process

- 4.4.17 The policyholder has raised concerns that:
- he was prevented from attending the Directions Hearing and has been denied information and documents in relation to the Scheme and the outcome of the Directions Hearing; and
 - information on how he can contact the Court in advance of the Sanction Hearing has been withheld.
- 4.4.18 I am satisfied that:
- both Companies have met all legal requirements in relation to the provision of information and communication of the Scheme to affected policyholders, including the Rothesay policyholder who has raised a number of specific issues; and
 - the policyholder has been given reasonable information in relation to how he can contact the Court in advance of the Sanction Hearing.

- 4.4.19 The policyholder has also questioned my independence and requested copies of the full contractual terms between Barnett Waddingham LLP and the Companies, which have not been provided to the policyholder as appropriate disclosure of the engagement terms between Barnett Waddingham LPP and the Companies is included at Appendix D of my Main Report. In sub-section 1.3 of my Main Report, I have set out information about my qualifications and disclosures, where I comment on my independence.
- 4.4.20 It is the role of the PRA and the FCA to determine the appropriateness of the appointment of the Independent Expert. As stated in paragraph 1.2.3 of my Main Report, my appointment as Independent Expert was approved by the PRA after consulting with the FCA.

5 Conclusions

5.1 Summary

5.1.1 In my Main Report, I concluded that I was satisfied that the implementation of the Scheme will not have a material adverse effect on:

- the security of the benefits of the policyholders of SWL and Rothesay, including the Transferring Policyholders
- the reasonable expectations of the policyholders of SWL and Rothesay, including the Transferring Policyholders, in respect of their benefit expectations, service standards, management and governance
- the four reinsurers whose contracts with SWL will be transferred to Rothesay by the Scheme.

5.1.2 The purpose of this Report is to consider the information that has become available and events that have occurred subsequent to the date of my Main Report. In particular, I have considered:

- The financial position of the Companies - Based on the updated information provided to me on the financial positions of the Companies, I am satisfied that both companies continue to hold capital resources at least equal to their respective targets and this is expected to remain the case following implementation of the Scheme. My conclusions in respect of the security of policyholders' benefits are unaffected by this new information.
- The outcome of the Companies' commitment to addressing the FCA's request to consider whether additional measures could be taken to mitigate the impact of the Scheme on the discretionary benefits some Transferring Annuitants may receive - Since the publication of my Main Report, the Companies have carried out work to address the FCA's request. The outcome is that, for a sub-set of the Transferring Annuitants and in certain circumstances, Rothesay will increase the amount it would otherwise pay when calculating specific discretionary benefits. This does not affect my conclusions with respect to the impact of the Scheme on benefit expectations.
- Progress against the Companies' Separation Plan and development of contingency plans - Having reviewed the updates provided to me up to 25 April 2025, I am satisfied that the work set out in the Separation Plan is progressing to plan, and I have no reason to believe that this work will not be completed successfully. The Companies have developed Contingency Plans, which I have reviewed and consider reasonable. My opinion remains that the Scheme will have no material adverse effect on the policy administration and service standards experienced by the Transferring Policyholders.
- Implications of economic sanctions - SWL has informed me that, at 25 April 2025, none of the policyholders or assets included in the Transferring Business are subject to economic sanctions that would restrict their transfer from SWL to Rothesay. SWL continues to follow LBG's processes for determining whether sanctions apply, which includes frequent checking of the sanctions list.
- Rothesay's work to enhance the protection of its policyholders by establishing a framework and process whereby each outsourced pension administrator acts as a backup payroll provider and customer call centre for each of the other pension administrators - Rothesay has now completed the implementation and testing of this framework for the Rothesay Existing Policyholders. Rothesay intends for the Transferring Annuitants to benefit from this framework. The Separation Plan includes extending the framework to cover the Transferring

Annuitants and testing that it works appropriately. This is an improvement for Transferring Annuitants.

5.1.3 I have also considered the other updates discussed in Section 2 and the issues raised by policyholders who have objected to the Scheme discussed in Section 4.

5.1.4 The additional information and events, including issues raised by policyholders, have not led me to change my conclusions regarding the likely effects of the Scheme. I remain satisfied that the implementation of the Scheme will not have a material adverse effect on:

- the security of the benefits of the policyholders of SWL and Rothesay, including the Transferring Policyholders
- the reasonable expectations of the policyholders of SWL and Rothesay, including the Transferring Policyholders, in respect of their benefit expectations, service standards, management and governance
- the four reinsurers whose contracts with SWL will be transferred to Rothesay by the Scheme.

