

**Transfer of certain  
annuities from  
The Prudential Assurance  
Company Limited to  
Rothesay Life Plc  
Policyholder Circular**



**PRUDENTIAL**

## Policyholder Circular

**It is important that you read and understand the enclosed information. Once you have read the information, please consider whether you may be adversely affected or have any concerns. If you are satisfied with the proposed transfer you don't need to do anything else.**

**The proposed transfer will not impact the terms and conditions of your policy.**

**If you have concerns or consider you may be adversely affected or wish to object to the proposed transfer, your options are set out in the answer to question 16 in Section B of this information pack. If you would like further information, please contact us directly as shown below.**

This booklet is intended as a guide only and not a definitive statement of your rights.

Other people may have an interest in your policy, for example:

- › beneficiaries (usually a spouse or dependant) to whom an annuity will continue to be paid after the death of the main annuitant;
- › a person acting under power of attorney;
- › a trustee in sequestration or bankruptcy; or
- › where you hold the policy as the trustee of a pension scheme, the members of the pension scheme.

Please draw the contents of this booklet to the attention of those other people. Further copies of this booklet may be obtained by contacting Prudential as shown below.

### Contact us

If you have any questions not covered in this booklet you can contact us using the details below. If you have received a letter notifying you about the transfer, please quote the annuity policy number shown on that letter.

**Post:** Write to us at Rothesay Life Transfer, Prudential, PO Box 3122, Lancing BN15 8GB

**Phone:** 0800 640 9164 or +44 203 755 9194 if calling from outside the UK. Our lines are open between 8.30am and 6pm, Monday to Friday, except on bank holidays. Calls are free from UK landlines and mobile phones.

**Secure Message:** Send us a secure email from our website. Please visit [pru.co.uk/prumail](http://pru.co.uk/prumail)

**Email:** Email us directly at [annuitytransfer@prudential.co.uk](mailto:annuitytransfer@prudential.co.uk) (please note sending an email to this address is not a secure method of communication; if you are including any personal or sensitive information (such as your address) we suggest you use our secure email or one of the other methods above).

Further information on the transfer is provided on our website, [pru.co.uk/annuitytransfer](http://pru.co.uk/annuitytransfer)

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## Expected Timetable

First Court Hearing to present the scheme and proposals for public notification	31 January 2019
Policyholder notifications issued	4 February - 29 March 2019
End of the period for policyholders to consider the impact of the proposed transfer and object if appropriate to do so	10 June 2019
Final Court Hearing to consider the proposed transfer	10 June 2019 (High Court of Justice of England and Wales)
	14 June 2019 (Royal Court of Guernsey)
	17 June 2019 (Royal Court of Jersey)
Proposed date on which the Scheme becomes effective	00:01am on 26 June 2019

Notification of any changes to these dates will be made on our website, [pru.co.uk/annuitytransfer](http://pru.co.uk/annuitytransfer)

## Definitions

In this booklet, the following words and expressions have the following meanings:

**"Chief Actuary"** the Chief Actuary of Prudential Assurance Company or Rothesay Life, as the context requires, being a senior actuary appointed to advise the relevant insurer's Board of Directors about the risks which may affect its business;

**"Court"** the High Court of Justice of England and Wales and, where relevant, the Royal Court of Guernsey or the Royal Court of Jersey;

**"FCA"** the Financial Conduct Authority, the regulator responsible for the regulation of financial markets and for the conduct supervision of financial services firms in the UK;

**"FSMA"** the Financial Services and Markets Act 2000;

**"Guernsey"** the Bailiwick of Guernsey

**"Guernsey Law"** the relevant sections of the Insurance Business (Bailiwick of Guernsey) Law, 2002 (as amended) relating to the transfer of insurance business;

**"Guernsey Scheme"** the legal document setting out the terms of the transfer of policies issued by Prudential Assurance Company to any person resident in Guernsey, to be carried out under Guernsey Law;

**"Jersey Law"** the relevant sections of the Insurance Business (Jersey) Law 1996 relating to the transfer of insurance business;

**"Jersey Scheme"** the legal document setting out the terms of the transfer of policies issued by Prudential Assurance Company in, or from within, Jersey, to be carried out under Jersey Law;

**"Independent Expert"** Nick Dumbreck, a Principal of Milliman LLP and a Fellow of the Institute and Faculty of Actuaries. The main purpose of his role is to report to the High Court on the effects of the proposed transfer on policyholders;

**"Independent Expert Report"** the report on the terms of the Scheme made by the Independent Expert in accordance with Section 109 of the FSMA;

**"Long-Term Insurance Fund"** the fund maintained by Prudential Assurance Company for accounting purposes comprising all of the policies and assets relating to its long-term insurance business;

**"M&G Prudential"** Prudential Group's UK and European savings and investments business

**"Non-Profit Sub-Fund"** the Non-Profit Sub-Fund maintained by Prudential Assurance Company for accounting purposes within its Long-Term Insurance Fund and which contains non-profit business (including unit-linked);

**"Notice of Transfer"** the notice of the application to the Court in respect of the Scheme set out in Section E of this booklet;

## Definitions - continued

**"Prudential Assurance Company"** The Prudential Assurance Company Limited, a wholly owned subsidiary of M&G Prudential whose ultimate parent company is Prudential plc;

**"PRA"** the Prudential Regulation Authority, the regulator responsible for supervising the way that insurers and other financial institutions manage their business in the UK;

**"Prudential"** Prudential plc and its subsidiaries, including Prudential Assurance Company;

**"Rothesay Life"** Rothesay Life plc;

**"Scheme"** the legal document setting out the terms for the transfer of the business of Prudential Assurance Company to Rothesay Life under Part VII of FSMA;

**"Shareholders' Fund"** the property and liabilities of Prudential Assurance Company (as the context may require) other than those attributable to or represented by its Long-Term Insurance Fund;

**"Transfer Date"** the date on which the business is expected to transfer, i.e. 00:01am on 26 June 2019; and

**"With-Profits Actuary"** the With-Profits Actuary of Prudential Assurance Company, being a senior actuary who advises Prudential Assurance Company's Board of Directors about the fair treatment of its with-profits policyholders.

## A. Key Information

### Background

In March 2018, Prudential announced its intention to demerge M&G Prudential, its UK and European savings and investments business, and to list it as an independent company on the London Stock Exchange.

As an independent company, M&G Prudential will continue its transformation into a more capital-efficient business, targeting growing demand for comprehensive financial solutions.

In support of the plan for M&G Prudential to demerge from its parent company, Prudential plc it is proposing that approximately 370,000 annuity policies of Prudential Assurance Company be transferred to Rothesay Life by means of an insurance business transfer scheme (Scheme) under Part VII of FSMA. For a small number of policies, where policyholders are resident in either Guernsey or Jersey, there will also be equivalent insurance business transfer schemes in Guernsey and Jersey.

