

MILLIMAN CLIENT REPORT

Report of the Independent Actuary on the Transfer of long term business from the Hong Kong branches of The Canada Life Assurance Company and Canada Life Limited to MyPace Life Limited

2 September 2025

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Independent Actuary's Statement of Opinion

I, Clement Bonnet, am a Principal and Consulting Actuary of Milliman Limited ("Milliman"). I am a Fellow member of the French Institute of Actuaries, and a Fellow member of the Actuarial Society of Hong Kong ("ASHK"). I have been appointed to act as the Independent Actuary pursuant to Section 24 of the Insurance Ordinance, Chapter 41 of the Laws of Hong Kong (the "Ordinance"), to provide an independent opinion on the terms and likely effects of the proposed scheme (the "Scheme") for the transfer of all long term insurance business from the Hong Kong branch ("CLA-HK") of The Canada Life Assurance Company ("CLA" or "Canada Life") and the Hong Kong branch ("CLL-HK") of Canada Life Limited ("CLL") (also hereinafter collectively referred as the "Transferring Business"), to MyPace Life Limited ("MyPace Life"). The terms CLA-HK and CLL-HK are also used to describe "CLA acting through its Hong Kong branch" and "CLL acting through its Hong Kong branch" respectively. MyPace Life, which is 51% owned by Asia Insurance Company Limited ("Asia Insurance") and 49% owned by PACE Solutions Limited ("PACE"), entered into discussion with the Hong Kong Insurance Authority ("IA") in 2024 to apply for the authorization to carry on Classes A (Life and Annuity), C (Linked Long Term), D (Permanent Health), G (Retirement Scheme Management Category I), H (Retirement Scheme Management Category II) and I (Retirement Scheme Management Category III) of long term insurance business in or from Hong Kong under Section 8 of the Ordinance. MyPace Life received an approval-in-principle in respect of its new authorization application from the IA on 25 August 2025, and is expected to receive a formal approval letter from the IA immediately after the making of the order sanctioning the Scheme in December 2025, before the effective date of the proposed Scheme of transfer (the "Transfer Date").

Throughout this report, CLA-HK and CLL-HK are collectively referred to as "Canada Life Hong Kong". CLA and CLL are collectively referred to as "Canada Life Group" which includes Canada Life Hong Kong. Canada Life Group and MyPace Life are collectively referred to as the "Parties". The Transferring Business policyholders are referred to as the "Transferring Policyholders", who hold long term insurance policies of the Transferring Business which are underwritten by Canada Life Hong Kong (the "Transferring Policies"); the remaining policyholders in Canada Life Group after the Scheme are referred to as the "Non-Transferring Policyholders", who hold "Non-Transferring Policies". MyPace Life is a new company and has no existing policyholders.

The Scheme is an important component in the simplification of Canada Life Group's structure, whose immediate objective is to retreat as a direct insurer from the Asia region which is not its primary market. The Transferring Business is immaterial relative to the size of the Canada Life Group.

Under the Scheme, it is proposed that the Transferring Business should be transferred to and assumed by MyPace Life. After the proposed transfer is effected, the Transferring Policies will then be reinsured to CLA, operating through its Barbados branch ("CLA-BB") through two coinsurance agreements, one for participating business ("Participating Coinsurance Agreement") and one for non-participating business (including unit linked business) ("Non-Participating Coinsurance Agreement"), between MyPace Life and CLA-BB. Throughout this report, the Participating Coinsurance Agreement and the Non-Participating Coinsurance Agreement are collectively referred to as the "Coinsurance Agreements". In consideration of CLA-BB agreeing to act as the reinsurer of the Transferring Policies following the implementation of the Scheme and the Coinsurance Agreements, MyPace Life shall provide policy administration services for the Transferring Business in accordance with a separate administration agreement with CLA (the "Administration Agreement").

The Scheme and the Coinsurance Agreements are intended to ensure that the financial security of the Transferring Policyholders will not be impaired as the Transferring Business will continue to be

held (whether directly or indirectly) by the same legal entity, CLA, through the Coinsurance Agreements. In addition, this will enable Canada Life Group to cease to carry on any class of long term business in or from Hong Kong, close their respective Hong Kong branches, and thereby be released from the legal ownership, policy administration, and Hong Kong regulatory and compliance requirements for the Transferring Business.

The scope of my review and opinions are confined to the effects of the Scheme and the Coinsurance Agreements on the long term policyholders of the Parties. There will be no remaining long term direct policyholders in Canada Life Hong Kong once the Scheme is implemented. In particular, I have formed my view by considering:

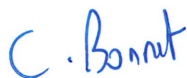
- The likely effect of the Scheme and the Coinsurance Agreements on the reasonable expectations of the long term policyholders of Canada Life Group (including Canada Life Hong Kong) and, in particular, the Transferring Policyholders with regard to benefits and levels of service;
- The effect of the Scheme and the Coinsurance Agreements on the financial security of the long term policyholders of Canada Life Group (including Canada Life Hong Kong) and, in particular, the Transferring Policyholders; and
- The adequacy of safeguards in the Scheme and the Coinsurance Agreements to ensure that they operate as presented.

In forming my opinion, I have been given free access to available information, reports and documents that I considered necessary and requested. In addition, I have also been given free access to the representatives of the Parties.

The scope of my work does not include assessing the impact of the Scheme and the Coinsurance Agreements on the shareholders of the Parties or the policyholders of Asia Insurance. I have considered the Scheme and the Coinsurance Agreements as presented to me and have not considered any other alternative schemes of transfer or reinsurance agreements beyond those provided.

In my opinion,

- The Scheme and the Coinsurance Agreements will not have a materially adverse effect on the reasonable expectations of the long term policyholders of Canada Life Group (including Canada Life Hong Kong), and in particular the Transferring Policyholders, with regard to benefits and levels of service.
- The Scheme and the Coinsurance Agreements will not have a materially adverse effect on the financial security of the long term policyholders of Canada Life Group (including Canada Life Hong Kong), and in particular, the Transferring Policyholders.
- I am satisfied that the Scheme and the Coinsurance Agreements provide sufficient safeguards to ensure that they operate as presented.



Clement Bonnet
Fellow of the French Institute of Actuaries
Fellow of the Actuarial Society of Hong Kong
Independent Actuary

2 September 2025

Section 1 Introduction

1.1. THE INDEPENDENT ACTUARY

- 1.1.1. When an application is made to the High Court of the Hong Kong Special Administrative Region, Court of First Instance (the “Hong Kong Court”) for an order to sanction the transfer of long term insurance business from one insurer to another (the “Hong Kong Order”), it must be accompanied by a report on the terms of the Scheme by an independent actuary in conformance with Section 24 of the Insurance Ordinance, Chapter 41 of the Laws of Hong Kong.
- 1.1.2. I have been appointed by CLA-HK, CLL-HK, Asia Insurance and PACE as the Independent Actuary in connection with the proposed Scheme of transfer of long term insurance business from Canada Life Hong Kong to MyPace Life.
- 1.1.3. My appointment as the Independent Actuary has been noted by the Hong Kong Insurance Authority.

1.2. SCOPE OF MY REPORT

- 1.2.1. This report considers the effects of the Scheme and the Coinsurance Agreements on the long term policyholders of Canada Life Group (including Canada Life Hong Kong), including the Transferring Policyholders and the Non-Transferring Policyholders. It does not assess the impact of the Scheme and the Coinsurance Agreements on the shareholders of the Parties, or the policyholders of Asia Insurance, which will remain under Asia Insurance after the Scheme.
- 1.2.2. I have considered the Scheme and the Coinsurance Agreements as presented to me and have not considered other possible alternative schemes of transfer or reinsurance agreements beyond those provided.
- 1.2.3. In reporting on the Scheme, I owe a duty to the Hong Kong Court to help it on matters within my expertise. This duty overrides any obligation to any person from whom I have received instructions or by whom I am paid.
- 1.2.4. In preparing the report, I consulted the IA on the required contents and incorporated suggestions from the IA as appropriate.
- 1.2.5. My report has been prepared in accordance with the approach and expectations in the section 2 paragraphs 27 to 40 of the Prudential Regulation Authority (“PRA”) Handbook, as set out in “The Prudential Regulation Authority’s approach to insurance business transfers” dated January 2022 (the “PRA Statement of Policy”) and enclosed as Appendix C to this report. I have also referred to Chapter 18 of the Supervision Manual (“SUP 18”) contained in the Financial Conduct Authority (“FCA”) Handbook. Subsections SUP18.2.31G to SUP18.2.41G, which provides guidelines on the form of the independent expert¹ scheme report, are enclosed as Appendix D to this report. In February 2022, the FCA released a revised version of the document entitled “The FCA’s approach to the review of Part VII insurance business transfers”, where the FCA set out expectations regarding the information to be included within the independent expert’s report under section 6 of this document. I have also referred to this guidance in my report.
- 1.2.6. I have been provided with free access to the information that I requested as necessary to conduct my work. The key documents that have been made available to me include the Scheme document pursuant to Sections 24 and 25(1) of the Ordinance, the Coinsurance Agreements, the framework agreement (“Framework Agreement”), the reports of the Appointed Actuaries of CLA-HK, CLL-HK and MyPace Life² on the Scheme and the

¹ The “independent expert” referred to by the FCA in this paragraph is defined according to the FCA Handbook, which differs from the “independent actuary” referred to by the IA pursuant to Section 24 of the Insurance Ordinance.

² As at the date of this report, the appointment of the Appointed Actuary of MyPace Life has not yet been made pursuant to Section 15AAA of the Ordinance and is subject to the approval of the IA.

Coinsurance Agreements, materials prepared by MyPace Life and submitted to the IA relating to the new licence authorization in line with Guideline on Application for Authorization to Carry on Insurance Business in or from Hong Kong (commonly referred to as “GL5”), and information related to management of the Parties. Appendix B of this report shows the main items of information and documents provided. In addition, I have also been given unrestricted access to and held discussions with various representatives of the Parties.