Appendix A Statement of compliance

- A.1.1 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.
- A.1.2 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 paragraph 10 of the Civil Procedure Rules, I hereby confirm that I have understood my duty to the Court.
- A.1.3 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.



John Hoskin

Fellow of the Institute and Faculty of Actuaries

30 April 2025

Appendix B Data and reliances

B.1 Overview

- B.1.1 In performing my review and in preparing my Reports, I have relied on the accuracy and completeness of information provided by the Companies, including information received orally, without independent verification. I have reviewed the information provided for consistency and reasonableness using my knowledge of the life assurance industry in the UK.
- B.1.2 In a number of areas, I have challenged the information presented to me, and/or have sought additional information and explanations to ensure that I could rely on that information.
- B.1.3 I have checked that the documents that I have relied upon and have formed judgements on, are the most up-to-date available.

B.2 Data received

- B.2.1 In addition to the information that was provided to me for my Main Report (as listed in Appendix C of that report) I have listed the additional financial information, data and written information that I have relied upon in my Supplementary Report below.
- B.2.2 Some of this information is company confidential and is not publicly available. In addition to the listed items, I have relied on discussions (both orally and electronically) with SWL and Rothesay primarily to gain additional understanding on certain topics. Any oral discussions material to my considerations have been subsequently confirmed in writing.

Scheme and Scheme-related documents

- Supplementary Reports from the Chief Actuary and With Profits Actuary of SWL, and the Chief Actuary of Rothesay on the Scheme
- Confirmation that there have been no changes to the Scheme, and that no future changes are expected to the Scheme

Financial information and reports

- SWL and Rothesay Solvency and Financial Condition Reports as at 31 December 2024
- SWL's and Rothesay's assessments of the impact of the Scheme on their 31 December 2024 balance sheets
- Rothesay's updated ORSA dated 10 February 2025
- SWL's updated Capital Management Plan and Recovery Plan dated 6 February 2025
- Summary of SWL's and Rothesay's methodology and assumptions used to calculate their 31 December 2024 financial positions
- Estimates of SWL's and Rothesay's financial position as at 31 March 2025, and estimates of the impact of financial market volatility in early April 2025 on each of the Companies' financial positions

Policyholder communications

- Confirmation of the number of mailings, numbers excluded from the mailings and mailings returned as undelivered
- Copies of the legal notices placed in newspapers

- Statistics on policyholder responses to the mailing
- Letters from policyholders, or transcripts of calls with policyholders, where the policyholder has raised an objection to the Scheme, and the Companies' responses to objections raised
- Sample of letters from policyholders, or transcripts of calls with policyholders, where the policyholder has not raised an objection to the Scheme, and the Companies' responses to these policyholders

Separation Plan

- Regular updates on progress against the Separation Plan
- Updates and refinements made to the Separation Plan and the Business Study Document
- Contingency Plans and Cutover Plans

Other

- SWL and Rothesay complaints statistics for period 1 January 2024 to 31 December 2024
- Detailed Rothesay complaints statistics for specific issues for the period 1 January 2020 to 31 December 2024
- SWL and Rothesay analysis of the impact of their uses of discretion as at 31 December 2024, and details of their approach to address the FCA request
- Impacts of a range of market and demographic stresses to SWL and Rothesay's financial position as at 31 December 2024
- Rothesay and SWL updates on its Consumer Duty activities.