The legal process to effect the transfer (see question 9 on page 9) requires the appointment of an independent expert (who is not an employee of Prudential or Rothesay Life) to report on the likely effects of the proposed transfer on the policyholders of Prudential Assurance Company and Rothesay Life. Nick Dumbreck, a partner of Milliman LLP, has been appointed as the Independent Expert for this transfer and reports to the Courts. The PRA has approved this appointment (in consultation with the FCA). The Independent Expert's full report considers in detail the effects of the proposed transfer on all policyholders and sets out how each conclusion has been reached. In his report, the Independent Expert has concluded that neither the security of policyholder benefits nor the reasonable benefit expectations of the

policyholders of Prudential Assurance Company and Rothesay Life will be materially adversely affected by the proposed transfer. The conclusions of the Independent Expert in relation to the Scheme (as summarised in Section D of this booklet) apply equally to the proposed transfers in Guernsey and Jersey.

### Effect of the Proposed Transfer on Prudential Assurance Company policies

Subject to the approval of the Courts, the annuity policies which Prudential Assurance Company is proposing to transfer will be transferred to Rothesay Life and with immediate effect from the Transfer Date, Rothesay Life will be the provider of those annuity policies.

The terms and conditions of the transferred policies issued by Prudential Assurance Company will not change in any other respect as a result of the proposed transfer.

Although Rothesay Life will be responsible for the transferred policies from the Transfer Date, in order to minimise any disruption, Rothesay Life and Prudential Assurance Company have agreed that Prudential Assurance Company will, for a period of time, continue to provide administration services regarding the transferred policies.

### Further Information

Further information can be found within this booklet as follows:

Section B	Questions and Answers
Section C	Summary of the Transfer
Section D	Summary of the Independent Expert's Report
Section E	Notice of Transfer

## B. Questions and Answers

The following are answers to common questions which policyholders of Prudential Assurance Company and Rothesay Life may have about the proposed transfer of the annuity business from Prudential Assurance Company to Rothesay Life. The answers are general in nature and there may be exceptions to some of the answers.

### 1. What is being proposed?

Prudential Assurance Company is proposing to transfer approximately 370,000 annuity policies to Rothesay Life using a Scheme under Part VII of FSMA and, for policies where the policyholders are resident in Guernsey or policies that are part of the business carried on in or from within Jersey, schemes of transfer in Guernsey under Guernsey Law and in Jersey under Jersey Law.

Subject to Court approval, the transfer is expected to take place on the Transfer Date. The High Court Hearing is expected to take place on 10 June 2019 and Court hearings to seek approval in Guernsey and Jersey are expected to take place on 14 June 2019 and 17 June 2019 respectively.

### 2. Why is Prudential transferring part of its annuity business?

This transfer is being proposed as a part of M&G Prudential's plans to demerge from its parent company.

### 3. How is my annuity affected?

If your annuity policy is transferring to Rothesay Life you will have received notification by letter. On the Transfer Date, your policy will be transferred to Rothesay Life who will become responsible for providing your benefits.

However, in order to minimise any disruption, Prudential Assurance Company will continue to carry out the administration services for the transferred policies, on behalf of Rothesay Life, for a period of time.

The terms and conditions of your annuity policy will not change as a result of the proposed transfer. Any annuity payments will continue to be made as before, including the amount and the timing of the payments due and, if your policy includes an element of escalation, payments will continue to change as they have previously done.

The Independent Expert has reviewed the implementation of the transfer and concluded that he is satisfied that the transfer will not have a material effect on the service standards and governance applicable to the transferring policyholders.

If you have more than one annuity policy with Prudential Assurance Company, it is possible that not all of your annuity policies will transfer to Rothesay Life. Policies which do not transfer, will remain with Prudential Assurance Company and there will be no change to the terms and conditions or the way Prudential Assurance Company administers those policies. Only the policies designated as transferring on the notification letter sent to policyholders will transfer. If you are in doubt, you can contact Prudential Assurance Company (see page 2 for contact details). You can also check whether your annuity policy will transfer to Rothesay Life or remain with Prudential Assurance Company by entering your full annuity policy number on our website at [pru.co.uk/annuitytransfer](http://pru.co.uk/annuitytransfer)

#### **4. Is my policy safe/will I lose any benefits?**

As stated in the answer to question 3, the terms and conditions of your policy will not change as a result of the transfer, whether your policy will transfer to Rothesay Life or remain with Prudential Assurance Company. In addition, the Independent Expert has concluded that the implementation of the Scheme will not have a material adverse effect on the security of benefits or the reasonable benefit expectations of the policyholders of Prudential Assurance Company. For more information about the Independent Expert's conclusions, see question 10.

#### **5. Are all of Prudential Assurance Company's annuities transferring to Rothesay Life?**

No. Prudential Assurance Company is only transferring part of its annuity business.

#### **6. Why has only one or some of my policies with Prudential Assurance Company transferred to Rothesay Life and not others?**

The annuity policies that make up the transferring portfolio were selected on the basis of the suitability of individual annuity policies for transfer, rather than by selecting on the basis of individual policyholders. Therefore some policyholders will have an annuity policy or policies that transfer to Rothesay Life as well as an annuity policy or policies that remain with Prudential Assurance Company. The transferring policies are all non-profit annuity policies covering a wide mix of types of business. Policies which are not being transferred include other non-profit annuity policies and all with-profit annuities. Similarly all of Prudential Assurance Company's non-annuity business will remain with Prudential Assurance Company.

Therefore if you have more than one annuity policy with Prudential Assurance Company, it is possible that not all of your policies will transfer to Rothesay Life. Only the policies designated as transferring on the notification letter sent to policyholders will transfer. If you are in doubt, you can call us. The contact details are on page 2 of this booklet.

You can also check whether your annuity policy will transfer to Rothesay Life or remain with Prudential Assurance Company by entering your full annuity policy number on our website at [pru.co.uk/annuitytransfer](http://pru.co.uk/annuitytransfer)

#### **7. Can you give me more information on Rothesay Life?**

Rothesay Life is a UK insurance company authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Rothesay Life was established in 2007 and has grown to be one of the largest specialist annuity providers in the UK market, with over £37bn of assets under management and insuring the annuities of over 750,000 individuals.

Rothesay Life has three substantial institutional shareholders, Blackstone, GIC and Massachusetts Mutual Life Insurance Company, which provide the company with long term support for its growth and development.

Rothesay Life is a member of the Pensions Administration Standards Association (PASA), an independent body dedicated to improving standards in pensions administration.

You can find out more about their business and history here: [rothesaylife.com/about-us](http://rothesaylife.com/about-us)



## 8. Can you give me more information on Prudential Assurance Company?

Prudential Assurance Company is a leading life insurer and pensions provider in the UK. Prudential Assurance Company's ultimate parent company is Prudential plc.

Prudential Assurance Company's UK insurance operations provide a range of financial products and services including annuities, corporate and individual pensions, with-profits bonds and investment products. Prudential Assurance Company is authorised and regulated by the PRA, and is also regulated by the FCA.

In August 2017, Prudential plc announced that it was combining two business units within the Prudential Group, Prudential UK and its asset manager, M&G, to form a combined business called M&G Prudential.