1.2.7. I have considered the following areas when forming my opinion in this report:

- The likely effect of the Scheme and the Coinsurance Agreements on the reasonable expectations of the long term policyholders of Canada Life Group (including Canada Life Hong Kong) and, in particular, the Transferring Policyholders with regard to benefits and levels of service;
- The effect of the Scheme and the Coinsurance Agreements on the financial security of the long term policyholders of Canada Life Group (including Canada Life Hong Kong) and in particular, the Transferring Policyholders; and
- The adequacy of safeguards in the Scheme and the Coinsurance Agreements to ensure that they operate as presented.

1.2.8. The report should be read together with the full terms of the Scheme, the Coinsurance Agreements and any supplementary reports for the reader to fully understand the implications.

1.3. THE FRAMEWORK FOR THE INDEPENDENT ACTUARY’S CONSIDERATION OF THE SCHEME AND THE COINSURANCE AGREEMENTS

1.3.1. As Independent Actuary, my assessment of the impact of the implementation of the Scheme and the Coinsurance Agreements on the various affected policies is ultimately a matter of expert judgement regarding the likelihood and impact of future possible events. Given the inherent uncertainty of the outcome of such future events and that the effects may differ across different groups of policyholders, it is not possible to be certain of the effect on the policyholders.

1.3.2. A Scheme may have both positive and negative effects on a group of policyholders and the existence of detrimental effects should not necessarily imply that the Hong Kong Court should reject the Scheme as the positive effects may outweigh the negative effects or the negative effects may be very small.

1.3.3. In order to acknowledge this inherent uncertainty, the conclusions of the Independent Actuary in relation to transfers of long term insurance business are usually framed using a materiality threshold based on judgment. If the potential impact under consideration 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 have a material adverse effect on the policyholders.

1.3.4. The assessment of materiality also takes into account the nature of the potential impact so that, for example, the materiality threshold for a change that could have a direct financial impact on policyholders’ benefits is likely to be lower than the materiality threshold for a change that does not have a direct financial impact.

1.3.5. This is the framework in which I undertake my consideration of the Scheme and the Coinsurance Agreements.

1.4. QUALIFICATIONS AND DISCLOSURES

- 1.4.1. I am a Fellow member of the Actuarial Society of Hong Kong and a Fellow member of the French Institute of Actuaries.
- 1.4.2. I am a Principal and Consulting Actuary of Milliman Limited, residing at 3901-02, AIA Tower, 183 Electric Road, North Point, Hong Kong. I have been based in Hong Kong since 2012. I consider my knowledge and experience, which includes the familiarity with the types of long term business written by the Parties involved, as well as my experience with previous Section 24 portfolio transfers, to be suitable and relevant in accepting the appointment as the Independent Actuary for the Scheme.
- 1.4.3. I am not a shareholder in any of the companies or subsidiaries within Canada Life Group, MyPace Life, Asia Insurance or PACE. I hold no individual life and general insurance policies with any of the companies within Canada Life Group, MyPace Life or Asia Insurance, nor am I a member of any Canada Life Group, MyPace Life or Asia Insurance insurance scheme. I have no other financial interest in Canada Life Group, MyPace Life, Asia Insurance or PACE. Moreover, my compensation related to this appointment is independent of the outcome of the Scheme.
- 1.4.4. The terms of reference relevant to this report, including general requirements of the Independent Actuary, scope of work of the Independent Actuary in relation to the Scheme and any prior assignment undertaken for the Parties, are set out in Appendix A of this report.

1.5. RELIANCES

- 1.5.1. In preparing my report, I have had access to documentary evidence provided by the Parties, the key elements of which are listed in Appendix B of this report. I have also relied on the Appointed Actuary and other members of the senior management team of the Parties about the operations of Canada Life Group (including Canada Life Hong Kong) and MyPace Life. In this report I have specifically attributed certain statements to such persons, and I have relied upon the accuracy of those (and other statements) made to me. For the avoidance of doubt, any references to the Appointed Actuary and senior management of MyPace Life (including, but not limited to, the Chief Executive, directors, controllers, and key persons in control functions) within this report pertain to appointments that have not yet been made pursuant to the Ordinance and require approval from the IA.
- 1.5.2. In coming to my conclusions, I have relied upon the accuracy of the information which has been provided to me in written or oral form, without independent verification. However, some of the key information has been subject to audit (with no negative observations or qualifications made) (e.g., balance sheet and statutory reserves, including the entire process from data inputs to model to the production of final results) or other external scrutiny, and I have had the opportunity to challenge any apparent inconsistencies in the information provided. I have considered, and am satisfied with, the reasonableness of this information based on my own experience of the insurance industry. In particular,
- I have been presented with the solvency positions of CLA-HK for the years ended 31 December 2020 to 31 December 2023, and the solvency positions of CLA and CLL for the years ended 31 December 2021 to 31 December 2024 in Section 6 of this report. The results have been reviewed by the Appointed Actuary of CLA-HK, the Appointed Actuary of CLA and the Chief Actuary of CLL respectively. As the pre-Scheme results of CLA-HK, CLA and CLL during the abovementioned reporting periods have been submitted to the relevant regulatory bodies and the results of Canada Life Group (including Canada Life Hong Kong) have also been made public, I am satisfied with, and have relied on the accuracy of, these figures. While certain estimates of post- and pre-Scheme solvency positions have not been subject to external audit, they have been subject to internal review.

- Except where otherwise stated, the financial and solvency positions of CLA-HK on or prior to 31 December 2023 quoted in this report were under the pre-Hong Kong Risk-Based Capital (“HKRBC”) basis. The Hong Kong statutory reporting basis has changed from the pre-HKRBC basis as set out under the former Ordinance to the HKRBC basis since 1 July 2024. CLA-HK has, however, received concessions and relaxations from the IA with regards to producing HKRBC results from 1 July 2024 to 31 December 2026. During this period, CLA-HK will provide the IA with its balance sheet and summary of the current estimate of liabilities under the International Financial Reporting Standards: IFRS 17 Insurance Contracts (“IFRS 17”) basis without being subject to any audit requirements, along with the audited financial statements and solvency results for the CLA entity as a whole prepared under the Canadian reporting basis (i.e., IFRS 17 for policy reserving purposes and Life Insurance Capital Adequacy Test (“LICAT”) for regulatory capital framework). It should be noted that the financial positions of CLA-HK as at 31 December 2024, as quoted in this report, are on the same basis (i.e., IFRS 17) as the financials submitted to the IA at the end of June 2025, except for figures where the IA has prescribed interest rates to be used in discounting liabilities. As a result, my opinion is formed by considering both the pre-HKRBC solvency results of CLA-HK and the audited financial and solvency results of CLA provided for my analysis.
 - CLL-HK has received concessions and relaxations from the IA with regards to producing pre-HKRBC results. It continues to receive relaxations from the IA concerning the production of HKRBC results from 1 July 2024 to 31 December 2026. During this period, CLL-HK will provide the IA with its unaudited financial statements, along with the audited solvency information for the entire CLL entity, prepared under the UK Solvency II³ basis. As a result, my opinion is formed by considering the audited financial and solvency results of CLL provided for my analysis.
 - I have been provided with, and placed reliance upon the projected solvency positions of MyPace Life under optimistic and pessimistic assumptions, under the HKRBC basis. These have been submitted to the IA as part of MyPace Life’s licence application. I understand these have not been subject to external audit but have been subject to internal review.
 - Details of the financial projections and sensitivities are set out in Section 6 of this report.
- 1.5.3. No attempt has been taken to independently review the calculations provided to me and I explicitly rely on the Appointed (or Chief) Actuaries and the Parties that all the calculations used in relation to the Scheme and the Coinsurance Agreements are appropriate and accurate as presented.

1.6. LIMITATIONS

- 1.6.1. This report has been prepared on the basis as set out in the report and its appendices. It has been written on the basis that it will be utilised by persons technically competent in the areas addressed and with knowledge of the business activities of the Parties and the nature of the risks and rewards inherent in the life insurance business in which they operate.
- 1.6.2. This report must be considered in its entirety as individual sections. If considered in isolation it may be misleading. Draft versions of this report should not be relied upon for any purpose. I have provided a summary of my report (the “Summary Report”) for inclusion in the circular to the Transferring Policyholders and, other than this, no summary of my report may be made without my express consent.
- 1.6.3. This report has been prepared by Milliman on an agreed basis for the Parties in the context of the Scheme and the Coinsurance Agreements and must not be relied upon for

³ The UK Solvency II regime is known as Solvency UK.

- any other purpose. No liability will be accepted by Milliman, or me, for any application of my report for a purpose for which it was not intended nor for the results of any misunderstanding by any user of any aspect of the report.
- 1.6.4. The estimated financial positions of the Parties under different solvency bases and as at different future valuation dates presented in this report are meant to be best estimates based on current information. The actual solvency level reported by the Parties on these valuation dates could vary from the estimates shown in this report due to various reasons, but I do not expect the deviations from the estimates shown would be material enough to affect my conclusions in this report.
- 1.6.5. When forming my conclusion in this report concerning the effect of the Scheme and the Coinsurance Agreements on the Transferring Policyholders and other policyholders of the Parties, especially on the protection provided to the Transferring Policyholders and safeguards in place under the Scheme and the Coinsurance Agreements, I have considered the Scheme and the Coinsurance Agreements in isolation. There is a chance where the situation could be changed by the Parties as part of the normal management of the business according to the internal governance framework.
- 1.6.6. Other than as set out below, this report is not meant for use by any third party to do or omit to do anything and no third party should place any reliance on the report for that reason. This report and the opinions and conclusions contained herein are for the internal use of the management of the Parties, their professional advisors, their shareholders, their policyholders, regulators, and in court. With the exception of the limited distribution and disclosure of the report specified in Paragraph 1.6.8 below, the report and any written or oral information or advice provided by me must not be reproduced, distributed or communicated in whole or in part to any other person, or be relied upon by any other person except with written consent.
- 1.6.7. If the Parties wish to release a copy of the report to third parties or advisors, except as described in Paragraph 1.6.8 and Section 9 of this report, these parties must sign a disclaimer and release letter in the form approved by Milliman setting out the terms under which the information is provided and acknowledging that neither Milliman nor I assume any responsibility, liability or duty of care to them. If the Parties wish to disclose extracts from the report in documents, Milliman and I need to give prior written consent to the proposed wording.
- 1.6.8. In accordance with Section 24 of the Ordinance, in respect of a sanction of the Hong Kong Court for the transfer of the Transferring Business, the exceptions referred to in Paragraphs 1.6.6 and 1.6.7 above include:
- a copy of the report will be provided to the IA;
 - a copy of the report will be available for inspection at the premises in Hong Kong of Baker & McKenzie, solicitors for the Parties, for a period of not less than 21 days from the date of first publication of a notice in the Government of the Hong Kong Special Administrative Region Gazette and in an approved English language newspaper and an approved Chinese language newspaper in Hong Kong in connection with the Scheme;
 - a copy of the report will be made available to any person asking for one, provided that the request is made prior to an order for sanctioning the Scheme; and
 - a copy of the report will be available from the corporate websites of both Canada Life Group and MyPace Life.
- 1.6.9. The use of Milliman's name, trademarks or service marks, or reference to Milliman directly or indirectly in any media release, public announcement or public disclosure, including in any promotional or marketing materials, websites or business presentations is not authorized without Milliman's prior written consent for each such use or release, which consent shall be given in Milliman's sole discretion.

