

18 October 2019

Directors of The Equitable Life Assurance Society
Walton Street
Aylesbury
Buckinghamshire
HP21 7QW

Directors of Utmost Life and Pensions Limited
Utmost House
6 Vale Avenue
Tunbridge Wells
Kent
TN1 1RG

Dear Sirs

Re: The Report of the Independent Expert on the Proposed Scheme to Transfer Long-Term Insurance Business from Equitable Life Assurance Society (ELAS) to Utmost Life and Pensions Limited

I have been appointed by The Equitable Life Assurance Society ("ELAS") and Utmost Life and Pensions Limited ("Utmost") to fulfil the role, pursuant to Section 109 of FSMA, of the Independent Expert and to report on the terms of the proposed scheme (the "Scheme") providing for the transfer to Utmost of almost all of the long-term insurance business of ELAS.

I have produced a report ("my Report") for the High Court to assist in its deliberations, which has been made available to policyholders on the ELAS and the Utmost websites. My Report and conclusions apply equally to policies transferring pursuant to the Jersey and Guernsey Court schemes (the "Channel Islands Schemes") as they do to policies transferring pursuant to the Scheme.

At the time of writing my Report, I was unable to conclude on certain aspects of the Scheme. This letter has been written to summarise my conclusions on the outstanding points in my Report, so that those conclusions can be made available to policyholders in advance of the Scheme of Arrangement Members Meeting and the Extraordinary General Meeting ("EGM"), due to be held on 1 November 2019. In these meetings, the relevant policyholder groups have the opportunity to vote on the Scheme of Arrangement and the changes to the Articles of Association, respectively. Although the vote does not relate directly to the Scheme, the Scheme and the Scheme of Arrangement are dependent on each other, therefore policyholders' views on the Scheme of Arrangement may be impacted by their views on the Scheme. My Supplementary Report will be made available on the ELAS and Utmost websites prior to the Sanction Hearing (scheduled for 22 and 25 November 2019) and will be presented to the Court at the Sanction Hearing, at which time the Scheme will be presented to the Court for sanction under Section 111 of Part VII of the FSMA, if the required threshold for positive votes at the Members Meeting and EGM are met.

All definitions and abbreviations used in my Report apply equally to the contents of this letter, unless stated otherwise. Readers may wish to refer to the Glossary in my Report.

The conclusions described in this letter are based on the information available to me at the time of writing and, whilst not expected to do so, they are subject to change if new information is provided in the period between the publication of this letter and the publication of my Supplementary Report (or, indeed, the Sanction Hearing). My final conclusions will be submitted to the Sanction Hearing in my Supplementary Report which will include the evidence and analysis supporting these conclusions.

Outstanding conclusions from my Report

At the time of writing my Report, I was unable to conclude on the following aspects of the Scheme:

1. **Benefit security of Non-Transferring Policyholders;** in particular, whether the level of capital to remain in ELAS on the Implementation Date was sufficient such that the post-Scheme ELAS Capital Policy and, more importantly, that the regulatory minimum capital requirements applicable to ELAS would continue to be met with sufficient certainty on an ongoing basis going forward.
2. **Benefit expectations of Non-Transferring Policyholders with UK-style German With-Profits Policies;** specifically, the proposed investment strategy and the impact of the change in investment strategy on this group of policyholders.

My conclusions relating to these outstanding matters

Below, I provide an update on the two outstanding areas described above.

1. Benefit Security for Non-Transferring Policyholders

In Section 7 of my Report, I considered the impact of the Scheme on the benefit security for the Non-Transferring Policyholders. I concluded that I was satisfied that there was no materially adverse impact on policyholder benefit security for the Non-Transferring Policyholders, with the exception of the level of capital in ELAS on and after the Implementation Date. I have now received information from the Companies to support the post-Scheme ELAS Capital Policy, including sensitivity testing and post-Scheme balance sheet projections for ELAS, and allow me to conclude that I am satisfied that the post-Scheme ELAS Capital Policy will not have a materially adverse effect on the benefit security of the Non-Transferring Policyholders. Given this, and the conclusions set out in paragraph 7.21 of my Report, ***I conclude that the Non-Transferring Policyholders will not be materially adversely affected by the Scheme.***

Further details on the sensitivity testing and post-Scheme balance sheets referred to above will be included in my Supplementary Report.

2. Benefit Expectations of Non-Transferring Policyholders

I noted in my Report that I would include my conclusions in respect of the impact of investment management on the UK-style German With-Profits Policyholders in my Supplementary Report and include a summary in this letter. As expected at the time of writing my Report, the post-Scheme investment strategy for the UK-style German With-Profits Policies is to invest the assets backing these liabilities in the Multi-Asset Moderate Fund provided by JP Morgan Asset Management, with a currency hedge in place to cover exposure in respect of Sterling denominated Government and Corporate Bonds. I am satisfied that this investment strategy will not have a materially adverse effect on the benefit expectations of the UK-style German With-Profits Policyholders.

Given my analysis in section 7.22 to 7.46 of my Report and the above, ***I conclude that the benefit expectations of the Non-Transferring Policyholders will not be materially adversely affected by the Scheme.***

Further details on my considerations relating to the choice of investment strategy will be included in my Supplementary Report.

Conclusions & Next steps

I am in the process of drafting my Supplementary Report, the purpose of which is to consider any developments since the publication of my Report which might materially affect policyholders of the Companies. This includes consideration of updated financial information, any concerns expressed by policyholders as a result of the Companies' communications with them regarding the Scheme, and any other matters I consider to be relevant to the Court. In addition, I will provide further background to my conclusions in respect of the aspects of the Scheme described as outstanding at the time of writing my Report, including the conclusions in respect of the above noted items.

At the time of writing this letter, I am not aware of any matter or developments that have an impact on my original conclusions on the Scheme as set out in my Report, or the conclusions drawn above. I will keep this under review until the Sanction Hearing and provide an update on my conclusions in my Supplementary Report to the Court. As indicated above, my Supplementary Report will be made available on the ELAS and Utmost Life and Pensions websites prior to the Sanction Hearing.

Yours faithfully



Richard Baddon
Deloitte MCS Limited