## 9. How will the transfer be carried out?

The transfer will be carried out using a Scheme under Part VII of FSMA and (for policies where the policyholders are resident in Guernsey or where they are part of the business carried on in or from within Jersey) schemes in Guernsey and Jersey under Guernsey Law or Jersey Law, which will require approval by the Courts.

The Court hearings to consider the proposed transfer are expected to take place for the UK at the Rolls Building on 10 June 2019, for Guernsey at the Royal Court of Guernsey on 14 June 2019, and for Jersey at the Royal Court of Jersey on 17 June 2019. These dates are subject to change. Any updates in this regard will be published on our website, [pru.co.uk/annuitytransfer](http://pru.co.uk/annuitytransfer)

You may attend the Court hearings and express your views in person or via a representative. Please note that if you wish to be represented by legal counsel at the UK Court hearing then he or she would need to have appropriate rights

of audience to appear in the High Court in London. You may also call or write to us setting out details of any concerns or objections you may have. Any objections raised with us will be passed on to the Courts, our regulators and the Independent Expert. We recommend that you call or write to us with any concerns or objections you may have about the proposed transfer, even if you intend to appear in Court in person, as the objections we receive will be provided to our regulators, the Independent Expert and to the Courts.

If you do have any concerns or objections or consider you may be adversely affected, you are advised to read the answer to

**Question 16 below.**

## 10. How will the interests of Prudential Assurance Company and Rothesay Life policyholders be protected?

The process we are following is designed to ensure that the interests of all policyholders are protected. This includes engaging with our policyholders through press advertising and this mailing so that they are kept informed about our proposals and can raise any concerns or objections they may have. The proposed transfer is subject to approval by the Courts, which will only approve the transfer if it is appropriate to do so.

The process requires an independent expert to be appointed to report to the Courts on the possible impact of the transfer on policyholders. The Independent Expert has considered the terms of the Scheme and how the different groups of policyholders are likely to be affected by the Scheme and, in particular:

- › the effect of the Scheme on the security of the Prudential Assurance Company and Rothesay Life policyholders' contractual rights; and

- › the likely effects of the Scheme on the benefit expectations of the policyholders of Prudential Assurance Company and Rothesay Life.

The Independent Expert has concluded that the implementation of the Scheme will not have a material adverse effect on:

- › The security of benefits of the policyholders of Prudential Assurance Company and Rothesay Life, including the transferring policyholders;
- › The reasonable benefit expectations of the policyholders of Prudential Assurance Company and Rothesay Life, including the transferring policyholders; or
- › The service standards and governance applicable to Prudential Assurance Company and Rothesay Life policies, including the transferring policyholders.

A summary of his report is provided in Section D of this booklet. The full report is available to download on our website, [pru.co.uk/annuitytransfer](http://pru.co.uk/annuitytransfer). The Independent Expert will also prepare a supplementary report that will also be available on our website shortly before the High Court hearing on 10 June 2019.

In addition we have consulted with our regulators, the FCA and the PRA. We have taken their views on our proposals into account and will continue to do so until the transfer becomes effective.

Prudential Assurance Company and Rothesay Life aim to treat all customers fairly and ensure that their reasonable expectations are met.

## 11. What other information is available and how do I obtain that information?

If you would like more detailed information on the proposed transfer then the following documents can be downloaded from our website [pru.co.uk/annuitytransfer](http://pru.co.uk/annuitytransfer):

- › The full Scheme document;
- › The report of Prudential Assurance Company's Chief Actuary;
- › The report of the Prudential Assurance Company's With-Profits Actuary; and
- › The full report of the Independent Expert

Alternatively, you can request copies of those documents by contacting us using the contact details on page 2. When writing or calling please quote your annuity policy number.

You can also find information about Rothesay Life, including the report of the Rothesay Life Chief Actuary on their website [rothesaylife.com/prudential-transaction](http://rothesaylife.com/prudential-transaction)

Between the hours of 9am and 5.30pm Monday to Friday, you can inspect or obtain copies (free of charge) of the Independent Expert's Report and the Application to the Royal Court of Guernsey from the offices of Mourant Ozannes at Royal Chambers, St Julian's Avenue, St Peter Port GY1 4HP, Guernsey.

Between the hours of 9am and 5.15pm Monday to Friday, you can inspect or obtain copies (free of charge) of the Independent Expert's Report and the Representation to the Royal Court of Jersey from the offices of Mourant Ozannes, 22 Grenville St, St Helier JE4 8PX, Jersey.

## 12. What do the Prudential Assurance Company Chief Actuary and the Prudential Assurance Company With-Profits Actuary consider the impact of the proposed transfer to be on Prudential Assurance Company's policyholders?

The Prudential Assurance Company Chief Actuary's conclusions on the impacts on policyholders transferring to Rothesay Life:

- › The Prudential Assurance Company Chief Actuary has considered the effect of the proposed transfer on the Prudential Assurance Company's transferring policyholders and is satisfied that the security and reasonable benefit expectations of Prudential Assurance Company's transferring policyholders will not be materially adversely affected by the transfer.

The Prudential Assurance Company Chief Actuary's conclusions on the impacts on policyholders remaining with Prudential Assurance Company:

- › The Prudential Assurance Company Chief Actuary has considered the effect of the proposed transfer on the remaining Prudential Assurance Company policyholders and is satisfied that the security and reasonable benefit expectations of the remaining Prudential Assurance Company policyholders (in all sub-funds) will not be materially adversely affected by the transfer.

The Prudential Assurance Company With-Profits Actuary's conclusions on the impacts on with-profits policyholders of Prudential Assurance Company:

- › The Prudential Assurance Company With-Profits Actuary has reviewed the impact of the proposed transfer on the with-profits policyholders of Prudential Assurance Company and is satisfied that the proposed scheme will not result in any material adverse effect on either the security or the reasonable benefit expectations of the with-profits policyholders of Prudential Assurance Company.

## 13. What does the Rothesay Life Chief Actuary consider the impact of the proposed transfer to be on Rothesay Life policyholders?

Rothesay Life's Chief Actuary has reviewed the impact of the proposed transfer on Rothesay Life policyholders and concluded that:

- › the security of the current policyholders of Rothesay Life is not likely to be adversely affected as a result of the proposed transfer;
- › the reasonable benefit expectations of the current policyholders of Rothesay Life are not likely to be adversely affected as a result of the proposed transfer; and
- › the administrative arrangements applicable to the policyholders of Rothesay Life are not likely to be adversely affected as a result of the proposed transfer.

## 14. What does the term 'not materially adversely affected' used by the Independent Expert mean?

The phrase "not materially adversely affected" means any potential impact is very unlikely to happen and does not have a significant impact, or is likely to happen but has a very small impact.

Assessing the potential impact of events such as the proposed transfer is ultimately a matter of judgement involving the estimation of the likelihood and impact of future possible events.

The way in which the Independent Expert has expressed his conclusions regarding the potential impact of the transfer, particularly as regards policyholders' security and benefit expectations, acknowledges the uncertainty that is inevitably involved in any such analysis.

