Proposed Scheme for the transfer to Scottish Widows Limited of certain long-term insurance business of Zurich Assurance Ltd

Supplementary Report of ZAL's

Chief Actuary

on the Proposed Transfer of Business
Pursuant to Part VII of the Financial Services and Markets Act 2000 ("FSMA").

Keith Jennings, FIA
Chief Actuary

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1 Introduction

1.1 Background

1.1.1 This report is a supplementary report (this 'Supplementary Report') to the main Chief Actuary's Report entitled "Report of ZAL's Chief Actuary on the Proposed Transfer of Business Pursuant to Part VII of the Financial Services and Markets Act 2000 ("FSMA")" dated 1 February 2019.

1.1.2 All definitions and abbreviations that I have used in the main Chief Actuary's Report also apply to this Supplementary Report. A list of the abbreviations used in the main Chief Actuary's Report and this Supplementary Report is included in Appendix A.

1.1.3 In the main Chief Actuary's Report, I concluded that, in my opinion:

(i) The Scheme would not result in a materially adverse effect to the security of policy benefits for any group of ZAL policyholders, including both the Remaining Policyholders and the Transferring Policyholders.

(ii) The Scheme would not result in a materially adverse effect to the reasonable benefit expectations for any group of ZAL policyholders, including both the Remaining Policyholders and the Transferring Policyholders.

(iii) The Scheme would not result in a material effect in service levels for any group of ZAL policyholders.

It was also my opinion that no class of ZAL policyholder would be materially adversely affected by the implementation of the Scheme. In particular, that the Scheme will maintain the security of benefits of the Remaining Policyholders and the Transferring Policyholders of ZAL, have no material adverse impact on their reasonable benefit expectations, and will not have any adverse impact on their fair treatment.

1.1.4 The purpose of this Supplementary Report is to update my conclusions taking into account any significant events and financial information available after the date of the main Chief Actuary's Report, and to consider whether it remains appropriate to proceed with the Scheme.

1.1.5 The disclosures set out in the main Chief Actuary's Report are still applicable.

1.2 Scope

1.2.1 I am writing this Supplementary Report in my capacity as the Chief Actuary of ZAL. This Supplementary Report is addressed to the Board of Directors of ZAL, but will also be provided to the ZAL With-Profits Actuary, the Independent Expert, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA') in order to assist their assessments of the proposals. It should be read in conjunction with the main Chief Actuary's Report, as well as the Scheme and any other reports mentioned in the main Chief Actuary's Report and their supplementary reports.

1.2.2 The Financial Reporting Council has issued standards known as Technical Actuarial Standards (TAS). Two standards applicable to this Report were in effect at the date of its preparation:

- Technical Actuarial Standard 100: Principles for Technical Actuarial Work, effective 1 July 2017
- Technical Actuarial Standard 200: Insurance, effective 1 July 2017.

This Report has been prepared in accordance with these standards.

1.2.3 This Supplementary Report has also been prepared in accordance with the Actuarial Professional Standard APS X2: Review of Actuarial Work. The preparation of this Supplementary Report involved an internal review by another senior actuary in the company, Matthew Brownlie FIA.

1.2.4 In forming my opinion on the likely effect of the Scheme on existing ZAL with-profits policyholders, I have taken into account, but not relied upon, the opinion of the With-Profits Actuary set out in a separate report to the Board of ZAL on the likely impact of the Scheme on the security of with-profits policyholder benefits, the reasonable benefit expectations of with-profits policyholders and the impact of any changes in service levels on with-profits policyholders.

1.3 Reliances

1.3.1 In preparing this Supplementary Report, I have had access to information on the financial position and practices of SWL. This information has been provided by SWL. I have reviewed this information for consistency and reasonableness using my knowledge of the UK life assurance industry and the Scottish Widows Group's ('SWG') Solvency and Financial Condition Report published on 23 May 2019, but have not otherwise verified this information. In coming to my conclusions, I have relied upon the accuracy of this information.