Appendix C Glossary

Term	Explanation
Actuarial Function	A function that must be established as part of a firm's governance structure under the Solvency II regulatory regime with responsibilities primarily relating to the calculation of the Technical Provisions.
Ambrosia Underlying Members	The underlying pension scheme members of the pension schemes that are insured under the Ambrosia Policies.
Ambrosia Policies	The four longevity insurance agreements entered into between SWL (acting as insurer) and Lloyds Banking Group Pensions Trustees Limited.
Annuity	An insurance contract under which, from the date it becomes payable, a regular payment is paid to a beneficiary, usually until the death of the beneficiary.
Approved person	A person who has been approved by the Regulators to carry out one or more of a number of specific roles in an insurance company.
Aptia	Aptia UK Limited, a recently formed company created by the purchase of the pension administration business of Mercer LLC, that administers the Transferring Policies.
Audit Committee	A committee of a company's Board of Directors with delegated responsibility to provide oversight of financial reporting and internal controls.
BEL	The Best Estimate Liability.
Best Estimate Liability	Part of the Technical Provisions under the Solvency II regulatory regime. The amount of money an insurer expects it will need to hold today in order to pay policyholder benefits in the future on its existing business.
Board of directors/Board	The individuals appointed by the companies' owners, with ultimate responsibility for the running of the company.
BTA	The Business Transfer Agreement, an agreement between SWL and Rothesay dated 13 March 2024 under which the Companies agree to pursue a Part VII Transfer of the Transferring Business from SWL to Rothesay.
Bulk purchase annuity	An insurance policy or policies purchased by the trustees of a defined benefit pension scheme to transfer some or all of its liabilities to the insurer. A bulk purchase annuity may be a buy-in or a buyout.
Buy-in	A type of bulk annuity under which the pension scheme pays a lump sum to an insurer and the insurer pays to the pension scheme a defined proportion of the pension scheme benefits as they fall due. The pension scheme trustees are the policyholder and retain responsibility for paying the individual pension scheme members.

Buyout	A type of bulk annuity under which the pension scheme pays a lump sum to an insurer and the insurer issues individual annuity policies to each of the pension scheme members in scope of the buyout. The insurer then pays the benefits directly to the pension scheme members.
BW	Barnett Waddingham LLP, a firm of actuaries and consultants.
Capital add-on	An additional component of the SCR imposed on a firm by its supervisor under the Solvency II regulatory regime following its supervisory review process if it considers that the firm's calculated SCR is inadequate or if it considers that the firm deviates materially from the governance requirements.
Capital management policy	A policy set by a firm's Board, setting out the target level of its capital (excess of assets and liabilities) and how it manages its capital position.
CEO	Chief Executive Officer, the most senior executive in a company with ultimate responsibility for the day-to-day management of the company.
CFO	Chief Financial Officer, a company executive with responsibility for managing the company's finances.
Chief Actuary	The person approved by the PRA in the UK with responsibility for the Actuarial Function under the Solvency II regulatory regime.
Civil Procedure Rules	The procedure rules in civil cases by, amongst others, the High Court of Justice in England and Wales.
CM WPF	The Clerical Medical With Profits Fund, a with-profits fund within SWL.
COBS	Conduct of Business Sourcebook, a part of the FCA Handbook setting out rules in relation to conduct regulation.
Collateral	A means of providing security under a contract whereby one party designates certain assets as collateral and the other party is entitled to take possession of the collateral assets to recover money owed to it in the event of default by the party posting the collateral.
Compliance Function	A function that must be established as part of a firm's governance structure under the Solvency II regulatory regime with responsibility to advise the firm on compliance with the Solvency II regulations.
Conduct regulation	Regulation of insurance companies relating to the way firms manage their business and how they treat their customers.
Consumer Duty	Part of UK conduct regulation, requiring financial services firms to act to deliver good outcomes for retail customers.
Contagion risk	The risk that problems within one group company negatively affect other group companies.
Contingent annuitants	Individuals (for example, a spouse or other dependant) who may become entitled to receive an annuity benefit under an annuity policy following the death of the primary annuitant.

Contingent beneficiaries	Individuals (for example, a spouse or other dependant) who may become entitled to receive benefits from an annuity policy or pension scheme following the death of the primary annuitant.
Corporate governance	The system by which a firm is directed and controlled by its Board, setting out the process by which decisions are made and who is authorised to make which decisions.
Counterparty default risk	The risk of losses arising when the other party to an agreement does not fulfil its obligations under that agreement.
Credit risk	The risk of losses arising from a borrower failing to make the required payments on a loan or other debt.
CRO	Chief Risk Officer, a company executive with responsibility for the Risk Management Function.
Deferred annuity	An annuity policy under which the benefits will start at a date in the future, usually the main beneficiary's retirement date.
Defined benefit pension scheme	A type of pension plan funded by an employer to provide retirement benefits to its employees, where the benefits are determined by a defined formula (such as percentage of the employee's final salary).
Directions Hearing	The Court Hearing at which the Court first considers the Scheme and decides whether to allow the companies to notify their policyholders of the proposed Part VII Transfer. Also known as the Preliminary Hearing.
DISP	Dispute Resolution: Complaints, a part of the FCA Handbook containing rules in relation to complaints handling and resolution.
Eligible Own Funds	The excess of the value of assets over the value of liabilities under the Solvency II regulatory regime that is eligible to meet the regulatory capital requirement. I refer to this as Own Funds in my Report.
EU	The European Union.
Excluded Policies	Any policies which, for technical reasons, may need to be excluded from the initial transfer under the Scheme. The Scheme makes provision for these to be transferred later where possible. Sometimes referred to as Residual Policies.
Expense risk	The risk of losses arising from the costs of administering policies being higher than expected.
FCA	The Financial Conduct Authority, the conduct regulator of insurance companies in the UK.
FCA Guidance	"FG22/1: The FCA's approach to the review of Part VII insurance business transfers" dated February 2022, a document setting out the FCA's approach and expectations in respect of Part VII transfers.
FCA Handbook	The FCA's book of rules and guidance.
Fellow of the Institute and Faculty of Actuaries	A person who has qualified as an actuary by completing the examinations and other requirements of the Institute and Faculty of Actuaries.