The phrase "not materially adversely affected" (or equivalent) reflects the standard terms used by actuaries in this type of analysis, including by the Independent Expert in his analysis of this particular transfer. Since it is never possible to be absolutely certain what the outcome of future events will be, actuaries have chosen to express their judgements in terms of what they expect to happen. Similarly, because the outcomes for different groups of policyholders may be slightly different as a result of the transfer, and there will also be a range of possible outcomes for all policyholders, they have chosen to frame their conclusions using a materiality threshold. If a potential impact is very unlikely to happen and does not have a significant impact, or is likely to happen but has a very small impact, then it is not considered to materially adversely affect policyholders.

We can confirm that we are content that we have not identified any circumstances where benefits of Prudential Assurance Company or Rothesay Life policyholders are likely to be materially adversely affected.

### 15. What happens next?

Notices in relation to the application to the Court for sanction of the Scheme will be published in the London, Edinburgh, Belfast and Irish Gazettes, and widely in the UK national press. A notice will also be published in gazettes in Jersey and Guernsey in respect of the applications to the Royal Court of Jersey and the Royal Court of Guernsey respectively.

The Court hearings to consider the proposed transfer are expected to take place as follows:

Country/Dependency	Court Address	Date
United Kingdom	Rolls Building, Fetter Lane, London EC4A 1NL	10 June 2019
Guernsey	Royal Court of Guernsey, Royal Court House, St Peter Port, Guernsey GY1 2PB	14 June 2019
Jersey	Royal Court of Jersey, Royal Court House, Royal Square, St Helier, Jersey JE1 1BA	17 June 2019

Notification of any changes to these dates will be made on our website, [pru.co.uk/annuitytransfer](http://pru.co.uk/annuitytransfer)

### 16. What if I have any concerns about this transfer or if I consider that I may be adversely affected?

If you feel you may be adversely affected by the proposed transfer, you have the right to object. You can present your views either to Prudential or make representations to the Courts.

We recommend that you call or write to us with any concerns or objections you may have about the proposed transfer, or if you intend to make representations to the Courts. You can contact us using the contact details that are on page 2 of this booklet. We will acknowledge your objection. The correspondence we receive, and the transcripts of any objections raised by telephone, will be provided to our regulators and the Independent Expert as well as to the Courts. The Courts will then consider them in deciding whether it is appropriate to approve the proposed transfer.

If you wish to make representations to the UK Court directly, you can do so by writing to The High Court of Justice, Chancery List Office, Rolls Building, Fetter Lane, London EC4A 1NL. You should clearly refer to the transfer of annuities between The Prudential Assurance Company Limited and Rothesay Life plc.

Anyone making representations directly to Prudential is asked to inform us as soon as practicable, to ensure that we receive your representations in sufficient time to allow us to submit them to the Courts.

If you believe you may be adversely affected by the proposed schemes in Jersey or Guernsey, you have the right to be heard, in person or via an Advocate at the hearing of the Royal Court of Jersey and/or the Royal Court of Guernsey, as appropriate. Anyone wishing to make a representation about the transfer in Jersey or Guernsey in person or by an Advocate is asked to call or write to us as soon as practicable, stating that their representation relates to the scheme in Jersey and/or Guernsey. Further details on how you can do this can also be provided by the helpline (details of which are on page 2 of this booklet).

### **17. If the Court approves the transfer am I able to opt out?**

No, if the transfer is approved by the Court then all policies in scope of the transfer will transfer to Rothesay Life.

### **18. What if the High Court of Justice of England and Wales does not approve the transfer?**

If the High Court of Justice of England and Wales does not approve the Scheme, the transfer will not take place and all policies will remain with Prudential Assurance Company. In this event, we will update our website immediately and begin the process to write to the policyholders to inform them.

### **19. What if the Guernsey or Jersey Courts do not approve the transfer?**

If the Royal Court of Guernsey does not approve the Guernsey Scheme, any policies issued to Guernsey residents will not transfer and will be retained by Prudential Assurance Company (and reinsured to Rothesay Life) until such date (if any) as the Guernsey Scheme becomes effective. Similarly, if the Royal Court of Jersey does not approve the Jersey Scheme, any policies which constitute insurance business carried on by Prudential Assurance Company in or from within Jersey will not transfer and will be retained by Prudential Assurance Company (and reinsured to Rothesay Life) until such date (if any) as the Jersey Scheme becomes effective.

### **20. How independent is the Independent Expert?**

The main purpose of the report produced by the Independent Expert is to assist the Courts in deciding whether or not to approve the Scheme. As a consequence of his role, the Independent Expert owes a duty to the Courts in each jurisdiction. These duties represent an extremely serious obligation for the Independent Expert and override any obligation to any person from whom they have received instructions or by whom they are paid. In addition, the appointment of the Independent Expert has been considered by our regulators and Mr. Dumbreck's appointment to act as the Independent Expert has been formally approved by the PRA. Each of these factors should provide substantial reassurance about the independence of the Independent Expert.

## **21. With a large number of annuities being transferred out of Prudential Assurance Company, will the security of my non-transferring Prudential Assurance Company policy be adversely affected?**

The Independent Expert has concluded that the implementation of the Scheme will not have a material adverse effect on the security of benefits or the reasonable benefit expectations of the non-transferring policyholders of Prudential Assurance Company.

His full report is available to download on our website, [pru.co.uk/annuitytransfer](http://pru.co.uk/annuitytransfer) and a summary of the report is in section D of this booklet.

## **22. Who is paying for the transfer?**

Policyholders will not bear any of the costs associated with the transfer of business from Prudential Assurance Company to Rothesay Life.

Costs associated with the Scheme that are attributable to Prudential Assurance Company will be met from Prudential Assurance Company's shareholder funds and not by policyholders or Prudential Assurance Company's with-profits funds.

## **23. Do I have a vote on the transfer?**

The legal process to carry out the transfer contains various safeguards to ensure that the interests of affected parties are protected. However, it does not require the proposals to be put to a vote by policyholders or shareholders.

The Courts will only sanction the transfer if the proposals are appropriate, including whether they are fair as a whole as between the interests of the affected parties. Policyholders have the right to object to the transfer. The process to raise an objection is outlined in the answer to question 16.

## **24. Will I receive a payment as a result of the Transfer?**

There will be no additional payments or special policy bonuses to any policyholders as a result of the proposed transfer.

## **25. Why have you only written to me now, so close to the final Court Hearing when the proposals have been progressed for some time?**

The timing of our communication to policyholders is consistent with usual practice for business transfers of this nature and the requirements of the legal processes we are following. In particular, the amount of time between our mailing to policyholders and the final hearing in the UK is consistent with guidance issued by our regulators in the UK, the PRA and the FCA, and the expectation of the Courts and regulators of Jersey and Guernsey.

## **26. Why have I received more than one pack?**

As far as possible, we have tried to identify individuals who hold more than one transferring policy with Prudential Assurance Company so that we only send them one pack of information. Unfortunately, there are some circumstances where this has not been possible and therefore some policyholders may receive more than one pack.

Please accept our apologies if you have received more than one pack of information.