- 1.6.10. This report was based on data available to me and Milliman at, or prior to 2 September 2025, and takes no account of developments after that date. Neither Milliman nor I is under any obligation to update or correct inaccuracies which may become apparent in the report.
- 1.6.11. This report does not provide financial or other advice to individual policyholders.
- 1.6.12. A supplementary report ("Supplementary Report") covering data as at 30 June 2025 will be prepared prior to the substantive hearing of the petition to update the findings as set out in this report and draw any significant developments or changes that may affect policyholders to the attention of the Hong Kong Court.

1.7. LIMITS OF LIABILITY AND LEGAL JURISDICTION

- 1.7.1. This report is subject to the terms and limitations, including limitation of liability and legal jurisdiction, set out in the Engagement Letter.

Section 2 The Parties to the Scheme and the Coinsurance Agreements

2.1. OVERVIEW

- 2.1.1. The Scheme was initiated by Canada Life Group with the immediate objective of ceasing to carry on any class of long term insurance business in or from Hong Kong, closing the respective Hong Kong branches of CLA and CLL, and retreating from the Asia region as a direct insurer, which is not its primary market. This aims to release Canada Life Group from overseeing the Transferring Business, which is immaterial relative to its overall size, and from complying with the Hong Kong regulatory and compliance requirements. Following the implementation of the Scheme, the Transferring Policies will be reinsured to CLA-BB through the Coinsurance Agreements. Descriptions of the key entities involved in the Scheme and the Coinsurance Agreements are provided in this section.
- 2.1.2. The current Canada Life Group structure is shown under Figure 2.1 below.

Figure 2.1: Canada Life Group structure before the Scheme (simplified)



2.2. CLA

- 2.2.1. CLA was incorporated and domiciled in Canada on 25 April 1849 and is a wholly owned subsidiary of Great-West Lifeco Inc., an international financial services holding company incorporated in Canada and listed on the Toronto Stock Exchange. CLA is ultimately owned by Power Corporation of Canada.
- 2.2.2. Throughout its history CLA has gone through several amalgamations and demutualisation under Canadian law including, but not limited to:
- On 1 July 1999, CLA amalgamated with Crown Life Insurance Company of Canada ("Crown Life Canada"), a subsidiary of Crown Life Insurance Company ("Crown Life") and continued under the name of CLA.
 - On 4 November 1999, CLA converted from a mutual insurance company to a stock insurance company through demutualisation.
 - On 31 December 2012, CLA amalgamated with Crown Life and continued under the name of CLA.
 - On 1 January 2020, CLA amalgamated with The Great-West Life Assurance Company (wholly owned by Great-West Lifeco Inc.), London Life Insurance

Company, London Insurance Group Inc. and Canada Life Financial Corporation, and continued under the name of CLA.

- 2.2.3. CLA (either itself or through its subsidiaries) provides life and health insurance, investment, retirement savings, reinsurance business and wealth management products and services primarily in Canada, the United States, the United Kingdom ("UK"), Isle of Man and Germany, and in Ireland through Irish Life.
- 2.2.4. CLA was registered as a non-Hong Kong company under Part XI of the former Companies Ordinance (Cap. 32 of the Laws of Hong Kong) (now Part 16 of the Companies Ordinance (Cap. 622)) on 31 August 1984.

2.3. CLA-HK

- 2.3.1. CLA-HK is a Hong Kong branch of CLA.
- 2.3.2. CLA-HK was registered in Hong Kong and has been authorized since 1981 to carry on long term business of Class A (Life and Annuity) under Part 2 of Schedule 1 to the Ordinance. It is currently regulated by the IA and the Office of the Superintendent of Financial Institutions ("OSFI") as part of the CLA (and Great-West Lifeco Inc.) group for business operation purposes.
- 2.3.3. CLA-HK has ceased to effect any new contracts of insurance, including contracts of reinsurance accepted but excluding (1) contracts of reinsurance ceded, (2) renewal of in-force insurance contracts and (3) conversion of in-force insurance contracts to other insurance contracts, in or from Hong Kong since 1994 (with the relevant note on such cessation inserted in the IA's register of authorized insurers on 28 June 1995, and amended on 14 November 2007). The long term business was therefore placed in run-off.
- 2.3.4. CLA-HK's business was originally underwritten by Crown Life Canada in the 1990s. In 1997, Crown Life Canada and CLA entered into discussions that led to a number of agreements in 1998 whose ultimate objective was the absorption of Crown Life Canada by CLA. Initially, CLA-HK reinsured 100% of the Hong Kong direct policies of Crown Life Canada. In 2012, the assets and liabilities in respect of the Hong Kong policies were amalgamated into CLA.
- 2.3.5. Under the Canadian insurance regulatory regime to which CLA-HK is subject, no prior consent or approval from the OSFI is required for the Section 24 transfer of the long term business written by CLA-HK to MyPace Life. In respect of the Transferring Policies of CLA-HK which constitute participating life insurance policies (either whole life or paid up at age 95) originating from the demutualisation of CLA, given that CLA has determined there is no substantive change to the governance or basis of operation of such participating policies, the Closed Block Operating Rules established by CLA at demutualisation ("Canada Life Closed Block Operating Rules") applicable to such participating life insurance policies are not being amended as a result of the Scheme.
- 2.3.6. CLA-HK also provides policyholder administration services for CLA policies written in Macau and various Pacific Rim jurisdictions. These policies are classified as part of the "Non-Transferring Policies" and will not be transferred in accordance with the proposed Scheme. I understand that, following the implementation of the Scheme, CLA intends to continue providing policyholder administration services for these policies locally from Hong Kong through an outsourcing arrangement. Ideally, the service provider will retain the same one to two CLA-HK staffs to provide customer service and administration support for these policies (refer to Paragraph 8.5.4 of this report for further details).
- 2.3.7. Prior to the commencement of the HKRBC regime on 1 July 2024, CLA-HK has been reporting under both the pre-HKRBC regime – with the Appointed Actuary and the auditor certifying compliance with the Ordinance – and the Canadian reporting basis (i.e., IFRS 17 for policy reserving purposes and LICAT for regulatory capital framework). CLA-HK was required to maintain sufficient assets to cover the long term liabilities (subject to the

concessions mentioned below) plus a solvency margin calculated in accordance with Insurance (Margin of Solvency) Rules (Cap. 41F) (repealed with effect from 1 July 2024). CLA-HK had been granted a number of concessions and relaxations by the IA, which were renewed by the IA every two to three years. These included the accounting concession under Section 17(2) of the Ordinance and relaxation of Insurance (Determination of Long Term Liabilities) Rules (Cap. 41E) (repealed with effect from 1 July 2024) pursuant to Section 130(1) of the Ordinance that was renewed on 22 March 2023. Specifically, the accounting concession allowed CLA-HK to comply with the accounting requirements under Schedule 3 of the former Ordinance on a modified basis, subject to the company's full compliance with specified conditions (including but not limited to the requirements set out in Part 8 of Schedule 3 of the former Ordinance to submit Hong Kong Long Term Business Returns (Forms HKL1 to HKL3)). The accounting concession was applicable to all accounts, statements and other information as required by Section 17(1) of the Ordinance. All the aforementioned concessions, variations and relaxations granted to CLA-HK were withdrawn by the IA with effect from 1 July 2024, with the commencement of HKRBC.

2.3.8. With the implementation of HKRBC on 1 July 2024, CLA-HK filed applications to the IA on 3 July 2024 for:

- (i) permission given under Section 22A of the Ordinance to maintain separate accounts and funds for long term business under Sections 21B(2) and (3) of the Ordinance;
- (ii) relaxation of the Insurance (Valuation and Capital) Rules (Cap. 41R) (i.e., the HKRBC rules) pursuant to Section 130(1) of the Ordinance to comply with the relevant rules, regulations, standards and requirements which are applicable to the company in its place of incorporation (i.e., the Canadian reporting basis); and
- (iii) variation to the requirements in the Insurance (Submission of Statements, Reports and Information) Rules (Cap. 41S) pursuant to Section 17(2) of the Ordinance.

Approval has been granted by the IA, subject to the compliance of the conditions set out in the IA's letter dated 15 August 2024, for (i) the permission given under Section 22A of the Ordinance with effect from 1 July 2024 and shall remain effective unless it is otherwise amended or withdrawn by the IA, while (ii) the relaxation of the HKRBC rules and (iii) the variation to the Cap. 41S submission requirements shall be effective for the period from 1 July 2024 to 31 December 2026. As a result, CLA-HK is exempted from reporting its financial and solvency results under the HKRBC basis. Instead, CLA-HK has been permitted to provide the IA with a balance sheet and summary of the current estimate of liabilities under the IFRS 17 basis (with prescribed discount rates, where applicable). These submissions will not be subject to any audit requirements. Instead, the audited financial statements of the CLA entity as a whole will be submitted to the IA. As well, solvency information for the CLA entity as a whole under the LICAT basis will be submitted to the IA.