Financial Controller	A company's lead accountant, responsible for accurate financial statements and accounting processes.
Financial Director	A company executive with responsibility for managing the company's finances.
FOS	The Financial Ombudsman Service, an independent UK public body that aims to resolve disputes between individuals and UK financial services companies.
FRC	The Financial Reporting Council, whose responsibilities include setting the TAs for members of the Institute and Faculty of Actuaries.
FSCS	The Financial Services Compensation Scheme, an industry-wide compensation scheme that pays compensation to eligible policyholders of insolvent UK insurance companies.
FSMA	The Financial Services and Markets Act 2000.
Funded Reinsurance	A type of reinsurance contract where the insurer passes the assets backing the liabilities to the reinsurer as part of the reinsurance contract.
Gone-away	A policyholder for whom their insurance company does not have their current address.
Group risk	The risk of losses arising from relationships between entities in the same group of companies.
Howden	Howden Group Holdings Ltd, the company that acquired BW on 3 April 2025.
IM	Internal Model.
Independent Expert	The person appointed to produce the scheme report for the Court as part of a Part VII Transfer.
Individual annuity	An annuity that is issued to an individual.
iNED	Independent Non-Executive Director.
Insurance risk	The risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions, or changes in longevity or other expectations.
Internal Audit Function	A function that must be established as part of a firm's governance structure under the Solvency II regulatory regime with responsibility to evaluate the adequacy and effectiveness of the insurer's internal control system.
Internal Model	A method of calculating the SCR under the Solvency II regulatory regime based on the specific risk characteristics of the firm.
Inwards reinsurance	Reinsurance under which a particular insurer is taking on risks and liabilities from another insurer.
LBG	Lloyds Banking Group plc, the ultimate parent company of SWL.
Liquidity risk	The risk that a company is unable to generate sufficient cash to make required payments as they fall due.

Long stop date	If the transfer has not been completed by the long stop date (which may be extended by the Companies), then the Companies will discuss potential outsourcing of the operation of the Transferring Business that was in scope of the Scheme to Rothesay. The BTA will automatically terminate on the date that the Companies enter into an outsourcing agreement or determine that an outsourcing agreement cannot be reached. The BTA specifies the long stop date as 31 March 2028.
Longevity insurance	An insurance policy that transfers the longevity risk associated with annuities from one party to another.
Longevity risk	The risk of losses arising for an insurance company or pension scheme when policyholders or members live longer than expected.
Longevity swap	A type of longevity insurance under which one party pays to another party a fee and a fixed amount each month based on the expected benefit payments on a portfolio of annuities and receives back from the other party the actual benefit payments.
MA	Matching Adjustment.
Main beneficiary	An individual who is entitled to receive the benefits under an annuity policy by virtue of that individual being the policyholder or a member of a pension scheme covered under a buy-in policy. Also referred to as a primary annuitant.
Main Report	The report I prepared, dated 9 December 2024, in which I considered the Scheme and assessed its impact on the policyholders of SWL and Rothesay.
Market risk	The risk of losses arising due to changes in the value of assets held or changes in macro-economic variables such as interest rates, inflation or exchange rates.
Matching Adjustment	An increase to the discount rate that may be used in the calculation of the BEL under the Solvency II regulatory regime if certain conditions are met. The Matching Adjustment only applies to a particular portfolio of assets and liabilities within the insurer where Matching Adjustment approval has been granted by the PRA on those asset and liability types.
Material adverse effect	<p>Material adverse effect is not uniquely defined. The definition included in this Glossary is that used by the Independent Expert in considering the Scheme.</p> <p>A class or sub-group of policyholders that are adversely affected by the Scheme are considered to be materially adversely affected if a potential adverse effect is not outweighed by other benefits, is likely to happen, and has an impact that is not small. The assessment is made for the class or sub-group of policyholders as a whole.</p> <p>If a potential effect is very unlikely to happen and does not have a large impact, or if it is likely to happen but has a very small impact, it is not considered material.</p>
MCR	The Minimum Capital Requirement, a minimum underpin to the SCR under the Solvency II regulatory regime.