## **27. How does the transfer affect Prudential Assurance Company's past business review of annuities in response to the FCA's Thematic Review of Annuity Sales Practice?**

In October 2016, the FCA announced the findings of its Thematic Review of Annuity Sales Practices ("TRASP"), which assessed whether firms provided new annuity customers with

sufficient information about enhanced annuities at the point of sale. As a result of TRASP, a small number of firms, including Prudential Assurance Company, were asked by the FCA to review all non-advised sales from July 2008 and provide redress where appropriate.

Consequently, Prudential Assurance Company is conducting a Past Business Review in relation to the sale of certain annuities ("TRASP PBR"). If your policy is due to be reviewed by Prudential Assurance Company as part of the TRASP PBR, but the review has not been completed by the Transfer Date, Prudential Assurance Company will continue to review your policy and will ensure that you receive any redress to which you are entitled.

## 28. Who do I contact for information about my policy after the transfer has happened?

Rothesay Life will be responsible for the transferred policies from the Transfer Date. However, in order to minimise any disruption, Rothesay Life and Prudential Assurance Company have agreed that Prudential Assurance Company will, for a period of time, continue to provide administration services regarding the transferred policies. Some contact details will change and Rothesay Life will let you know what they are shortly after the Transfer has happened.

## 29. What should I do now?

You should carefully read and consider the information in this booklet and the accompanying letter.

Once you have done that, you should consider whether you think you may be adversely affected by the proposed transfer or have any concerns. If you do consider you may be adversely affected or have other concerns, your options are set out in the answer to **Question 16 above**.

If you are satisfied with the proposed transfer you don't need to do anything else.

If you would like more detailed information on the proposed transfer, you can download the following documents from our website, [pru.co.uk/annuitytransfer](http://pru.co.uk/annuitytransfer):

- › The Policyholder Pack (containing the summary of the Independent Expert's Report, Summary of the Scheme, Q&A and the legal notice);
- › The report of the Independent Expert, plus any supplementary reports;
- › The reports of the Prudential Assurance Company Chief Actuary and the Prudential Assurance Company With-Profits Actuary, plus any supplementary reports;
- › The full Scheme document; and
- › The documentation for the Jersey and Guernsey insurance business transfer schemes.

Alternatively, you can request copies of those documents or ask questions by contacting us using the contact details on page 2. When writing or calling please quote your annuity policy number.

The report from the Chief Actuary of Rothesay Life is also available on Rothesay Life's website, [rothesaylife.com/prudential-transaction](http://rothesaylife.com/prudential-transaction).

## C. Summary of the Transfer

### Summary of the Terms of the Transfer of the Business of the Prudential Assurance Company Limited (PAC) to Rothesay Life Plc (Rothesay Life)

#### 1. Introduction

As part of a strategic review of its business, PAC has agreed to transfer part of its annuity business to Rothesay Life (the **Transferred Business**) under a Court sanctioned insurance business transfer scheme (the **Scheme**). The Transferred Business comprises a specific group of immediate and deferred annuities. This document provides a summary of the key terms of the proposed transfer (the **Transfer**). If you require further information, more detail can be found by reading the Scheme document in full and the report of an independent expert who confirmed that in his opinion the Transfer will not have a material adverse effect on the security of benefits, reasonable benefit expectations or service standards and governance, of policyholders of PAC or Rothesay Life. Both of these are available on our website [pru.co.uk/annuitytransfer](http://pru.co.uk/annuitytransfer).

#### 2. Effect Of The Transfer On Policies Transferring To Rothesay Life

If the Transfer goes ahead, Rothesay Life will become the provider in relation to your policy and will be responsible for administering it and for making payments under it, instead of PAC. In order to minimise the impact on transferring policyholders, PAC and Rothesay Life have agreed to enter into a transitional services agreement where PAC will carry out the administration for the transferring policyholders for a period of time after the Transfer. The Transfer will, however, not affect the terms and conditions of your policy other than as necessary to replace references to PAC (and its group) with Rothesay Life (and its group). If

your policy is transferred, you will be entitled to the same rights with Rothesay Life under your policy as you had with PAC. You will also see changes in the branding from PAC to Rothesay Life in future communications.

Your policy may be subject to PAC's review of the sale of non-advised annuities. PAC will continue to be responsible for conducting this review in relation to your policy whether or not the Transfer goes ahead. If that review concludes that you are entitled to redress, your annuity income may be increased. For more information about PAC's review of the sale of non-advised annuities, please refer to question 19 in the Policyholder Circular which is available on our website [pru.co.uk/annuitytransfer](http://pru.co.uk/annuitytransfer).

After the Transfer, Rothesay Life will be responsible for making any payments due under the terms of your policy. Any annuity payments will continue to be made as before, including in relation to the timing and the amount of the payments due. No additional action is required on your part in relation to payments due from Rothesay Life (for example, you do not need to inform your bank).

#### 3. How The Transfer Will Be Implemented

The transfer of the Transferred Business to Rothesay Life is to be carried out under section 111(1) of the Financial Services and Markets Act 2000 (the **Act**). The Transfer will not proceed unless an order sanctioning the Scheme is given by the High Court of Justice of England and Wales (the **Court**).



## 4. Court Approval Of The Transfer

If the Court approves the Scheme, the Transferred Business will transfer from PAC to Rothesay Life.

It is expected that the Transfer will become effective at 00:01 BST on 26 June 2019 (the **Transfer Date**). This date may be subject to change with the Court's consent.

## 5. The Business To Be Transferred

On the Transfer Date, all rights, benefits, obligations and liabilities of PAC in respect of the Transferred Business (unless specifically excluded) will transfer to Rothesay Life. A reinsurance agreement has already been put in place with Rothesay Life under which the future risks and obligations relating to the Transferred Business were fully reinsured to Rothesay Life (unless specifically excluded), and the investment assets backing these liabilities were transferred from PAC to Rothesay Life at the time this reinsurance agreement was entered into.

As the assets held in respect of the Transferred Business have already been transferred by PAC to Rothesay Life, they do not need to be transferred under the Scheme. The reinsurance contracts relating to certain policies comprised in the Transferred Business will be transferred on the Transfer Date, along with the documents, files and other records in relation to the Transferred Business held by or on behalf of PAC.

## 6. Excluded Policies And Excluded Liabilities

If for any reason we are unable to transfer any policy or group of policies intended to be transferred on the Transfer Date, these will continue to be reinsured under the existing reinsurance agreement between PAC and Rothesay Life (with such amendments as PAC or Rothesay Life may agree) and will not be transferred to Rothesay Life.

Certain assets and liabilities related to the Transferred Business are excluded from the Transfer and will not transfer to Rothesay Life under the Scheme. PAC will indemnify Rothesay Life in respect of any such excluded assets or excluded liabilities. These excluded liabilities include liabilities arising from the Thematic Review of Annuity Sales Practices conducted by the FCA, unless otherwise agreed between Rothesay Life and PAC. If you are affected by the Thematic Review of Annuity Sales Practices, you will receive more information from Prudential about how the Transfer affects that process.

## 7. Continuity Of Proceedings

Any proceedings by or against PAC in relation to the Transferred Business (including any future proceedings not yet begun) will be continued by or against Rothesay Life after the Transfer Date. Rothesay Life will be entitled to any and all defences, claims, counterclaims, rights of set-off and any other rights that PAC would have had.