1.4 Structure of the Report

1.4.1 This Report is structured as follows:

- Section 2 outlines the developments since the main Chief Actuary's Report;
- Section 3 updates ZAL and SWL's financial positions for 31 December 2018, including estimates provided in the main Chief Actuary's report;
- Section 4 sets out my conclusions;
- Appendix A lists the definitions and abbreviations used in this Supplementary Report.

2 Developments since the main Chief Actuary's Report

2.1 Changes to the Scheme

2.1.1 Since the date of the main Chief Actuary's report, Schedule 1 to the Scheme has been updated. Areas of note include the addition of details of fund manager arrangements and reinsurance arrangements that are expected to transfer under the Scheme and an extension on the existing "long-stop date". It is my opinion that these changes do not constitute a material change to the terms of the Scheme.

2.1.2 The type of policies in scope to transfer under the Scheme remains unchanged.

2.1.3 Below is a summary of the policies proposed to be transferred under the Scheme both as at 31 December 2017 and as at 31 December 2018.

Table 1: Transferring Policies as at 31 December 2017

	Number of Policies	Value of Unit Fund (£m)
Trust Based	239,909	4,042
Contract Based	68,790	1,032
Stakeholder	55,824	994
Investment Only	71	15,114
Total Transferring	**364,594**	**21,182**
Total ZCS Business	**378,106**	**21,547**

Table 2: Transferring Policies as at 31 December 2018

	Number of Policies	Value of Unit Fund (£m)
Trust Based	232,475	4,165
Contract Based	10,415	69
Stakeholder	50,716	785
Investment Only	62	13,165
Total Transferring	**293,668**	**18,183**
Total ZCS Business	**315,635**	**18,582**

2.1.4 The reduction in the number of contract based policies in the above table reflects the migration of ZAL's policies to Scottish Widows Administration Services Ltd ('SWASL') in advance of the Effective Date, as noted in section 5.2.8 of the main Chief Actuary's Report.

The increase in the number of Excluded Policies (total ZCS policies less the Transferring Policies) reflects a commercial arrangement between ZAL and SWL which brings two additional schemes with c. 10,000 members out of scope of the transfer.

2.1.5 The reduction in the value of the unit fund reflects market movements over 2018 in addition to a number of pension schemes choosing to move to a new provider and therefore withdrawing the associated assets.

2.1.6 The technical provisions held by ZAL for the Transferring Policies amount to approximately £18bn as at 31 December 2018, down from approximately £21bn as at 31 December 2017. This reduction primarily reflects the change in unit fund described in section 2.1.5.

2.1.7 There has been no material change in the Scheme that would affect the security of policy benefits, or the reasonable benefit expectations or the service level of any group of ZAL policyholders. Therefore the conclusions I have set out in section 4 are unchanged from those described in the main Chief Actuary's Report.

2.2 ***Policyholder Communications***

2.2.1 In line with the detailed communication plan, ZAL has written to all of the Transferring Policyholders and Excluded Policyholders for whom the Court did not grant a waiver, summarising the transfer process and their rights under this process. A summary of the Independent Expert's Report was also included in the communication pack.

2.2.2 Between 18 February 2019 and 25 May 2019, in total ZAL received 3639 policyholder queries relating to the Transferring Business. Of these queries, approximately 18% of the total related to the Scheme, the remaining 82% were business-as-usual policyholder queries that were unrelated to the Scheme.]

2.2.3 26 of the policyholder queries expressed a formal objection to the Scheme. These objections related to:

- Policyholders who had a negative experience or perception of either SWL or the Lloyds Banking Group ('LBG');
- Policyholders who were concerned about the potential impact on their rights or security as a result of the Scheme;
- Policyholders who were unhappy that they could not choose to be out of scope of the Scheme, could not choose a different insurer to transfer to or that their consent was not required;
- Policyholders who were concerned that the Scheme exposes them to new risks;
- Policyholders who were concerned about the number of changes to the identity of the company providing the policy or to terms and conditions proposed under the Scheme;
- Policyholders who were concerned about the implications of Brexit on their policy;
- Policyholders who were concerned that the transfer may have a potential negative impact on their policy;
- Policyholders who expressed concerns about the Trading Suspension Period;
- Policyholders who felt that there was a lack of sufficient information provided in policyholder communications or not enough transparency on the transfer.