2.3.9. Based on the unaudited IFRS 17 accounts for the year ending 2024, CLA-HK had total assets of USD 500.6 million and total liabilities of USD 470.2 million. Total liabilities included insurance contract liabilities of USD 468.6 million. The net income for 2024 was USD 0.2 million, compared to a net profit of USD 2.8 million in 2023.

2.3.10. For Hong Kong tax purposes, CLA-HK has elected to be assessed on 5% of its net premiums written for the year as its assessable profits for all lines of business. The total assessable profits will be offered for tax at the standard rate of 16.5%.

2.4. CLL

2.4.1. CLL was incorporated in England and Wales on 25 February 1970 and is a wholly owned subsidiary of The Canada Life Group (U.K.) Limited, which itself is an indirect subsidiary of

- CLA. CLL is ultimately wholly owned by Great-West Lifeco Inc., a member of Power Financial Corporation group of companies.
- 2.4.2. CLL (either itself or through its subsidiaries, other than CLL-HK) predominantly writes individual single premium policies and group protection life and health insurance contracts, to meet the retirement, investment and protection needs of individuals and companies in the UK since 1903. CLL also offers life and pension unit linked funds, available through its own investment bonds and also through the pension products offered by UK-incorporated subsidiaries of the Canada Life Group. The company sells almost exclusively through third party advisors.
- 2.4.3. CLL is authorized by the PRA and regulated by the PRA and the FCA under the Financial Services and Markets Act 2000.
- 2.4.4. CLL was registered as a non-Hong Kong company under Part XI of the former Companies Ordinance (Cap. 32) (now Part 16 of Cap. 622) on 31 August 1984.
- 2.5. CLL-HK**
- 2.5.1. CLL-HK is a Hong Kong branch of CLL.
- 2.5.2. CLL-HK was registered in Hong Kong and has been authorized to carry on long term business of Class A (Life and Annuity) and Class C (Linked Long Term) under Part 2 of Schedule 1 to the Ordinance, although CLL only carries on Class C (Linked Long Term) of long term business in or from Hong Kong.
- 2.5.3. In February 1995 CLA purchased Manulife Group PLC (now called The Canada Life Group (U.K.) Limited) from The Manufacturers Life Insurance Company ("Manulife"). Manufacturers Life Assurance Company (U.K.) Limited (now called CLL) was a subsidiary of Manulife Group PLC. On 1 November 2019, Scottish Friendly Assurance Society Limited acquired a heritage block of individual policies, excluding the Hong Kong portfolio (i.e., the unit linked Transferring Business), from CLL by means of a portfolio transfer. Separate from the aforementioned scheme of transfer, the Hong Kong portfolio is currently administered on behalf of CLL-HK by Scottish Friendly Insurance Services Limited ("Scottish Friendly") as part of an outsourcing arrangement initiated in 2019. For the avoidance of doubt, the ownership of the Hong Kong portfolio remains with CLL-HK and has not transferred to Scottish Friendly.
- 2.5.4. Since 14 June 1995, CLL-HK has ceased to effect any new contracts of insurance, including contracts of reinsurance accepted but excluding contracts of reinsurance ceded, in or from Hong Kong, and the long term business was placed in run-off. All the in-force policies of CLL-HK are unit linked whole-of-life policies (mix of both premium paying and paid up), which will be transferred in accordance with the proposed Scheme.
- 2.5.5. Under the UK insurance regulatory regime to which CLL, the direct parent of CLL-HK, is subject, no prior consent or approval from the PRA or the FCA is required for the transfer of the Transferring Policies of CLL-HK to MyPace Life.
- 2.5.6. Prior to the commencement of the HKRBC regime as at 1 July 2024, CLL-HK was required to maintain sufficient assets to cover the long term liabilities with respect to the Hong Kong-based policies (subject to the concessions mentioned below) plus a solvency margin calculated in accordance with Insurance (Margin of Solvency) Rules (Cap. 41F) (repealed with effect from 1 July 2024). The IA had granted a number of concessions and relaxations for CLL-HK; the most recent one of which was renewed on 18 December 2023 and was applicable for the financial year ending 31 December 2023 until 1 July 2024. These included the accounting concession under Section 17(2) of the Ordinance and relaxation of Insurance (Determination of Long Term Liabilities) Rules (Cap. 41E) (repealed with effect from 1 July 2024) pursuant to Section 130(1) of the Ordinance. Specifically, the accounting concession allowed CLL-HK to comply with the accounting requirements under Schedule 3 of the former Ordinance on a modified basis, subject to

the company's full compliance with specified conditions (including but not limited to the requirements set out in Part 8 of Schedule 3 of the former Ordinance to submit Hong Kong Long Term Business Returns (Forms HKL1 to HKL3)). The accounting concession was applicable to all accounts, statements and other information as required by Section 17(1) of the Ordinance, and in particular, it excused the company from producing certain reports and financial statements relating to its Hong Kong long term insurance business, instead based on the CLL level as a whole. All the aforementioned concessions, variations and relaxations granted to CLL-HK were withdrawn by the IA with effect from 1 July 2024, with the implementation of HKRBC.

2.5.7. Subsequent to the commencement of HKRBC regime on 1 July 2024, CLL-HK filed applications to the IA on 3 July 2024 and 10 July 2024 for:

- (i) Permission given under Section 22A of the Ordinance to maintain separate accounts and funds for long term business under Sections 21B(2) and (3) of the Ordinance.
- (ii) Relaxation of the Insurance (Valuation and Capital) Rules (Cap. 41R) (i.e., the HKRBC rules) pursuant to Section 130(1) of the Ordinance to comply with the relevant rules, regulations, standards and requirements which are applicable to the company in its place of incorporation (i.e., Solvency II rules applicable to the UK).
- (iii) Variation to the requirements in the Insurance (Submission of Statements, Reports and Information) Rules (Cap. 41S) pursuant to Section 17(2) of the Ordinance.

Approval has been granted by the IA, subject to the compliance of the conditions set out in the IA's letter dated 15 August 2024, for (i) the permission given under Section 22A of the Ordinance with effect from 1 July 2024 and shall remain effective unless it is otherwise amended or withdrawn by the IA, while (ii) the relaxation of the HKRBC rules and (iii) the variation to the Cap. 41S submission requirements shall be effective for the period from 1 July 2024 to 31 December 2026. As a result, CLL-HK continues to be exempted from producing certain reports and financial statements relating to its Hong Kong long term insurance business under the HKRBC basis, instead provides the IA with financial and solvency information for the entire CLL entity, which reports under the UK regulatory reporting basis.

2.5.8. As at 31 December 2024, CLL-HK had total assets of British pounds ("GBP") 5.0 million and total liabilities of GBP 5.0 million, which consisted of unit liabilities of GBP 4.5 million, non-unit best estimate liabilities of GBP 0.4 million and non-unit risk margin of GBP 0.1 million under the UK Solvency II basis.

2.5.9. For Hong Kong tax purposes, CLL-HK has elected to be assessed on 5% of its net premiums written for the year as its assessable profits for all lines of business. The total assessable profits will be offered for tax at the standard rate of 16.5%.

2.6. MYPACE LIFE

2.6.1. MyPace Life is the entity into which the long term insurance business of Canada Life Hong Kong will be transferred in accordance with the proposed Scheme.

2.6.2. MyPace Life was incorporated in Hong Kong on 31 May 2024. MyPace Life is 51% owned by Asia Insurance and 49% owned by PACE:

- Asia Insurance is a wholly-owned subsidiary of Asia Financial Holdings Ltd.. Asia Insurance was incorporated in Hong Kong in 1959. Asia Insurance has been authorized to carry on long term insurance business in Hong Kong of Class A (Life and Annuity) and Class I (Retirement Scheme Management Category III), as well as all lines of general business since 1960. In addition to a strong presence in Hong

Kong and Macau, Asia Insurance also distributes products and services in a wide range of regions including Cambodia, Indonesia, Laos, Mainland China, Myanmar, the Philippines and Thailand. Based on the audited accounts for the year ending 2024, prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS"), Asia Insurance had total assets of Hong Kong dollars ("HKD") 9,170 million and total liabilities of HKD 4,438 million.

- PACE was founded and incorporated in Hong Kong in 2020. PACE has proprietarily designed and developed a suite of software applications to take on long term operational burdens of legacy policy portfolios from life insurance companies, facilitate the administration of in-force life policy portfolios, enhance policy services for legacy policyholders, improve administrative efficiency, data and cyber security, and promote regulator engagement.

- 2.6.3. MyPace Life entered into discussion with the IA in 2024 to apply for the authorization to carry on Classes A (Life and Annuity), C (Linked Long Term), D (Permanent Health), G (Retirement Scheme Management Category I), H (Retirement Scheme Management Category II) and I (Retirement Scheme Management Category III) of long term insurance business in or from Hong Kong under Section 8 of the Ordinance, with the condition of not issuing any new policies. The IA granted an approval-in-principle in respect of its application through a letter dated 25 August 2025. Formal approval of the authorization application is expected to be granted by the IA immediately after the making of the order sanctioning the Scheme in December 2025. Subject to the grant of formal authorization by the IA, MyPace Life will have the requisite license to carry on the relevant classes (i.e., Class A (Life and Annuity) and Class C (Linked Long Term)) of long term business and is therefore capable of taking up the Transferring Business carried on by CLA-HK and CLL-HK.
- 2.6.4. MyPace Life has committed to the IA that it will not issue any new insurance contracts (including contracts of reinsurance accepted but excluding contracts of reinsurance ceded) in or from Hong Kong, except transfer of long term business from other authorized insurers. Besides, MyPace Life must obtain prior written consent from the IA and approval from its Board of Directors before assuming any transfer of long term business from other authorized insurers to the company.
- 2.6.5. The business model of MyPace Life focuses on the integration, via portfolio transfers, and administration of run-off portfolios (or "closed blocks") and, when appropriate, MyPace Life seeks to cede the risks of the closed blocks to reinsurer(s), while not looking to engage in the issuance of new policies. The reinsurer(s) shall then operate the closed blocks in alignment with the pre-existing closed block operating rules of the owner of the closed blocks prior to the integration of the closed blocks with MyPace Life, to ensure that policyholders are not adversely affected. MyPace Life retains the responsibilities for financial reporting and regulatory filings to the IA on a Hong Kong statutory basis, as well as for policy administration and customer service.
- 2.6.6. According to the business plan submitted by MyPace Life to the IA in June 2025 as part of the application for authorization to carry out long term insurance business, MyPace Life indicates long term sustainability and strong solvency position under HKRBC basis over the period from 2026 until 2084 based on the assumption that the Transferring Business is the only onboarded portfolio.
- 2.6.7. I have been informed that MyPace Life will elect the same taxation basis as Canada Life Hong Kong. This means that its Hong Kong profit tax will be assessed on 5% of its net earned premium as its assessable profits, and the total assessable profits will be offered for tax at the standard rate of 16.5%. Since all gross written premium associated with the Transferring Business (before the IA premium levy for the CLA-HK Transferring Business) will be ceded to CLA-BB through the Coinsurance Agreements following the implementation of the Scheme, the net earned premium of MyPace Life will effectively be zero, and therefore, no tax expense is expected, in accordance with the business plan submitted to the IA in June 2025. No tax adjustment has been made for any other non-

premium income, such as ceding commission or expense allowances (as described in Paragraphs 4.7.6 and 4.7.8 of this report). This taxation basis has been reviewed and confirmed by MyPace Life's prospective independent auditor.