## 8. Data Protection

From the Transfer Date, Rothesay Life will become the data controller in place of PAC in relation to the Transferred Business (except in circumstances in which PAC continues to use personal data for the purposes of payment of any TRASP Liability (as defined in the Scheme), in which case Rothesay Life and PAC shall both be separate (and not joint) data controllers)), and consents and information given to PAC will be deemed to have been given to Rothesay Life.

## 9. Mandates And Other Instructions

From the Transfer Date, any mandates, including direct debits, standing orders or other instructions or authorities, payable to or from PAC in respect of the Transferred Business will be payable to or from Rothesay Life instead.

## 10. Amendment Of The Scheme

The Scheme provides that it may be amended by application to the Court, provided that the Prudential Regulation Authority (the **PRA**) and Financial Conduct Authority (the **FCA**) have been notified of the application and a certificate is obtained from an independent expert who is approved by the PRA (having consulted with the FCA), confirming that in his opinion (having considered the proposed amendments in the round), the proposed amendments to the Scheme will not have a material adverse effect on the Policyholders of the Transferee, including by reference to: (i) the effect of the proposed amendments to the Scheme on the security of those Policyholders' contractual rights, including the likelihood and potential effects of the insolvency of the Transferee; or (ii) the likely effects of the proposed amendments to the Scheme on matters such as investment management, new business strategy, administration, governance, expense levels and valuation bases in so far as they may affect (x) the security of those Policyholders' contractual rights; (y) level of service provided to those Policyholders; or (z) the reasonable benefit expectations of those Policyholders; and (iii) the cost and tax effects of the proposed amendments to the Scheme, including in so far as they may affect the security of those Policyholders' contractual rights or their reasonable benefit expectations, and, taking account of any relevant regulatory guidance applicable to modifications of insurance business transfer schemes under Part VII of the Act (or its successors).

## 11. Objections

If you feel you may be adversely affected by the proposed transfer, you have the right to object and to present your views to Court. You can also choose to be represented by a representative at Court if you prefer. Please note that if you wish to be represented by legal counsel at the UK Court hearing then he or she would need to have appropriate rights of audience to appear at the High Court in London.

If you do wish to object, you can contact PAC's dedicated Freephone helpline 0800 640 9164, (or +44 203 755 9194 if calling from outside the UK), email PAC at [annuitytransfer@prudential.co.uk](mailto:annuitytransfer@prudential.co.uk) or write to PAC at: PO Box 3122, Prudential, Lancing BN15 8GB. PAC will acknowledge, in writing, all objections they receive. PAC will submit details of all objections received before the final court hearing to the Court, which will consider the Scheme and all objections from affected persons at the final Court hearing. Details of objections received will also be provided to the independent expert and our regulators.

## 12. Guernsey and Jersey

This summary applies equally to the equivalent schemes in Guernsey and Jersey, although in the context of those schemes:

- › the transfer will be carried out pursuant to the Insurance Business (Bailiwick of Guernsey) Law, 2002 and the Insurance Business (Jersey) Law 1996;
- › the relevant court will be the Royal Court of Guernsey and the Royal Court of Jersey; and
- › the relevant regulator will be the Guernsey Financial Services Commission and the Jersey Financial Services Commission.

## D. Summary of the Independent Expert's Report

### Background

I have been instructed by The Prudential Assurance Company Limited ("PAC")<sup>1</sup> and Rothesay Life plc ("**Rothesay**") to report to the High Court of Justice of England and Wales (the "**Court**") on the terms of the proposed transfer of certain non-profit annuity insurance business of PAC ("**the transferring policies**") to Rothesay. The transfer will be effected by means of a scheme of transfer (the "**Scheme**") in accordance Part VII of the Financial Services and Markets Act 2000. Subject to Court approval, the date on which the transfer takes place ("**the transfer date**") is expected to be 26 June 2019.

On 14 March 2018, Rothesay entered into an agreement to acquire the transferring policies from PAC. While the formal transfer of the transferring policies to Rothesay requires the sanction of the Court, PAC and Rothesay agreed that 100% of PAC's economic interest in the risks and rewards of the transferring policies should be transferred to Rothesay in the meantime<sup>2</sup>. This was achieved by putting in place a reinsurance agreement between PAC and Rothesay ("**the Reinsurance Agreement**"). Under the Reinsurance Agreement, Rothesay must reimburse PAC for all benefit payments made to holders of the transferring policies<sup>3</sup> unless and until the transferring policies are formally transferred to Rothesay under the Scheme, after which Rothesay will make the payments directly. There are a number of policies that are covered by the Reinsurance Agreement which are not transferring policies.

These policies which will instead remain reinsured to Rothesay after the transfer date.

I am a Fellow of the Institute and Faculty of Actuaries in the UK and a partner of Milliman LLP. I have fulfilled the role of Independent Expert for over 20 insurance business transfers that have been approved by the Court. I confirm that I do not have any direct or indirect interest in PAC, Rothesay or any other related firms that could compromise my independence.

My assessment of the effect of the transfer has been informed by the financial positions of PAC and Rothesay at 30 June 2018, the most recent date at which both sets of financial results are available at the time of writing.

This is a summary of my full report dated 21 January 2019. Please refer to my full report (which is available from the PAC and Rothesay websites) for the scope of my work and my conclusions, and the reliances, limitations and standards applying to my work. The full report and this summary do not provide financial or other advice to individual policyholders.

Before the final Court Hearing I will prepare a further report (the "**Supplementary Report**") to provide an update on my conclusions regarding the effect of the proposed transfer on the different groups of policyholders in light of any significant events arising after my full report has been finalised. The Supplementary Report will include information on the financial position of the companies at 31 December 2018.

<sup>1</sup> PAC is a UK insurance company and is the primary European insurance entity of the Prudential plc group.

<sup>2</sup> With effect from 1 April 2018 for deferred annuities and 1 July 2018 for annuities in payment.

<sup>3</sup> With the exception of differences in payments to policyholders that arise through differences between PAC's and Rothesay's commutation factors.

## The effect of the transfer on transferring policies of PAC

### Benefit security

Transferring PAC policyholders will be transferred from a very large, long established company with a familiar brand name to a smaller, less well-known company founded only twelve years ago. However, the security of policyholders' benefits depends primarily on factors other than the size and age of the company, and in reviewing the transfer I have considered, among other things:

**Solvency cover:** If the proposed transfer had taken place on 30 June 2018, the level of cover for regulatory solvency requirements<sup>4</sup> would have been lower in Rothesay post-transfer than that in PAC pre-transfer. However, PAC's solvency cover decreased from 14 December 2018 due to the transfer of the legal ownership of PAC's Hong Kong subsidiaries to Prudential Corporation Asia, reversing the relative positions of the two companies.

**Capital policies:** PAC and Rothesay have capital policies aimed at maintaining solvency cover<sup>5</sup> within an appropriate range. I have reviewed the capital policies of both companies and have concluded that they are of broadly comparable strength. At 30 June 2018 the solvency cover of each company exceeded the upper end of the target range set by its respective Board, and this would also have been the case after the transfer if it had taken place on that date. Each company is free to distribute to its shareholders any surplus capital which is not

ring-fenced or expected to be needed by the business, and this means that additional security provided by solvency cover in excess of the target range may be temporary.