Morbidity risk	The risk of losses arising for an insurance company when more policyholders become eligible to claim ill-health benefits than expected.
Mortality risk	The risk of losses arising for an insurance company when policyholders die earlier than expected.
Non-profit annuities	Annuity policies under which the benefits are defined at outset and are not subsequently increased to reflect participation in the profits of the insurer.
Operational risk	The risk of losses arising from inadequate or failed internal processes, people and systems or from external events.
ORSA	Own Risk and Solvency Assessment, a process that firms are required to carry out under the Solvency II regulatory regime to assess, amongst other things, the firm's capital needs taking into account the specific risk profile and strategy of the firm.
Other Transferring Policies	The Ambrosia Policies and the residual risk policies.
Other Transferring Policyholders	The holders of the Other Transferring Policies and any other individuals who are or may become entitled to receive benefits under these policies.
Outwards reinsurance	Reinsurance under which a particular insurer is transferring risks and liabilities to another insurer.
Own Funds	In general, the excess of the value of assets over the value of liabilities under the Solvency II regulatory regime. In my Report I use the term Own Funds to refer to the excess of the value of assets over the value of liabilities that is eligible to meet the regulatory capital requirement after taking into account any regulatory restrictions on eligibility, sometimes called Eligible Own Funds.
Pacific Life Re	Pacific Life Re International Limited, UK Branch, a reinsurer that holds a longevity swap with SWL, which reinsures the longevity risks associated with the Ambrosia Policies.
Part VII transfer	A transfer of insurance business from one insurer to another under Part VII of the FSMA.
Pension sharing order	An order by a court setting out how much of an individual's pension should be paid to their former spouse.
PICA	Prudential Insurance Company of America, a reinsurer that holds a longevity swap with SWL, which reinsures some of the longevity risks associated with the bulk purchase annuity policies included in the Transferring Policies.
Pillar 1	The quantitative aspects of the Solvency II regulatory regime, including rules relating to the valuation of assets and liabilities and minimum capital requirements.
Pillar 2	The qualitative aspects of the Solvency II regulatory regime, including rules relating to corporate governance, risk and capital management.
Pillar 3	The requirements for the disclosure of information to regulators and the public under the Solvency II regulatory regime.

PIM	Partial Internal Model, a method of calculating the SCR under the Solvency II regulatory regime that uses the Standard Formula for some parts of the calculation and an Internal Model for others.
Policyholder	A person holding an insurance policy or a person who is or may become entitled to receive benefits under the policy.
Policyholder Communications Pack	A letter and a transfer guide (which includes a copy of a summary of my Report), that will be sent to each holder of a Transferring Policy (other than where a waiver has been granted by the Court).
Power of Attorney	A legal document that allows a person (the attorney) to make decisions for another person or act on that person's behalf if they are no longer able or willing to make their own decisions.
PRA	The Prudential Regulation Authority, the prudential regulator of insurance companies in the UK.
PRA Rulebook	The PRA's book of rules and guidance.
PRA Statement of Policy	"The Prudential Regulation Authority's approach to insurance business transfers" dated January 2022, a document setting out the PRA's approach and expectations in respect of Part VII transfers.
Primary annuitant	An individual who is entitled to receive the benefits under an annuity policy by virtue of that individual being the policyholder or a member of a pension scheme covered under a buy-in policy. Also referred to as a main beneficiary.
Protection products	A product where, in return for a policyholder paying the required premium, the insurer will pay benefits upon the policyholder dying or suffering from a prescribed illness or health condition covered by their policy.
Prudent Person Principle	A requirement of the Solvency II regulatory regime, which states that insurers may only invest in assets whose risks they can properly identify, measure, monitor, manage and control.
Prudential regulation	Regulation of insurance companies relating to financial soundness.
Recovery Plan	A plan maintained by an insurance company that sets out, amongst other things, the actions the insurance company could take to restore its SCR cover ratio if its SCR cover ratio falls below certain levels.
Regulators	The PRA and the FCA.
Regulatory capital requirement	The minimum level of capital that an insurer needs to hold in accordance with applicable prudential regulation. For an insurer subject to the Solvency II regime, this is the greater of the SCR and the MCR.
Reinsurance	An agreement between two insurers under which the first company (the cedant) pays a premium to the second (the reinsurer) and in exchange receives payments determined by the benefit payments on a certain block of the cedant's policies. The cedant retains legal responsibility to pay the benefits on its policies.

