

With-Profits Actuary Supplementary Report

on

**the proposed transfer of a portfolio of non-profit annuity
policies and related longevity swap contracts**

of

The Prudential Assurance Company Limited

to

Rothesay Life Plc

**pursuant to Part VII of the
Financial Services and Markets Act 2000**

1. Introduction

1.1. Background

- 1.1.1. In my capacity as With-Profits Actuary of The Prudential Assurance Company Limited ("PAC") I produced a report dated 18 January 2019 (the "Main Report") which sets out my opinion on the impact of the proposed transfer of a portfolio of PAC's non-profit annuity business into Rothesay Life Plc ("Rothesay Life"), on the security and reasonable benefit expectations of the with-profits policyholders of PAC following the transfer.
- 1.1.2. The purpose of this supplementary report is to review any developments that have occurred since the Main Report was produced and to consider whether my opinion, as set out in that report, has changed as a result.

1.2. Other advice and opinions

- 1.2.1. Supplementary Reports have been produced by the PAC Chief Actuary, the Chief Actuary of Rothesay Life and Nick Dumbreck of Milliman LLP in the capacity of Independent Expert. I have considered these reports and provided a copy of this report to the PAC Chief Actuary, the Chief Actuary of Rothesay Life and Mr Dumbreck.
- 1.2.2. This report should be read in conjunction with the Main Report as well as the reports of the PAC Chief Actuary, the Chief Actuary of Rothesay Life and the Independent Expert.

1.3. Disclosures

- 1.3.1. I am a Fellow of the Institute and Faculty of Actuaries, having qualified as such in 1982, and hold a certificate issued by the Institute and Faculty of Actuaries to act as a Life Actuary (including with-profits). I am an employee of Willis Towers Watson and I have been the PAC With-Profits Actuary since February 2015.

1.4. Compliance with Technical Actuarial Standards

- 1.4.1. This report is subject to, and complies with, all relevant Technical Actuarial Standards ("TAS"s) adopted by the Financial Reporting Council in the UK, in particular it complies with TAS 100: Principles for Technical Actuarial Work.
- 1.4.2. In accordance with Actuarial Profession Standards ("APS") issued by the Institute and Faculty of Actuaries, "APS X2: Review of Actuarial work" requires Members of the profession to consider an appropriate level of review for the actuarial work for which they are responsible. This report has been reviewed internally within PAC and has also been subject to peer review by Trevor Fannin of Willis Towers Watson.

1.5. Intended Users

- 1.5.1. The intended users of this report are the Court, Board of Directors of PAC, the Independent Expert, the PRA and FCA, the PAC With-Profits Committee and the PAC Chief Actuary.

2. Developments since the Main Report

- 2.1. The Main Report highlighted the potential impact on with-profits policyholders of respreading the fixed annuity administration expenses across the reduced number of annuity policies. I have received confirmation that the projected impact of this is unchanged. As a result my conclusion that there will be no material adverse impact on policyholders is also unchanged.
- 2.2. I have been provided with a summary of the objections and enquiries that have arisen to date following the issue of the Policyholder Information booklet to the transferring PAC policyholders. None of the objections or complaints relate to with-profits policies and hence the issues raised by these objections do not alter my conclusions in the Main Report.
- 2.3. The 2018 year-end valuation has been completed since I produced my Main Report. This valuation includes the impact of the transfer of the legal ownership of Prudential Plc's Hong Kong insurance subsidiaries from PAC to Prudential Corporation Asia Limited. As expected, this does not alter my conclusions in the Main Report.

3. Conclusion

- 3.1. The Main Report concluded that the proposed Scheme of Transfer will not result in any material adverse effect on either the security or the reasonable benefit expectations of the with-profits policyholders of PAC. Based on the considerations as set out in this supplementary report, it is my view that those conclusions remain valid.



Peter Needleman FIA
Willis Towers Watson
PAC With-Profits Actuary
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