2.2.4 36 of the policyholder queries expressed their dissatisfaction but did not raise a formal objection to the Scheme. In addition to the reasons outlined in section 2.2.3, the expressions of dissatisfaction related to:

- Policyholders who expressed their frustrations with the number of letters they received relating to the Scheme;

- Policyholders who were concerned about increased costs and inconvenience associated with their policies as a result of the Transfer;

- Policyholders who were concerned that the transfer may have a negative impact on the performance of their funds;

- Policyholders who were concerned that there is not enough transparency on the Transfer;

- Policyholders with ongoing complaints;

- Policyholders where the communications they received meant that they had not understood the nature of the Scheme.

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2.2.5 I have reviewed the objections received together with ZAL's responses to those objections. I note ZAL has responded (and will continue to respond) to all objections, and has passed (and will continue to pass) the objections along with the responses to the PRA, the FCA, and the Independent Expert. The objections and responses will also be made available to the Court prior to the sanctions hearing.

2.2.6 I note that no material customer queries/actions/changes in benefit levels have been made as a result of the policyholder communications to date

2.2.7 My consideration of the objections and expressions of dissatisfaction raised by policyholders has not altered the conclusions I have set out in section 4.

2.3 ***Service Levels***

2.3.1 As discussed in the main Chief Actuary's Report, following the proposed Scheme, the Transferring Policies will continue to be administered by SWASL. Remaining Policies will be administered by Capita Life and Pensions Regulated Services Limited ('Capita') on behalf of ZAL.

This will be implemented through an extension to the existing administration contract between ZAL and Capita, which already covers the administration of approximately 1.4m policies. This arrangement will include Capita implementing the same administration processes that are currently used. This will ensure that the service levels provided to Remaining Policies and governance structures are not materially adversely affected.

In addition, ZAL and SWASL have agreed that the current administration team within SWASL will continue to support Capita for a period of 3 months after the Effective Date, to ensure a smooth handover between SWASL and Capita and to help ensure that Remaining Policyholders are not materially adversely affected by the change in administration.

2.3.2 As noted in section 7.3.4 of the main Chief Actuary's Report, ZAL and SWL have produced an analysis of the unit pricing methodology in relation to its impact on existing processes and services. This analysis confirms that, by adopting some of ZAL's pricing policies SWL can ensure no detrimental change to customer treatment and hence no detriment to Transferring Policyholders. This has been reviewed by both the Independent Expert and ZAL's investment team.

2.3.3 In addition, ZAL and SWL have jointly produced a detailed plan covering the required systems migrations and administration activity that will be required at the Effective Date. This plan includes carrying out robust testing in advance of the Effective Date. This will ensure that the risk of disruption to policyholders will be minimised.

2.3.4 On the basis of the reports referred to above, I am comfortable that the service levels for Remaining Policyholders and Transferring Policyholders are not materially adversely impacted by the scheme.

2.4 ***Trading Suspension Period***

2.4.1 A number of customers have questioned the length of the Trading Suspension Period. To address this query, I have set out the key considerations below.

2.4.2 Following analysis of the options to facilitate the required changes within ZAL and SWL, a trading suspension period of five working days was determined to be the minimum practicable timeframe to carry out the transfer in a safe and controlled manner.

During the first three working days, any trading instructions received before the Trading Suspension Period will be completed, after which no further instructions will be accepted while ZAL clears the existing trades. This reduces the risks associated with the transfer by placing the funds in a stable position in advance of any migration between administration systems.

The migration between administration systems will take place over the weekend of 29 and 30 June 2019, with two further working days required to ensure that the information transferred is accurate and that systems are working correctly.

The Effective Date will occur on 00.01 GMT on Monday 1 July 2019.

2.4.3 Even in the absence of the Trading Suspension Period, the products underlying the Transferring Policies:

- Have a limited pool of investment options, with fund ranges set by employers and/or trustees;
- Are intended as long-term investment vehicles for defined contribution pensions; and
- Policyholder transactions currently take between 2 and 3 working days from notification to execution, dependent on the type of product.

Given these features, there is limited scope for policyholders to implement investment strategies with time periods shorter than 3 days.