Reinsurance Agreement	The agreement between Rothesay and SWL dated 30 April 2024 to transfer the economic risk and reward associated with a material part of the Transferring Business from SWL to Rothesay with effect from 1 January 2024.
Reinsurance Effective Date	1 May 2024, the date upon which the Reinsurance Agreement and associated security arrangement became effective.
Reinsured Policies	All Transferring Policies other than the Ambrosia Policies.
Relevant Transferring Annuitants	Beneficiaries under individual annuity policies and buy-in policies within the Transferring Policies where SWL's bases are currently used to determine the value of discretionary benefits payable to individual beneficiaries (see sub-section 2.6)
Report	This report.
Reports	My Main Report and this report.
Residual Policies	Any policies which, for technical reasons, may need to be excluded from the initial transfer under the Scheme. The Scheme makes provision for these to be transferred later where possible. Sometimes referred to as Excluded Policies.
Residual risk policy	A policy that provides protection to pension schemes against certain defined risks.
Risk appetite	The level of risk that an organisation is prepared to accept in pursuit of its objectives.
Risk Committee	A committee of a company's Board with delegated responsibility to provide oversight in relation to risk management.
Risk Management Function	A function that must be established as part of a firm's governance structure under the Solvency II regulatory regime with responsibility to facilitate the implementation of the firm's risk management system.
Risk Margin	Part of the Technical Provisions under the Solvency II regulatory regime. The additional amount that a third party would require, in excess of the BEL, to take over responsibility for meeting a firm's insurance liabilities in an arm's-length transaction.
Risk Management Framework	A framework for identifying, measuring, managing, monitoring and controlling of risk.
RMF	Risk Management Framework.
Rothesay	Rothesay Life Plc, the transferee in this Scheme.
Rothesay Board	The individuals appointed by Rothesay's owners, with ultimate responsibility for the running of Rothesay.
Rothesay Existing Policies	The existing Rothesay policies (including reinsurance policies where Rothesay is the reinsurer) as at the Scheme Effective Date.
Rothesay Existing Policyholders	The holders of the Rothesay Existing Policies (including reinsurance policies where Rothesay is the reinsurer) and any other individuals who are or may become entitled to receive benefits under these policies.
Rothesay Group	A group of companies consisting of Rothesay Limited and its subsidiaries, including Rothesay.

Sanction Hearing	A Court Hearing, at which the Court will decide whether to approve the Scheme. Also known as the Final Hearing.
Scheme	The legal document that, subject to the approval of the Court, gives effect to the transfer of the Transferring Business from SWL to Rothesay.
Scheme Effective Date	The date when the Scheme, if approved, will become operational and take effect, expected to be 11 June 2025.
Scheme report	The report produced by the Independent Expert for the Court assessing the Scheme.
SCOR SE	SCOR SE, UK Branch, a reinsurer that holds a longevity swap with SWL, which reinsures the longevity risks associated with the Ambrosia Policies.
SCR	Solvency Capital Requirement.
SCR cover ratio	The Own Funds divided by the SCR.
Security arrangement	An arrangement for safe custody of assets used for collateral (a collateral account with an independent custodian).
Senior management function	One of a defined set of roles within a firm, as specified in the Senior Managers and Certification Regime.
Senior Managers and Certification Regime	The Regulators' regime, which defines a set of senior management functions, or roles within a firm, that are subject to approval by the Regulators.
Separation Plan	A plan developed by SWL, Rothesay and Aptia to facilitate the transfer of the policy data and administration of the Transferring Policies, including the Transferring Annuities, from SWL to Rothesay.
SM&CR	The Senior Managers and Certification Regime.
SMF	A senior management function within SM&CR.
Solvency Capital Requirement	The minimum level of capital (excess of assets over liabilities) that an insurer is required to hold under the Solvency II regulatory regime.
Solvency II	The regulatory solvency framework that applies to insurers within the UK.
Solvency UK reforms	A package of regulatory reforms to Solvency II that has been introduced by the UK government and the PRA.
Standard Formula	A method of calculating the SCR under the Solvency II regulatory regime based on a defined calculation approach set out in the rules.
Strategy risk	The risk of loss in future earnings and capital arising from changes in the competitive, economic, legal or political environment, changing customer behaviour, or a failure to select appropriate strategic or long-term business plans.
SUP 18	Chapter 18 of the Supervision Manual within the FCA Handbook, setting out requirements in respect of Part VII transfers.
Supplementary Report	This report.
SW WPF	The Scottish Widows With Profits Fund, a with-profits fund within SWL.