- 2.6.8. I have also been informed that MyPace Life will report under the prevailing regulatory frameworks and accounting standards applicable in Hong Kong (i.e., HKRBC regime and IFRS 17), with the Appointed Actuary and the auditor certifying compliance with the Ordinance.

2.7. CLA-BB

- 2.7.1. CLA is the entity that will assume all insurance risks under the Transferring Policies, operating through its Barbados Branch (referred to as CLA-BB) and through the Coinsurance Agreements with MyPace Life following the implementation of the Scheme.
- 2.7.2. CLA-BB is a Barbados branch of CLA, which is ultimately wholly owned by Great-West Lifeco Inc.
- 2.7.3. CLA-BB was registered under the Laws of Barbados on 26 November 2010 as an External Company and is regulated by the Barbados Corporate Affairs and Intellectual Property Office in accordance with the Companies Act Cap. 308. CLA-BB is duly licensed under the Insurance Act, Cap. 310 as a Class 2 insurer and is regulated by the Barbados Financial Services Commission ("FSC").
- 2.7.4. CLA-BB is licensed to provide long term reinsurance of policies issued by third parties and related companies. Under the Foreign Currency Permits Act, 2018, CLA-BB holds a Foreign Currency Permit that is regulated by the Barbados International Business Unit.
- 2.7.5. CLA-BB offers a range of risk and capital management solutions covering mortality, longevity, health and lapse risks for insurers, reinsurers and pension funds across the United States, Europe, Middle East and Asia either directly or through internal retrocessions. The main business lines written within CLA-BB are traditional life, structured life, structured health and payout annuities.

Section 3 Existing Business and Fund Structures

3.1. CLA-HK

Overview

- 3.1.1. CLA-HK is authorized to carry on long term business in or from Hong Kong, and is authorized to underwrite long term insurance business categorised as Class A (Life and Annuity) as set out under Part 2 of Schedule 1 to the Ordinance since 1981.
- 3.1.2. As at 31 December 2024, Class A business mainly consisted of participating business that is either whole life or paid up at age 95. There was also a small amount of universal life and participating term riders. As CLA-HK has ceased to effect any new contracts of insurance, including contracts of reinsurance accepted but excluding (1) contracts of reinsurance ceded, (2) renewal of in-force insurance contracts and (3) conversion of in-force insurance contracts to other insurance contracts, in or from Hong Kong since 1994, the long term business was placed in run-off.
- 3.1.3. Under the Scheme, only the Transferring Business will be transferred to MyPace Life. While CLA-HK provides policyholder administration services for policies written in Macau and in various Pacific Rim jurisdictions belonging to CLA, these policies will not be transferred under the Scheme as they are not written by CLA-HK.
- 3.1.4. After the proposed transfer, CLA-HK will apply to the IA to withdraw its authorization to carry on any class of long term business in or from Hong Kong, and thereafter will close its Hong Kong branch and cease to be an authorized insurer in Hong Kong (refer to Paragraph 4.1.6 of this report for further details).
- 3.1.5. Prior to the implementation of HKRBC on 1 July 2024, CLA-HK reported its financial position under both the HKFRS basis and the pre-HKRBC basis for policy reserves and capital requirement. From 1 July 2024 to 31 December 2026, CLA-HK obtained approval from the IA to prepare its financial statements without being subject to any audit requirements (refer to Paragraph 2.3.8 of this report for further details). Table 3.1 provides a breakdown of the financial position of CLA-HK under the IFRS 17 basis as at 31 December 2024, together with the financial position as at 31 December 2023 under both the HKFRS/ pre-HKRBC bases and the IFRS 17 basis for comparison purposes. The reduction in net assets from 31 December 2023 to 31 December 2024 under the IFRS 17 basis was mainly attributed to the reallocation of free surplus of USD 22 million to CLA, as described in Paragraph 3.1.13 below.

Table 3.1: Financial position of CLA-HK (in USD million)

As at	Reporting basis	Assets	Liabilities	Net assets
31 December 2023	HKFRS/ Pre-HKRBC	631.4	555.4	76.0
31 December 2023	IFRS 17	550.6	499.4	51.2
31 December 2024	IFRS 17	500.6	470.2	30.4

Figures may not be additive due to rounding.

Source: CLA-HK internal report on the actuarial investigation as at 31 December 2023; and unaudited IFRS 17 ledger accounts as at 31 December 2023 and 31 December 2024.

Fund structure

- 3.1.6. Before the Scheme, the fund structure used by CLA-HK to underwrite and administer its long term insurance business is summarised below:
- The CLA-HK Class A Participating Fund (also referred to as “Closed Block Sub-Account”); and
 - The CLA-HK Class A Non-Participating Fund.
- 3.1.7. Under the Scheme, the CLA-HK Class A Participating Fund and the CLA-HK Class A Non-Participating Fund are collectively referred to as the CLA-HK Long Term Funds (pursuant to Section 21B of the Ordinance).

The CLA-HK Class A Participating Fund

- 3.1.8. The CLA-HK Class A Participating Fund was originally created in 1999 as a Closed Block Sub-Account for the participating policies that were acquired from Crown Life Canada. This sub-account was created in accordance with the OSFI’s Guide for the Demutualisation of Insurance Companies. At that time, assets equal to the best estimate reserves for these policies, calculated under the Canadian Generally Accepted Accounting Principles (“GAAP”) basis, were ring-fenced and maintained for the sole benefit of the participating policyholders in that fund.
- 3.1.9. Gains emerging from the CLA-HK Class A Participating Fund cannot be distributed to the shareholders and assets are not allowed to be transferred out of the closed CLA-HK Class A Participating Fund. Participating policyholders receive dividends which reflect the investment, lapse and mortality experience of the CLA-HK Class A Participating Fund, and expenses are charged to the fund by CLA-HK. The annual dividends are calculated following the Contribution Principle with details set out in Paragraphs 5.3.20 and 5.3.21 of this report.

The CLA-HK Class A Non-Participating Fund

- 3.1.10. The assets of the CLA-HK Class A Non-Participating Fund belong to the shareholders of CLA, which consist of:
- Assets backing the liabilities of non-participating whole life, term and universal life policies;
 - The CLA-HK Ancillary Fund (also referred to as “Ancillary Sub-Account”) (refer to Paragraph 3.1.11 below);
 - The expense provision held to cover the gap between actual expenses and the expense loadings that can be charged to the CLA-HK Class A Participating Fund, as the allowable expenses charged to the participating Transferring Policyholders are fixed as per the Canada Life Closed Block Operating Rules; and
 - The surplus assets (i.e., total assets in excess of the above items).
- 3.1.11. The CLA-HK Ancillary Fund is a pool of assets supporting the provision for adverse deviations that are required for the policies in the CLA-HK Class A Participating Fund, which comprises items (i), (ii) and (iii) set out below. If experience is in line with actuarial expectations, the residual liabilities in the CLA-HK Ancillary Fund will be gradually released as shareholder profits over time.
- (i) **Risk Adjustment (“RA”) for non-financial risk under IFRS 17:** The compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils the insurance contracts, as

specified by the Canadian IFRS 17 regulations. RA reduces as policies grow closer to maturity and can be gradually released as shareholder profits.

- (ii) **Contractual Service Margin (“CSM”) under IFRS 17:** The present value of unearned profit an entity will recognise as it provides services in the future.
 - (iii) **Cost of guarantees associated with the participating policies of CLA-HK:** The additional cost an entity has to provide for any benefits remaining after the dividend scale has absorbed all of the negative experience it can pass through to policyholders.
- 3.1.12. The asset portfolio segmentation amongst the components of the CLA-HK Class A Non-Participating Fund is performed on an IFRS 17 basis and is summarised below as at 31 December 2024:
- The CLA-HK Class A Non-Participating Fund: USD 59.1 million, including:
 - Assets backing the liabilities of non-participating business: USD 2.3 million
 - The CLA-HK Ancillary Fund: USD 16.3 million
 - Expense provision: USD 10.1 million
 - Free surplus: USD 30.4 million
- 3.1.13. During 2024, a total of USD 22 million of the free surplus was reallocated to CLA. Additional reallocations are under consideration, though the amount and timing have yet to be determined at the time of this report. Prior to 2025, there were no reallocations from CLA-HK to CLA.