2.4.4 While unit prices may fall (or rise) during the Trading Suspension Period and customers may otherwise have wished to trade over this period, given the low incidence of such trading in the past and the product features noted above, it is my opinion that this inconvenience is not material when considered against the risk of service disruption if the Transfer occurs without a Trading Suspension Period being in place.

2.5 ***Reinsurance***

2.5.1 Access to certain unit-linked funds where ZAL is the discretionary investment manager will be maintained through a new reinsurance contract to be entered into between ZAL and SWL. A deed of charge will ensure that, in the unlikely event that ZAL were to default, SWL would rank equally to ZAL's other policyholders, minimising the risk of counterparty default.

2.5.2 As this reinsurance treaty will maintain policyholder's access to their existing fund range and limits the, already unlikely, risk of counterparty default, I conclude that policyholders are not materially disadvantaged by the reinsurance arrangement.

2.6 ***Other Developments***

2.6.1 There have been no changes to ZAL's capital management policy or the contingent funding agreement (described in section 2.6 of the main Chief Actuary's Report) since the date of the main Chief Actuary's Report.

2.6.2 In the main Chief Actuary's Report I committed to providing an update on the impact of Brexit as regards the Scheme and the impact of the Scheme on policyholders. While the political climate is still uncertain, the Scheme is not expected to change as a result of Brexit and the policyholder impact of Brexit is expected to be materially unchanged by the Scheme.

ZAL has assessed the policies in the transferring portfolio and can confirm that they are not expected to be impacted by any change in permission requirements or insurance regulations that would be triggered by potential Brexit outcomes.

2.6.3 There are no other changes which would affect my conclusions as set out in that report and in section 4 below.

3 Updated Financial Positions

3.1 ZAL's Business and Solvency Position

3.1.1 The conclusions set out in the main Chief Actuary's Report were based on the business and financial information as at 31 December 2017. ZAL's mix of business has not significantly changed since this date.

3.1.2 I have updated the summary of ZAL's in-force business to show the position at 31 December 2018:

Table 3: ZAL Solvency II Technical Provisions at 31 December 2018

	Technical Provisions (£m)		
Line of Business	Gross of Reinsurance	Reinsurance Ceded	Net of Reinsurance
Health Insurance	300	(141)	159
Insurance With-Profits Participation	1,277	1	1,277
Index-Linked and Unit-Linked Insurance	42,488	(13,372)	29,116
Of which: Estimated Share Associated with Transferring Policies	*18,182*	*(13,370)*	*4,812*
Other Life Insurance	1,512	(927)	585
Technical Provisions	45,577	(14,439)	31,138
Other Liabilities	789		789
Total Liabilities	**46,366**	**(14,439)**	**31,927**

3.1.3 I have also updated ZAL's Solvency II capital position to show the position at 31 December 2018.

Table 4: ZAL Solvency Position as at 31 December 2017 and 31 December 2018

	31/12/2017	31/12/2018
Total Assets	55,165	48,134
Total Liabilities	(53,149)	(46,366)
Excess of Assets over Liabilities	2,016	1,767
Adjustment for Restricted Own Funds Items in Respect of Ring Fenced Funds	(132)	(125)
Foreseeable dividends, distributions and charges	0	0
Subordinated Liabilities	0	0
Total Eligible Own Funds to Meet the Solvency Capital Requirement	1,885	1,642
Solvency Capital Requirement	1,177	1,202
Ratio of Eligible Own Funds to Solvency Capital Requirement	**160%**	**137%**

3.1.4 ZAL's solvency ratio ("Ratio of Eligible Own Funds to Solvency Capital Requirement" from the table above) decreased from 160% to 137% between 31 December 2017 and 31 December 2018.

This reflects an increase in the capital add-on covering ZAL's staff pension scheme risk from £460m to £499m and dividends of £250m paid to ZAL's parent company, in line with its capital management policy to consider the payment of a dividend when ZAL's solvency ratio is above its target range.

3.1.5 It is still expected that the UK will apply Solvency II or Solvency II equivalent rules post-Brexit, and therefore if Brexit happens before the Scheme takes effect ZAL's capital position would be assessed on the same basis.