**Risk exposures:** Differences in the risks to which each fund is exposed may lead to differences in the variability of solvency cover as financial and other conditions change, and it is also necessary to take account of any such differences.

Based on my review of all the relevant factors, I am satisfied that the transfer will not have a material adverse impact on the security of benefits of the transferring policies.

### Reasonable expectations of transferring policyholders

The transferring policies are all non-profit annuities<sup>6</sup> and therefore, in my view, policyholders' reasonable expectations in respect of their policies are principally that:

- › They receive their income as guaranteed under the policy, on the dates specified, from the point of purchase;
- › The administration, management, and governance of the policies are in line with the contractual terms of the policies; and
- › The standards of service received after the transfer are at least as good as those they currently receive.

No changes are proposed to the terms and conditions of the transferring policies, and so the contractual benefits will be unchanged by the Scheme.

<sup>4</sup> The UK insurance regulations specify minimum levels of capital that an insurer must hold based upon the risks that the insurer has written.

<sup>5</sup> The capital that an insurer holds expressed as a percentage of the minimum level permitted by regulations.

<sup>6</sup> All transferring policies are in-payment annuities with the exception of a very small number of deferred annuity policies.

Holders of some of the transferring policies are able to elect to commute some or all of the contractual benefits of their policy in certain limited circumstances<sup>7</sup>; that is, the policyholder or contingent beneficiary may choose to forgo some or all of their annuity income in return for a lump sum payment. The amount of lump sum received is, in almost all cases, at the discretion of the insurer (subject to the overriding requirement to treat customers fairly), and is determined by a commutation factor<sup>8</sup> that depends on the insurer's estimate of the life expectancy of the customer, as well as prevailing market conditions (in particular the level of long-term interest rates). PAC is in the process of implementing a change to its commutation factors which will, by and large, result in the factors reducing. I have received analysis from PAC and Rothesay showing that, while PAC's commutation factors (after the planned change) may be higher or lower than those of Rothesay depending on the features of the policy, the two sets of factors will not differ materially. I have provided more details on this aspect in my full report and I will provide an update in my Supplementary Report.

Since October 2018, the administration and servicing of all of PAC's annuity business (including the transferring policies) has been carried out by Tata Consultancy Services ("TCS") and Diligenta, its UK subsidiary. Subject to putting in place a suitable transitional services agreement, after the transfer date, PAC will

continue to provide administration and servicing (undertaken by TCS on its behalf) to Rothesay for 12 to 24 months after the transfer date, which means that no changes to administration or service standards are expected as a result of the transfer during this period. While this transitional services agreement is in place, there is no reason to expect that administration and service standards will differ from those that the transferring business would have received if the Scheme had not been implemented. After the terms of the transitional services agreement, Rothesay would either have a direct relationship with TCS/Diligenta or the administration would migrate to a service provider of Rothesay's choice. Rothesay already manages approximately 380,000 non-profit annuities and administers these via outsourcing agreements. I have reviewed the target service standards for these policies and I consider the service standards to be reasonable. I have no reason to believe that the future outsourcing arrangements for the transferring policies organised by Rothesay will result in materially different service standards from those applicable to Rothesay's existing non-profit annuities. I will comment on the outcome of the discussions surrounding the Transitional Services Agreement in my Supplementary Report. However, assuming that a suitable Transitional Services Agreement is put in place, I am satisfied that the implementation of the Scheme will not result in a material adverse impact on service standards applicable to Transferring Policies.

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<sup>7</sup> For the in-payment annuities, these circumstances comprise:

- a situation in which a pension sharing order has been issued; or
- a situation where the benefits of a contingent beneficiary are small enough to qualify for trivial commutation following the death of the main policyholder.

<sup>8</sup> A commutation factor is the lump sum received by the policyholder for each £1 p.a. of pension income forgone. For example, a commutation factor of 20 means that the policyholder would receive a £20 lump sum for each £1 p.a. of pension forgone.

Following the transfer, the transferring policies will be managed by Rothesay and subject to the governance of the Rothesay Board of Directors. As noted above, Rothesay currently manages large volumes of non-profit annuity business, and is therefore experienced in the management and governance of such business.

After the Transfer Date it will be necessary to use Rothesay's Pay As You Earn ("**PAYE**") reference for transferring policies. For some holders of transferring policies, this may trigger a change in their PAYE tax code, either at or directly after the Transfer Date. Rothesay and PAC are liaising with HMRC to establish the best approach to minimise any inconvenience for affected policyholders. I will comment further on this aspect in my Supplementary Report.

In October 2016, the Financial Conduct Authority (the "**FCA**") announced the findings of its Thematic Review of Annuity Sales Practices ("**TRASP**") which assessed whether firms had provided new annuity customers with sufficient information about the availability of enhanced annuities<sup>9</sup> at the point of sale. As a result of TRASP a number of firms, including PAC, were asked by the FCA to review all non-advised annuity sales<sup>10</sup> since July 2008 and provide compensation where appropriate. PAC is currently conducting this review.

Depending on the outcome of the TRASP review, PAC may need to make lump sum compensation payments and/or augment the level of annuity payments for certain policies, including some of the transferring policies. The planned processes for reviewing and, where appropriate, providing

TRASP compensation after the transfer have been designed with the aim that a transferring policyholder's experience would be the same as that of a non-transferring policyholder of PAC. Therefore, transferring policyholders should not experience a delay in receiving any compensation due as a result of the implementation of the Scheme, nor will the amount of compensation they receive be affected.

### Conclusions for transferring policies

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

- › The security of benefits under the transferring policies;
- › The reasonable expectations of the transferring PAC policyholders; or
- › The service standards and governance applicable to the transferring policies.

### The effect of the transfer on non-transferring policies of PAC

#### Benefit security

If the proposed transfer had taken place on 30 June 2018, there would have been an improvement to PAC's financial strength as a result of the transfer. However, this improvement would be relatively small as PAC has already transferred the risks and rewards associated with the transferring policies to Rothesay through the Reinsurance Agreement, and so has already realised most of the financial benefits of the transfer.

<sup>9</sup> An annuity sold to an individual in poorer than average health, which pays out a higher annuity amount to reflect their lower life expectancy relative to a healthy individual.

<sup>10</sup> When a customer does not receive financial advice when purchasing an annuity, it is called a 'non-advised annuity sale'.

The proposed transfer will not lead to any material change in the risk appetite<sup>11</sup> or capital policy in accordance with which PAC is managed, and PAC's ability to comply with its capital policy will not be materially affected by the transfer.

### Reasonable expectations of non-transferring PAC policyholders

No changes will be made to the terms and conditions of non-transferring policies in PAC as a result of the transfer. Furthermore, there will be no change to the operation of PAC and the governance of non-transferring PAC policies will continue to be the responsibility of the PAC Board of Directors and, in the case of with-profits policyholders (none of which will transfer to Rothesay), the role of the PAC With-Profits Committee will be unchanged.