Key statistics – long term business

- 3.1.14. As at 31 December 2024, CLA-HK had 9,932 long term insurance policies in force, accounting for total insurance contract liabilities of USD 468.6 million under the IFRS 17 basis.
- 3.1.15. As at 31 December 2024, 98% of the gross long term insurance liabilities are denominated in USD, with the remainder denominated in Canadian dollars (“CAD”).
- 3.1.16. The majority of CLA-HK’s liabilities are contributed by its participating whole life business. Other lines of business such as participating endowment, non-participating whole life, universal life, term products and term riders contribute a very small amount to total liabilities.
- 3.1.17. Table 3.2 summarises the details of CLA-HK’s long term business as at 31 December 2024:

Table 3.2: Long term business of CLA-HK as at 31 December 2024 (in USD million except number of policies)

Product category/ Liability item	Number of policies	Total gross sum assured	Amount of gross insurance contract liabilities under the IFRS 17 basis
Class A – Life assurance participating			
Participating whole life	9,806	1,009.1	515.3
Participating endowment	13	0.6	0.2
Participating term riders	-	2.5	0.8
CSM	NA	NA	15.3
Policy loans	NA	NA	(90.8)
Other policy liabilities	NA	NA	15.1
Total life assurance participating	9,819	1,012.2	456.0
Class A – Life assurance non-participating			
Non-participating whole life	86	7.6	2.3
Non-participating term	27	2.2	(0.0)
CSM	NA	NA	0.2
Additional expense provision	NA	NA	10.1
Policy loans	NA	NA	(0.0)
Outstanding claims	NA	NA	0.1
Total life assurance non-participating	113	9.8	12.6
Total	9,932	1,022.0	468.6

Figures may not be additive due to rounding.

Source: CLA-HK internal, non-public information; it is on the same basis as the regulatory filings submitted to the IA at the end of June 2025.

- 3.1.18. As at 31 December 2024, the non-participating business is composed of whole life products (23 in-force policies), term products (27 in-force policies), and universal life products (63 in-force policies).
- 3.1.19. As at 31 December 2024, there were 366 policies (362 of which were participating policies and 4 of which were non-participating policies) belonging to the Macau branch of CLA, and 159 policies (156 of which were participating policies and 3 of which were non-participating policies) written in various Pacific Rim jurisdictions belonging to CLA where the policyholder administration is currently being carried out by CLA-HK. These policies will not be transferred under the Scheme.

3.2. CLL-HK

Overview

- 3.2.1. CLL-HK is authorized to carry on long term business in or from Hong Kong, and is authorized to underwrite long term insurance business categorised as Class A (Life and Annuity) and Class C (Linked Long Term) as set out under Part 2 of Schedule 1 to the Ordinance since 1983.
- 3.2.2. As at 31 December 2024, the long term insurance business of CLL-HK consisted of Class C (Linked Long Term) only. As CLL-HK has ceased to effect any new contracts of insurance in or from Hong Kong since 1995 (including contracts of reinsurance accepted but excluding contracts of reinsurance ceded), the long term business was placed in run-off.
- 3.2.3. Table 3.3 provides a breakdown of the financial position of CLL-HK under the UK Solvency II basis⁴ as at 31 December 2024:

Table 3.3: Financial position of CLL-HK as at 31 December 2024 under the UK Solvency II basis (in GBP million)

	Assets	Liabilities	Net assets
Class C – Linked Long Term	5.0	5.0	0.0

Figures may not be additive due to rounding.

Source: CLL-HK internal, non-public information; submitted to the IA at the end of June 2025.

Fund structure

- 3.2.4. Before the Scheme, the fund structure used by CLL-HK to underwrite and administer its long term insurance business is summarised below:
- The CLL-HK Long Term Fund (pursuant to Section 21B of the Ordinance), which comprises the CLL-HK Class C Fund only.
- 3.2.5. Policyholders are provided with the following unit linked fund options⁵ from the Canlife Series 2 Accumulation funds managed by Canada Life Asset Management Limited (“CLAM”), an indirect subsidiary of CLA. Each of the funds is denominated in GBP and has an annual management charge of 1.25% as well as other minor expenses:
- **Canlife Equity fund:** Invests into WS Canlife UK Equity Fund, which aims to achieve long-term capital growth primarily from the investment in UK equities
 - **Canlife International fund:** Invests into WS Canlife Global Equity Fund, which aims to provide investors with capital growth mainly from investment in shares globally
 - **Canlife Money fund:** Invests into WS Canlife Sterling Liquidity Fund, which aims to provide a return in line with that achievable from short term money markets through holding highly rated short-dated bank deposits and other money market instruments
 - **Canlife Managed fund:** Aims to achieve long term capital growth by primarily investing in other funds managed by CLAM, in which the invested assets include UK and international equities, UK and international fixed interest securities, UK commercial property, alternative assets and cash

⁴ CLL-HK has been granted by the IA an accounting concession under Section 17(2) of the Ordinance, which allows CLL-HK to file with the IA in accordance with the UK Solvency II rules until 31 December 2026 (refer to Paragraph 2.5.7 of this report for further details).

⁵ Please refer to Paragraph 5.5.5 of this report for details.

Key statistics – long term business

- 3.2.6. All the long term insurance business of CLL-HK is Class C (Linked Long Term).
- 3.2.7. As at 31 December 2024, there were 204 unit linked long term insurance policies in force with CLL-HK. The majority of these policies are unit linked whole of life policies for the “Flexible Cover Plan” plan, whereas the “Flexible Investment Bond” plan had three policies in force as at 31 December 2024.
- 3.2.8. All of CLL-HK’s liabilities relating to its long term insurance business were denominated in GBP.
- 3.2.9. Table 3.4 summarises the details of CLL-HK’s long term insurance business as at 31 December 2024 under the UK Solvency II basis⁶. As at 31 December 2024, total gross long term insurance liabilities were GBP 5.0 million, including unit liabilities of GBP 4.5 million, non-unit best estimate liabilities of GBP 0.4 million and non-unit risk margin of GBP 0.1 million. Unit linked assets (“Unit Linked Assets”) are held to match the unit liabilities of these linked long term policies. Investment gains and losses emerging from the unit funds are fully assumed by the policyholders.

Table 3.4: Long term insurance business of CLL-HK as at 31 December 2024 (in GBP million except number of policies)

Product category/ Liability item	Number of policies	Total gross sum assured	Amount of gross long term liabilities under UK Solvency II basis
Class C – Linked Long Term			
Linked whole life	204	17.8	5.0
Total	204	17.8	5.0

Figures may not be additive due to rounding.

Source: CLL-HK internal, non-public information; submitted to the IA at the end of June 2025.

3.3. MYPACE LIFE**Overview**

- 3.3.1. As set out in Paragraph 2.6.3 of this report, MyPace Life received an approval-in-principle from the IA in respect of its application for the authorization to carry out Classes A (Life and Annuity), C (Linked Long Term), D (Permanent Health), G (Retirement Scheme Management Category I), H (Retirement Scheme Management Category II) and I (Retirement Scheme Management Category III) of long term insurance business in or from Hong Kong on 25 August 2025. MyPace Life is expected to be an authorized insurer under Section 8 of the Ordinance upon receiving the formal approval from the IA immediately after the making of the order sanctioning the Scheme in December 2025.
- 3.3.2. As stated in Paragraph 2.6.5 of this report, the business model of MyPace Life focuses on the integration, via portfolio transfers, and administration of closed blocks, while not looking to conduct any new policy issuance. According to the business plan submitted to the IA in June 2025 in respect of the license application, the Transferring Business will be the first portfolio to be onboarded. The business plan projections submitted to the IA are based only on this portfolio, although the longer-term plan of MyPace Life is to acquire more portfolios in future. In the short term, the long term insurance business expected to be managed by MyPace Life will be the same as CLA-HK and CLL-HK (i.e., Class A (Life

⁶ Refer to footnote 4 of this report for details.

and Annuity) and Class C (Linked Long Term) of long term insurance business under Part 2 of Schedule 1 to the Ordinance).

- 3.3.3. Table 3.5 and Table 3.6 provide a breakdown of the projected income statement and balance sheet under the HKRBC basis for the first 5 years from 2026-2030 in accordance with the business plan submitted to the IA in June 2025, which assumes the Transferring Business will be the only portfolio managed by MyPace Life and hence there is no allowance for economies of scale or synergies expected to arise from the future integration of more portfolios via portfolio transfers.

Table 3.5: Projected income statement of MyPace Life under the HKRBC basis (in USD million)

Year ending 31 December	2026 ⁽¹⁾	2027	2028	2029	2030
Revenues (1)	4.3	0.9	0.9	1.0	1.0
Expenses (2)	(1.0)	(0.5)	(0.4)	(0.4)	(0.4)
Operating profit [(3)=(1)+(2)]	3.3	0.4	0.5	0.6	0.6
Change in reserve (4)	1.2	(0.1)	(0.2)	(0.2)	(0.2)
Net income/ (loss) [(5)=(3)+(4)]	4.4	0.3	0.4	0.4	0.4

Figures may not be additive due to rounding.

Source: MyPace Life's business plan submitted to the IA in June 2025 as part of the submission documents for new authorization application.

Note (1): The Transferring Business is expected to be transferred from Canada Life Hong Kong to MyPace Life on 1 January 2026.

Table 3.6: Projected balance sheet of MyPace Life under the HKRBC basis (in USD million)

As at 31 December	2026	2027	2028	2029	2030
Assets (1)	672	677	680	683	683
Liabilities (2)	(664)	(668)	(672)	(674)	(674)
Net assets [(3)=(1)+(2)]	8	8	9	9	9

Figures may not be additive due to rounding.

Source: MyPace Life's business plan submitted to the IA in June 2025 as part of the submission documents for new authorization application.

Fund structure

- 3.3.4. MyPace Life will use the fund structure as shown below. It is intended to mirror that of Canada Life Hong Kong, except that the funds and sub-accounts will bear the name of MyPace Life after the transfer:
- The MyPace Life Long Term Funds (pursuant to Section 21B of the Ordinance) consist of:
 - The MyPace Life Class A Participating Fund;
 - The MyPace Life Class A Non-Participating Fund; and
 - The MyPace Life Class C Fund.
 - The MyPace Life Shareholders' Fund.