3.1.6 Overall, ZAL continues to have capital in excess of its solvency requirement (approximately £440m) and there is no significant change in ZAL's business since the main Chief Actuary's Report that would materially affect ZAL's ability to meet regulatory solvency requirements.

3.2 ***ZAL's Risk Profile***

3.2.1 The key underlying risks ZAL is exposed to have not changed significantly since the main Chief Actuary's Report.

3.3 ***ZAL's Solvency II Capital Position Before and After the Proposed Scheme***

3.3.1 ZAL continues to use the standard formula approach for calculating its capital requirement. The approach has been described in more detail in the main Chief Actuary's Report.

3.3.2 ZAL continues to choose to hold a capital buffer on top of the Solvency Capital Requirement (SCR) as outlined in the main Chief Actuary's Report.

3.3.3 The table below shows ZAL's Solvency II capital position at 31 December 2018, together with a pro forma impact of the proposed Scheme at 31 December 2018. For comparison the equivalent pro forma as at the end of 2017 is also shown.

Table 5: Pro Forma ZAL Solvency II Pro Forma as at 31/12/2017

	As Reported (£m)	Pro Forma – Estimate Pre-Scheme (£m)	Pro Forma - Estimate Post-Scheme (£m)
Total Assets	55,165	55,165	33,984
Total Liabilities*	(53,149)	(53,102)	(31,958)
Excess of Assets over Liabilities	2,016	2,063	2,026
Adjustment for Restricted Own Funds Items in Respect of Ring Fenced Funds	(132)	(132)	(132)
Total Eligible Own Funds to Meet the Solvency Capital Requirement	1,885	1,932	1,894
Solvency Capital Requirement	1,177	1,230	1,129
Ratio of Eligible Own Funds to Solvency Capital Requirement	***160%***	***157%***	***168%***

Table 6: Pro Forma ZAL Solvency II Pro Forma as at 31/12/2018

	As Reported (£m)	Pro Forma – Estimate Pre-Scheme (£m)	Pro Forma - Estimate Post-Scheme (£m)
Total Assets	48,134	48,134	29,951
Total Liabilities*	(46,366)	(46,354)	(28,184)
Excess of Assets over Liabilities	1,767	1,780	1,767
Adjustment for Restricted Own Funds Items in Respect of Ring Fenced Funds	(125)	(125)	(125)
Total Eligible Own Funds to Meet the Solvency Capital Requirement	1,642	1,655	1,642
Solvency Capital Requirement	1,202	1,219	1,173
Ratio of Eligible Own Funds to Solvency Capital Requirement	**137%**	**136%**	**140%**

*Where Total Liabilities includes the Risk Margin

3.3.4 There is an improvement in ZAL's solvency following the proposed Scheme. This arises because ZAL can release the capital requirements associated with the Transferring Business, principally the counterparty default risk associated with certain reinsured unit-linked funds.

The volatility of ZAL's solvency position is also expected to reduce following the proposed Scheme as ZAL is less exposed to changes in the creditworthiness of the reinsurance companies associated with these funds.

3.3.5 Following the proposed Scheme the risk margin and SCR in respect of these residual risks would be released leading to a small improvement in ZAL's solvency.

3.3.6 I note that ZAL's solvency ratio, both before and after the Scheme, remains above the upper boundary of its capital management policy described in the main Chief Actuary's Report. In line with its capital management policy, at some point in the future, ZAL may consider paying a dividend to its shareholder. This could bring ZAL's solvency ratio down to, or below the upper boundary. However, the same policy would be followed both before and after the Scheme, and in the event of any dividend being paid ZAL's capital resources would remain above the regulatory SCR.

3.3.7 There are no changes in ZAL's solvency before or after the proposed Scheme that materially affect ZAL's ability to meet its regulatory solvency requirements and hence its ability to meet policyholder liabilities. Therefore, the updated solvency positions have not changed my view that the Scheme is not expected to have any material impact on the security of policy benefits or reasonable benefit expectations for any group of ZAL policyholders.