The non-transferring policies in PAC will continue to be administered under the same arrangements and will therefore not experience any change to service standards as a result of the transfer.

The Scheme will have no effect on the benefits payable under policies remaining in PAC.

Conclusions for non-transferring policies

I am satisfied that the implementation of the Scheme will not have a material effect on:

- › The security of benefits under non-transferring policies in PAC;

- › The reasonable benefit expectations of non-transferring policyholders of PAC; or
- › The service standards and governance applicable to non-transferring policies of PAC.

### The effect of the transfer on Rothesay policies

#### Benefit security

Based on the financial information I have received as at 30 June 2018, there will be no material change to the financial strength of Rothesay as a result of the transfer as PAC has already transferred the risks and rewards associated with the transferring policies to Rothesay through the Reinsurance Agreement.

Rothesay's existing business consists solely of annuities in payment and deferred annuities, and while the Reinsurance Agreement significantly increased the volume of business in Rothesay, it did not materially change the nature of the risks to which its policies are exposed (principally longevity risk<sup>12</sup> and credit risk<sup>13</sup>). As the risks on the transferring policies have already been passed to Rothesay through the Reinsurance Agreement, the transfer itself will not add to these risks.

The proposed transfer will not lead to any material change in the risk appetite or capital policy in accordance with which Rothesay is managed, and Rothesay's ability to comply with its capital policy will not be materially affected by the transfer.

<sup>11</sup> Risk appetite is the amount and type of risk that an organisation is willing to take in order to meet its strategic objectives

<sup>12</sup> Longevity risk is the risk of an adverse financial impact arising from annuity policyholders living longer than expected

<sup>13</sup> Credit risk is the risk of losses arising from a loan made to a third party. A loss may arise from failure of the counterparty to make payments when due. A loss may also arise because the market considers the likelihood of the counterparty defaulting has increased, and so the value at which the loan may be traded falls.

## Reasonable expectations of existing Rothesay policyholders

The transfer will not alter the terms and conditions of existing policies in Rothesay.

The transfer will not lead to any changes to the servicing and administration arrangements for existing Rothesay policies, and no change is expected to service standards for these policies as a result of the Scheme.

The governance of the existing policies will continue to be the responsibility of the Rothesay Board of Directors.

I am satisfied that the implementation of the Scheme will not have a material effect on:

- › The security of benefits of the policyholders of Rothesay;
- › The reasonable expectations of the policyholders of Rothesay; or
- › The service standards and governance applicable to the policyholders of Rothesay.

## Overall Conclusions

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

- › The security of benefits of the policyholders of PAC and Rothesay;
- › The reasonable benefit expectations of the policyholders of PAC and Rothesay; or
- › The service standards and governance applicable to the PAC and Rothesay policies.

I am also satisfied that the Scheme is equitable to all classes and generations of PAC and Rothesay policyholders.

The Independent Expert's full report is available online at [pru.co.uk/annuitytransfer](http://pru.co.uk/annuitytransfer). It shows in much more detail how the Independent Expert has reached his conclusions. You can also request a copy by post, by calling PAC's helpline on 0800 640 9164 or +44 203 755 9194 if calling from outside the UK, or by writing to PAC at Rothesay Life Transfer, Prudential, PO Box 3122, Lancing BN15 8GB.



## E. Notice of Transfer

IN THE HIGH COURT OF JUSTICE  
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES  
COMPANIES COURT (ChD)

CR-2018-003686

IN THE MATTER OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED

-and-

IN THE MATTER OF ROTHESAY LIFE PLC

-and-

IN THE MATTER OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

**NOTICE IS HEREBY GIVEN** that on 22 January 2019 The Prudential Assurance Company Limited ("**PAC**") and Rothesay Life Plc ("**Rothesay Life**") applied to the High Court of Justice of England and Wales (the "**Court**"), pursuant to section 107(1) of the Financial Services and Markets Act 2000 (the "**Act**"), for an Order under section 111(1) of the Act sanctioning an insurance business transfer scheme (the "**Scheme**") for the transfer to Rothesay Life of certain long-term insurance business carried on by PAC (the "**Transferring Business**") and for the making of ancillary orders in connection with the implementation of the Scheme under section 112 of the Act.

If the Scheme is sanctioned by the Court, it will result in the transfer to Rothesay Life of all the contracts, property, assets and liabilities comprising the Transferring Business and accordingly, unless otherwise provided for in the Scheme, payments in respect of the policies comprising the Transferring Business shall, upon the transfer becoming effective, be dealt with by Rothesay Life.

The availability to policyholders of recourse to the Financial Services Compensation Scheme and Financial Ombudsman Service will not change as a result of the Scheme. Therefore, policyholders of PAC and Rothesay Life who are currently protected by the Financial Services Compensation Scheme and/or have recourse to the Financial Ombudsman Service will continue to have such protection or recourse.

Copies of the report on the terms of the Scheme prepared by an Independent Expert in accordance with section 109 of the Act (the "**Independent Expert's Report**"), copies of the letters sent to policyholders, a statement setting out the terms of the Scheme and a summary of the Independent Expert's Report, and copies of the Scheme document itself can be obtained from [pru.co.uk/annuitytransfer](http://pru.co.uk/annuitytransfer) and copies can also be requested free of charge by contacting PAC using the telephone number or address set out below from the date of publication of this notice until the date on which the application is heard by the Court. These documents, other documents relating to the Scheme (including other actuarial reports and a Questions and Answers document) and any further news about the Scheme will be posted on this website which can be checked for updates.

Any questions or concerns relating to the proposed transfer should be referred to PAC using the following telephone number, email or postal address:

### Transferor contact details

By post: Prudential, PO Box 3122, Lancing BN15 9GB

By email: annuitytransfer@prudential.co.uk

PAC telephone: 0800 640 9164

PAC overseas telephone: +44 203 755 9194

The application is due to be heard at the Rolls Building, Fetter Lane, London EC4A 1NL on 10 June 2019. If approved by the Court, it is currently proposed that the Scheme will take effect at 00:01 BST on 26 June 2019.

**Any person who claims that he or she would be adversely affected by the carrying out of the Scheme has a right to attend the hearing and express their views either in person or through a representative. Please note that if any person wishes to be represented by legal counsel at the UK Court hearing then he or she would need to have appropriate rights of audience to appear at the High Court in London.**

Any person intending to attend is requested (but is not obliged) to give notice of such intention as soon as possible and preferably at least five business days before the hearing on 10 June 2019, setting out their grounds of objection to PAC by calling the above number or by writing to the address above or to the solicitors named below.

Any person who claims that they will be adversely affected by the Scheme but does not intend to attend the hearing may also make representations about the Scheme by giving notice of such representations, as soon as possible and preferably at least five business days before the hearing on 10 June 2019, by calling the above number or by writing to the address above or to the solicitors named below.

Allen & Overy LLP  
One Bishops Square  
London E1 6AD

Ref: 0041553-0000037

Solicitors to PAC



GEN/19/64601/01/2019



**PRUDENTIAL**

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