SWG	A group of companies consisting of Scottish Widows Group Limited and its subsidiaries, including SWL.
Swiss Re	Swiss Re Europe S.A., UK Branch, a reinsurer that holds a longevity swap with SWL, which reinsures some of the longevity risks associated with the bulk purchase annuity policies included in the Transferring Policies.
SWL	Scottish Widows Limited, the transferor in this Scheme.
SWL Non-Transferring Policies	SWL policies as at the Scheme Effective Date that will not transfer to Rothesay under the Scheme.
SWL Non-Transferring Policyholders	The holders of the SWL Non-Transferring Policies and any other individuals who are or may become entitled to receive benefits under these policies.
TAS	The Technical Actuarial Standards.
Technical Actuarial Standards	Requirements set by the FRC that apply to actuarial work within their scope.
Technical Provisions	The amount of assets that a firm is required to hold against its insurance liabilities under the Solvency II regulatory regime, equal to the sum of the BEL, the Risk Margin and any element of the Technical Provisions calculated "as a whole", the latter being where the value of the insurance liability can be replicated using market data.
The Companies	SWL and Rothesay.
The Court	The High Court of Justice of England and Wales, the court that will decide whether to approve the Scheme.
The Institute and Faculty of Actuaries	The UK-based chartered professional body which represents and regulates actuaries that are members of that body.
The Insurance Group	SWG and all its subsidiaries.
TMTP	The Transitional Measure on Technical Provisions.
TPO	The Pensions Ombudsman Service, an independent UK public body that aims to resolve complaints and disputes relating to occupational and personal pension schemes.
Transferring Annuitants	The holders of the Transferring Annuities and any other individuals who are or may become entitled to receive benefits under these policies.
Transferring Annuities	The 28 bulk purchase annuity policies and 6,651 individual annuity policies that are part of the Transferring Policies.
Transferring Business	The Transferring Policies and the associated assets and liabilities (including the related reinsurance and other third-party contracts) that will transfer from SWL to Rothesay under the Scheme.
Transferring Policies	The policies that will transfer from SWL to Rothesay under the Scheme.
Transferring Policyholders	The holders of the Transferring Policies and any other individuals who are or may become entitled to receive benefits under these policies.

Transitional Measure on Technical Provisions	An adjustment to Technical Provisions under the Solvency II regulatory regime that has the effect of phasing in the increase in Technical Provisions that resulted from moving from the previous regulatory solvency regime to Solvency II over a period of 16 years from 1 January 2016.
UK	United Kingdom.
Unit-linked	A type of insurance contract under which premiums are used to purchase units in an investment fund, which will change in value in line with the investment performance of assets in the investment fund.
VA	Volatility Adjustment.
Volatility Adjustment	An increase to the discount rate that may be used in the calculation of the BEL under the Solvency II regulatory regime.
Waiver	In the context of the Scheme, the Court's agreement to waive the requirement for the Companies to directly notify all policyholders affected by the Scheme.
With Profits Actuary	The person approved by the Regulators in the UK with responsibility for advising the management of an insurer that has with-profits policies on the exercise of discretion affecting the with-profits policies.
With-profits policy	An insurance policy typically used as an investment which can also have life insurance benefits. The payout on these policies includes bonuses, which are a mechanism to allow the policyholder to receive a share of the profits.
Young Spouse Reduction	A reduction in the pension payable to a spouse in the event of a primary annuitant's death, which is applicable where the spouse is more than a specified number of years younger than the primary annuitant.
YSR	Young Spouse Reduction.