3.4 ZAL's With-Profits Policyholders

3.4.1 <u>Benefit Expectations of 90:10 With-Profits Policyholders</u>
In the main Chief Actuary's report I highlighted the following in relation to the effect of the Scheme on the benefit expectations of 90:10 With-Profits Policyholders:

- The effect on 90:10 Fund Expense Allocations for Group Pensions; and
- The effect on 90:10 Fund Expense Allocations for Future Vesting Annuities.

My conclusions for these remain unchanged by developments since the main Chief Actuary's Report.

3.4.2 <u>100:0 Fund transfers from DCP Fund</u>

3.4.3 In 2018, no surplus arose in the DCP Fund. The updated best estimate projection continues to show that no surplus is expected to arise in the DCP Fund for any year from 2019 to 2024 with or without the Scheme. I note, though, that should a surplus arise, then as a result of the Scheme, that surplus may be larger than it otherwise would have been in the absence of the Scheme.

3.4.4 I therefore conclude that the proposed Scheme continues to have no material impact on the benefit expectations of both 90:10 With-Profits policyholders and 100:0 With-Profits policyholders.

3.5 ***SWL***

3.5.1 SWL's technical provisions as at 31 December 2018 are outlined by broad line of business in the table below:

Table 7: SWL Solvency II Technical Provisions at 31 December 2018

Line of Business	Gross of Reinsurance (£m)	Reinsurance Ceded (£m)	Net of Reinsurance (£m)
Health Insurance	191	(54)	138
Insurance With-Profits Participation	13,118	(21)	13,097
Index-Linked and Unit-Linked Insurance	75,987	(7,105)	68,881
Other Life Insurance	15,927	(109)	15,818
Accepted Reinsurance	689		689
Technical Provisions	105,913	(7,289)	98,624
Other Liabilities	6,610		6,610
Total Liabilities	**112,523**	**(7,289)**	**105,234**

3.5.2 SWL's solvency position as at 31 December 2018 is outlined in the table below:

Table 8: SWL Solvency Position as at 31 December 2018

All figures are in £m	31/12/2018
Total Assets	119,948
Total Liabilities	(112,523)
Excess of Assets over Liabilities	7,425
Adjustment for Restricted Own Funds Items in Respect of Ring Fenced Funds	(836)
Foreseeable dividends, distributions and charges	(300)
Subordinated Liabilities	1,656
Total Eligible Own Funds to Meet the Solvency Capital Requirement	7,946
Solvency Capital Requirement	5,488
Ratio of Eligible Own Funds to Solvency Capital Requirement	***145%***

3.5.3 The supplementary report of SWL's Chief Actuary shows that SWL would have continued to meet its Solvency II regulatory reporting requirements after the Transfer (with the Solvency Capital Ratio reducing slightly from 145% to 143% at 31 December 2018).

3.5.4 ZAL's solvency ratio has decreased from 157% to 136% between 31 December 2017 and 31 December 2018. This means that at 31 December 2018 SWL's solvency ratio after the Transfer, 143%, is comparable to ZAL's solvency ratio.

3.5.5 Overall, there is no significant change in SWL's solvency ratio that would materially affect SWL's ability to meet regulatory solvency requirements and hence its ability to meet policyholder liabilities.

3.5.6 I have been informed that SWL has not changed its capital management policy since the date of the main Chief Actuary's Report.

3.5.7 Therefore, the updated solvency position has not changed my view that the Scheme is unlikely to have any material impact on the security of policy benefits or reasonable benefit expectations of the Transferring Policyholders.

4 Conclusion

4.1.1 The updated financial positions of ZAL and SWL, and the other matters described in this supplementary report, have not affected the conclusions I have set out in the main Chief Actuary's Report.

4.1.2 Therefore, my opinion remains that:

(i) The Scheme would not result in a materially adverse effect to the security of policy benefits for any group of ZAL policyholders, including both the Remaining Policyholders and the Transferring Policyholders.

(ii) The Scheme would not result in a materially adverse effect to the reasonable benefit expectations for any group of ZAL policyholders, including both the Remaining Policyholders and the Transferring Policyholders.

(iii) The Scheme would not result in a materially adverse effect on service levels for any group of ZAL policyholders.