The MyPace Life Class A Participating Fund

- 3.3.5. In future, MyPace Life will maintain at least one separate participating fund, comprising:
- **Participating policyholder sub-account(s):** There will be one or more physically segregated sub-accounts dedicated to each closed block of participating business. In these sub-accounts, assets and liabilities attributable to the participating business will be clearly identified to ensure that participating policies are physically segregated from non-participating policies. The net assets within these participating policyholder sub-accounts will be ring-fenced for the sole benefit of the policyholders. There will be no shareholder transfer with respect to any profit emerging from the closed block.
 - **Participating operating sub-account:** This sub-account contains net assets attributable to the shareholders and is not ring-fenced. These assets are intended to support any liabilities attributable to the participating business that are not fully covered by the assets within the participating policyholder sub-accounts and to address short-term liquidity needs.

The MyPace Life Class A Non-Participating Fund

- 3.3.6. MyPace Life will maintain one Class A Non-Participating Fund for all closed blocks of non-participating business without maintaining multiple sub-accounts for each future closed block of non-participating business acquired via portfolio transfers. This fund will also include assets attributable to the shareholders to support any liabilities that are not fully covered by the assets associated with the non-participating business, as well as to address short-term liquidity needs.

The MyPace Life Class C Fund

- 3.3.7. MyPace Life will maintain at least one separate Class C fund, comprising:
- **Class C policyholder sub-account(s):** There will be one or more physically segregated sub-accounts dedicated to each future closed block of unit linked business. Specifically for the Scheme, the closed block of unit linked policies transferred from CLL-HK will be ring-fenced in a closed block Class C policyholder sub-account and segregated from other closed blocks of unit linked business that MyPace Life may acquire via portfolio transfers in future. The net assets within the Class C policyholder sub-accounts will be ring-fenced for the sole benefit of the policyholders.
 - **Class C operating sub-account:** This sub-account contains net assets attributable to the shareholders and is not ring-fenced. These assets are intended to support any liabilities attributable to the unit linked business that are not fully covered by the assets within the Class C policyholder sub-accounts and to address short-term liquidity needs.
- 3.3.8. After the Scheme, it is expected that MyPace Life will continue to offer the same unit linked fund options to the Transferring Policyholders within CLAM Canlife Life Series 2 Accumulation funds as described in Paragraph 3.2.5 of this report, although MyPace Life will have the discretion to offer new funds to the Transferring Policyholders.

The MyPace Life Shareholders' Fund

- 3.3.9. The net assets of the shareholders' fund (or amount of total assets after allowing for the policyholders' future insurance liabilities and other payables) are attributable to the shareholders.

Key statistics – long term business

- 3.3.10. MyPace Life has no insurance policies prior to the completion of the Scheme. Immediately after the Scheme is implemented, MyPace Life is expected to have the same business portfolio as Canada Life Hong Kong before the Scheme, which is described in the previous paragraphs.
- 3.3.11. The projected gross written premium and insurance policy liabilities of MyPace Life under the HKRBC basis for the first 5 years from 2026-2030 are shown in Table 3.7 and Table 3.8 below. As part of the subsequent Coinsurance Agreements that will be implemented immediately after the Scheme, all gross written premium (before the IA premium levy for the CLA-HK Transferring Business) and insurance policy liabilities will be ceded to CLA-BB and hence no earned premium will be retained within MyPace Life. Whilst the insurance liabilities are reinsured to CLA-BB, MyPace Life retains some liabilities arising from its own operating expenses.

Table 3.7: Projected gross written premium of MyPace Life (in USD million)

Year ending 31 December	2026 ⁽¹⁾	2027	2028	2029	2030
Long term business (before coinsurance arrangements)	7.7	7.4	7.2	6.9	6.6

Source: MyPace Life's business plan submitted to the IA in June 2025 as part of the submission documents for new authorization application.

Note (1): The Transferring Business is expected to be transferred from Canada Life Hong Kong to MyPace Life on 1 January 2026.

Table 3.8: Projected gross insurance policy liabilities of MyPace Life under the HKRBC basis (in USD million)

As at 31 December	2026	2027	2028	2029	2030
Long term business (before coinsurance arrangements)	655	659	663	665	665

Source: MyPace Life's business plan submitted to the IA in June 2025 as part of the submission documents for new authorization application.

- 3.3.12. According to the business plan submitted to the IA in June 2025 in respect of its license application, MyPace Life will receive an initial capital injection of USD 3.6 million prior to the Transfer Date. Such amount is attributed to the shareholders of MyPace Life and is allocated among the funds as follows:
- **The MyPace Life Class A Participating Fund (within the participating operating sub-account):** USD 2.5 million;
 - **The MyPace Life Class A Non-Participating Fund:** USD 0.025 million;
 - **The MyPace Life Class C Fund (within the Class C operating sub-account):** USD 0.015 million; and
 - **The free surplus attributed to the shareholders of MyPace Life:** USD 1.06 million.

Section 4 The Proposed Scheme of Transfer and the Coinsurance Agreements

4.1. OVERVIEW

- 4.1.1. The proposed transfer is described in the documents produced by the Parties as presented to the Hong Kong Court.
- 4.1.2. The proposed transfer was agreed under the Framework Agreement among CLA, CLL, MyPace Life, Asia Insurance and PACE, pursuant to which CLA-HK and CLL-HK agreed to transfer, and MyPace Life agreed to accept, the Transferring Business, subject to the sanction of the Hong Kong Court.
- 4.1.3. Immediately following the Scheme, all Transferring Policies will be reinsured from MyPace Life to CLA-BB through the Coinsurance Agreements. CLA-BB will assume all insurance risks (except the direct expenses of MyPace Life) associated with the Transferring Policies. CLA-BB will pay MyPace Life an upfront ceding commission and ongoing expense allowances as defined in the Coinsurance Agreements. CLA-BB will be responsible for the financial reporting on a Canadian IFRS 17 basis and regulatory filings to both the FSC and the OSFI. Details of the coinsurance arrangements are set out in Section 4.7 of this report.
- 4.1.4. In accordance with the Administration Agreement, in consideration of CLA-BB agreeing to reinsure the Transferring Business, MyPace Life shall administer the Transferring Policies.
- 4.1.5. MyPace Life is expected to be an authorized insurer upon receiving the formal approval from the IA immediately after the making of the order sanctioning the Scheme in December 2025, and will thereafter be supervised by the IA. MyPace Life shall ensure compliance with the Hong Kong regulatory and compliance requirements, including the HKRBC regime under the Ordinance. MyPace Life will be responsible for the financial reporting on a Hong Kong statutory basis and regulatory filings to the IA. The full impact, financial and otherwise, of any regulatory changes enacted by the IA after the implementation of the Scheme will be fully borne by MyPace Life.
- 4.1.6. After the later of the Transfer Date or (if applicable) the last Subsequent Transfer Date (as defined in Paragraph 4.3.2 below), CLA-HK and CLL-HK will apply to the IA to withdraw their authorizations to carry on any long term business in or from Hong Kong. Further, after withdrawal of authorization, both CLA-HK and CLL-HK will close their respective Hong Kong branches and notify the Companies Registry of Hong Kong that they will cease to have their places of business in Hong Kong. After cessation of their places of business in Hong Kong, CLA-HK and CLL-HK will no longer be registered non-Hong Kong companies under Part 16 of the Companies Ordinance (Cap. 622), and all rights and obligations of CLA-HK and CLL-HK under the Framework Agreement shall accrue to and be discharged by CLL and CLA (other than their respective Hong Kong branches).
- 4.1.7. For the avoidance of doubt, the effect of the Scheme (including Section 4.6 of this report) is related to the proposed transfer and shall not affect or otherwise prejudice the effect of such reinsurance or other arrangements which shall remain binding on the relevant parties.

4.2. PURPOSE

- 4.2.1. The purposes and/or benefits of the proposed Scheme and the Coinsurance Agreements are summarised below:
 - Simplification of Canada Life Group's structure through the discontinuation of the licenses of Canada Life Hong Kong and retreating from the Asia region as a direct insurer which is not its primary market;

- Relinquishing Canada Life Group's responsibilities to service and oversee the Transferring Policies, which are relatively immaterial to Canada Life Group;
- Enhancing policyholder experience through new technology being developed by PACE for policy management;
- Enhancing expense management of the Transferring Policies; and
- Maintaining financial strength and security to the Transferring Policyholders. Whilst MyPace Life will take on the obligation to comply with Hong Kong regulatory and compliance requirements (including the HKRBC under the Ordinance), the key insurance risks associated with the Transferring Policies (other than the direct expenses of MyPace Life) will continue to be retained within CLA via the Coinsurance Agreements between MyPace Life and CLA-BB.

4.2.2. For the avoidance of doubt, the proposed Scheme involves the transfer of long term business carried on in or from Hong Kong by Canada Life Hong Kong only. CLA policies that were written in Macau and various Pacific Rim jurisdictions, where the policyholder administration is currently carried out by CLA-HK, will remain under CLA.

4.2.3. I have taken into account information provided to me by the Parties, as listed in Appendix B of this report, when considering the proposed Scheme and the Coinsurance Agreements.

4.3. EFFECTIVE DATE OF TRANSFER

4.3.1. The Scheme will take effect at 00:01 a.m. hours (Hong Kong time) on such date as CLA, CLL and MyPace Life may decide, which date shall be within 90 days after the date on which the order of the Hong Kong Court is granted sanctioning the Scheme. Subject to the grant of the order of the Hong Kong Court, it is expected that the Scheme will take effect on 1 January 2026 (the "Transfer Date"), but it may be subject to change as mutually agreed between the Parties.

4.3.2. The transfer of any Residual Assets (as defined in Paragraph 4.4.4 of this report) and/or Residual Liabilities (as defined in Paragraph 4.4.7 of this report) provided for by the Scheme shall take effect on each relevant date (falling after the Transfer Date) (the "Subsequent Transfer Date").

4.4. THE TRANSFERRING BUSINESS

4.4.1. The Scheme defines the "Business" to be the long term business carried on in or from Hong Kong by each of CLA-HK and CLL-HK, which shall comprise their respective Transferring Policies, Transferring Assets, Residual Assets, Transferring Liabilities and Residual Liabilities. In this report, to be more specific, the term "Transferring Business" has been used in the place of the "Business".