4.1.3 It is my opinion, therefore, that no class of ZAL policyholder will be materially adversely affected by the implementation of the proposed Scheme. In particular, I believe that the Scheme will maintain the security of benefits of the remaining policyholders and the transferring policyholders of ZAL, have no materially adverse impact on their reasonable benefit expectations, and will not have any adverse impact on their fair treatment.

Keith Jennings, FIA
Chief Actuary

Appendix A: Terms and definitions

Terms used in this Report and the Main Chief Actuary's Report

Chief Actuary	The actuary appointed from time to time to perform the duties set out in the Actuaries Section of the PRA Rulebook and SUP 4.3.13 of the FCA Handbook.
Contract Based Policies	Policies where ZAL has a contract with the underlying members of the associated pension scheme. This comprises policies from the Zurich Group Personal Pension Plan
Excluded Policies	As defined in section 4.2 of the main Chief Actuary's Report.
FCA	Financial Conduct Authority, the regulator of the financial services industry in the UK responsible for conduct of financial services firms including the fairness of financial services contracts.
FSMA	The Financial Services and Markets Act 2000 (as amended).
FSCS	The Financial Services Compensation Scheme
Independent Expert	The individual appointed to report on the terms of an insurance business transfer scheme and approved by the PRA and FCA pursuant to Section 109 of FSMA.
Investment Only Policies	Policies where ZAL has a contract to administer only the investments underlying the associated pension scheme. This comprises policies from the Zurich Corporate Investment Plan and Zurich Group Investment Only.
Non-Profit Policyholders	Individuals or entities holding one or more policies that are not With-Profits
Policy or Policyholder	have the meanings set out in Financial Services and Markets Act 2000 (Meaning of "Policy" and "Policyholder") Order 2001 (SI 2001/2361);
PRA	Prudential Regulation Authority, the regulator of the financial services industry in the UK responsible for the safety and soundness of firms and securing an appropriate degree of protection for policyholders.
Remaining Policies or Remaining Policyholders	As defined in section 4.2 of the main Chief Actuary's Report.
Scheme	The insurance business transfer scheme that is the subject of this report.
SFCR	The Solvency and Financial Condition Report is an annual, publicly available, report summarising the Solvency and Financial position of the

	company. This is published in accordance with Articles 51, 53, 54 and 256 of Directive 2009/138/EC of the European Parliament and of the Council.
Solvency II	A capital adequacy regime for the European Union insurance industry covering both capital requirements and risk management standards applicable from the 1 January 2016.
Stakeholder Policies	Policies where ZAL has a contract with the underlying member and that contract satisfies specific government requirements, for example limits on charges. This comprises policies from the Zurich Group Stakeholder Plan.
Transferring Policies or Transferring Policyholders	As defined in section **Error! Reference source not found.** of the main Chief Actuary's Report
Trust Based Policies	Policies where ZAL has a contract with the trustees of the associated pension scheme. This comprises policies from the Zurich Occupational Money Purchase Plan, Zurich Group Transfer Plan and Zurich AVC Plan.
TUPE Arrangement	An arrangement enabling employees to move to a new employer under the Transfer of Undertakings (Protection of Employment) Regulations.
With-Profits	Any business of an insurer that may affect the amount or value of the assets comprising a With-Profits fund as set out in the Glossary section of the FCA Handbook.
With-Profits Actuary, or WPA	The actuary appointed to perform the With-Profits Actuary function and the duties set out in the Actuaries Section of the PRA Rulebook and SUP 4.3.16A of the FCA Handbook.

Company Abbreviations Referred to in this Report and the Main Chief Actuary's Report

ESLAC	Eagle Star Life Assurance Company Limited
Capita	Capita Life and Pensions Regulated Services Limited
LBG	Lloyds Banking Group Ltd
SIML	Sterling ISA Managers Ltd
SWASL	Scottish Widows Administration Services Ltd
SWG	Scottish Widows Group Ltd
SWL	Scottish Widows Ltd

ZAL	Zurich Assurance Ltd
Zurich Group or ZIG	Collectively the companies and subsidiaries of the ultimate holding company Zurich Insurance Group Ltd ('ZIG')