Transferring Policies

4.4.2. "Transferring Policies" refers to, for each of CLA-HK and CLL-HK:

- (i) all insurance policies constituting the long term business underwritten by its Hong Kong branch in or from Hong Kong which are in force as at the Transfer Date;
- (ii) all insurance policies constituting the long term business underwritten by its Hong Kong branch in or from Hong Kong which have expired, terminated, matured or surrendered as at the Transfer Date but there are claims or payments outstanding under such policies or in respect of which a notice of claim has been received by CLA-HK or CLL-HK;

- (iii) all insurance policies constituting the long term business underwritten by its Hong Kong branch in or from Hong Kong which have lapsed for not more than 4 years as at the Transfer Date, including all proposals, applications, certificates, supplemental coverages, endorsements, riders and ancillary agreements in connection with (i), (ii) and (iii); and
- (iv) all proposals and applications for policy renewals and reinstatements received by its Hong Kong branch but the processing of which has not been completed by its Hong Kong branch prior to the Transfer Date (which shall be processed by MyPace Life after the Transfer Date).

Transferring Assets

4.4.3. “Transferring Assets” refers to, for each of CLA-HK and CLL-HK:

- (i) the property, assets, cash or investments (wherever situated) as are attributable to its Transferring Policies and held in or allocated to the CLA-HK Long Term Funds or CLL-HK Long Term Fund, as the case may be, and for each CLA-HK Long Term Funds and CLL-HK Long Term Fund, such property, assets, cash or investments shall be determined by CLA-HK and CLL-HK (as the case may be) with an aggregate value sufficient to cover the aggregate value of the Transferring Liabilities as at the agreed valuation date (as defined in Paragraphs 4.4.5 and 4.4.6 below);
- (ii) all its rights, discretion, authority, power or benefit under or by virtue of its Transferring Policies; and
- (iii) all its rights, discretion, authority, power or benefit under or by virtue of any intermediary agreements (including broker agreements and agent and agency agreements) to the extent they are attributable to its Transferring Policies],

but excluding any of its Residual Assets. For the avoidance of doubt, Transferring Assets shall not include any other agreements entered into by CLA-HK and CLL-HK. Note that the precise basis for calculating the amount of Transferring Assets backing the non-unit liabilities for CLL-HK (“Non-Unit Linked Assets”) is still to be mutually agreed between CLA-BB and CLL prior to the Transfer Date (refer to Paragraph 4.6.21 for further details).

Residual Assets

4.4.4. “Residual Assets” refers to:

- (i) for each of CLA-HK and CLL-HK, (A) any property, assets, cash or investments (wherever situated) as are attributable to its Transferring Policies and held in or allocated to the CLA-HK Long Term Funds or CLL-HK Long Term Fund, as the case may be; and (B) all its rights, discretion, authority, power or benefit under or by virtue of its Transferring Policies; and (C) all its rights, discretion, authority, power or benefit under or by virtue of any intermediary agreements (including broker agreements and agent and agency agreements) to the extent they are attributable to its Transferring Policies, in respect of which, as at the Transfer Date, either:
 - a. the consent of any person or persons (other than CLA-HK and CLL-HK (as the case may be), MyPace Life, the Hong Kong Court, the OSFI, the PRA or the FCA) is required but has not been obtained; or
 - b. the waiver by any person or persons of any right to acquire, or to be offered the right to, or to offer to, acquire or procure the acquisition of, all or any part of such property or asset is required but has not been obtained; or

- c. by reason of it being outside or not subject to the jurisdiction of the Hong Kong Court or otherwise, the Hong Kong Court has declined to order the transfer to MyPace Life under Sections 24 and 25(1) of the Ordinance (as applicable); or
 - d. is not, or is not capable of being, transferred or vested in MyPace Life on the Transfer Date by the Hong Kong Order for any reason; or
 - e. CLA-HK and CLL-HK (as the case may be) and MyPace Life agree in writing that the transfer of such property or asset should be delayed or such property or asset should not be transferred; and
- (ii) any proceeds of sale or income or other accrual or return whatsoever, whether or not in the form of cash, from time to time earned or received after the Transfer Date in respect of any property or asset (or any interest therein) referred to in sub-paragraph (i) of this definition.

Transferring Liabilities

- 4.4.5. “Transferring Liabilities” means for each of CLA-HK and CLL-HK, all its liabilities as at the Transfer Date attributable to its Transferring Assets. Such Transferring Liabilities include, without limitation, the liabilities and obligations (whether present, future or contingent), and any current or pending complaints, legal proceedings or other dispute resolution proceedings under or in relation to its Transferring Policies and associated liabilities, including for the avoidance of doubt, liabilities (including fines, penalties, damages and compensation due to policyholders) for any mis-selling or non-compliance committed prior to the Transfer Date; and liabilities under any intermediary agreements (including broker agreements and agent and agency agreements) to the extent they are attributable to its Transferring Policies; but excluding any Excluded Liabilities and Residual Liabilities.
- 4.4.6. The aggregate value of Transferring Liabilities shall be assessed by calculating all its fulfilment cash flows (excluding cash flows associated with the provision for expenses held in the Class A Non-Participating Fund), excluding the RA for non-financial risk⁷ and cost of guarantees⁸ as at the Transfer Date attributable to its Transferring Policies, which shall be calculated under the IFRS 17 basis. For clarity, fulfilment cash flows do not include any CSM⁹ in accordance with IFRS 17.

Residual Liabilities

- 4.4.7. “Residual Liabilities” means for each of CLA-HK and CLL-HK, all of its liabilities and obligations (whether present, future or contingent) whatsoever:
- (i) which are attributable to or connected with Residual Assets and arise at any time before the Subsequent Transfer Date applicable to such Residual Assets; or
 - (ii) the transfer of which to MyPace Life pursuant to the Scheme requires, as at the Transfer Date, the consent of any person or persons (other than CLA-HK and CLL-HK (as the case may be), MyPace Life, the Hong Kong Court, the OSFI, the PRA or the FCA) or waiver of any person or persons and which is attributable to its Transferring Policies but has not been obtained.

Excluded Liabilities

- 4.4.8. “Excluded Liabilities” means for each of CLA-HK and CLL-HK, (a) any of its liabilities in respect of tax (other than any tax imposed on MyPace Life after the Transfer Date); and (b) any liabilities in respect of pecuniary penalties or fines imposed by the IA on CLA-HK

⁷ Refer to Paragraph 3.1.11 of this report for the definition.

⁸ See above.

⁹ See above.

or CLL-HK (as the case may be). For the avoidance of doubt, CLA-HK and CLL-HK shall not be liable for any premium levy in respect of the Transferring Policies after the Transfer Date.

4.5. ASSETS AND LIABILITIES UNDER THE COINSURANCE AGREEMENTS

4.5.1. Immediately following the implementation of the Scheme, all such Transferring Assets and Transferring Liabilities will be transferred by CLA-HK and CLL-HK to MyPace Life pursuant to the Scheme, and transferred from MyPace Life to CLA-BB pursuant to the Coinsurance Agreements. Those assets and liabilities which are transferred from MyPace Life and CLA-BB are referred to as “Coinsurance Assets” and “Coinsurance Liabilities” respectively as defined in the Scheme.

Coinsurance Assets

4.5.2. “Coinsurance Assets” means the aggregate of (i) the Relevant Transferring Assets of each of CLA-HK and CLL-HK and (ii) the Relevant Residual Assets of each of CLA-HK and CLL-HK:

- **Relevant Transferring Assets.** It refers to, for each of CLA-HK and CLL-HK, the property, assets, cash or investments falling within paragraph (i) of the definition of “Transferring Assets” (excluding any of its Residual Assets) which shall be determined by CLA-HK and CLL-HK (as the case may be) in accordance with the methodology set out in such definition, i.e., the Relevant Transferring Assets are the Transferring Assets which are held in the CLA-HK Long Term Funds or CLL-HK Long Term Fund (as the case may be), excluding any and all right, discretion, authority, power or benefit of CLA-HK or CLL-HK under or by virtue of (i) their Transferring Policies; and (ii) any intermediary agreements (including broker agreements and agent and agency agreements).
- **Relevant Residual Assets.** It refers to, for each of CLA-HK and CLL-HK, the property, assets, cash or investments falling within:
 - (i) paragraph (i)(A) of the definition of “Residual Assets”; and
 - (ii) paragraph (ii) of the definition of “Residual Assets” in respect of the property, assets, cash or investments falling within sub-paragraph (i) of this definition,
 i.e., the Relevant Residual Assets are the Residual Assets which are held in the CLA-HK Long Term Funds or CLL-HK Long Term Fund (as the case may be), excluding any and all right, discretion, authority, power or benefit of CLA-HK or CLL-HK under or by virtue of (a) their Transferring Policies; and (b) any intermediary agreements (including broker agreements and agent and agency agreements).

Coinsurance Liabilities

4.5.3. “Coinsurance Liabilities” means the aggregate of (i) the Relevant Transferring Liabilities of each of CLA-HK and CLL-HK and (ii) the Relevant Residual Liabilities of each of CLA-HK and CLL-HK:

- **Relevant Transferring Liabilities.** It refers to, for each of CLA-HK and CLL-HK, all its liabilities and obligations as at the Transfer Date attributable to its Relevant Transferring Assets, but excluding any of its Excluded Liabilities and Residual Liabilities.
- **Relevant Residual Liabilities.** It refers to, for each of CLA-HK and CLL-HK, all of its liabilities and obligations (whether present, future or contingent) whatsoever which

are attributable to or connected with a Relevant Residual Asset and arise at any time before the Subsequent Transfer Date applicable to such Relevant Residual Asset.

4.6. THE TRANSFER MECHANISM

Transfer of Transferring Policies

- 4.6.1. Prior to the Transfer Date, each of CLA-HK and CLL-HK agrees that it may transfer, or procure the transfer, to PACE (one of the shareholders of MyPace Life), acting as the service provider to MyPace Life in respect of development of the policy administration system for MyPace Life ("PACE administration system") (refer to Paragraph 7.3.2 of this report for further details), such data of the Transferring Policies as is necessary for PACE to prepare for data migration for the proposed transfer.
- 4.6.2. On and with effect from the Transfer Date, subject to the sanction of the Hong Kong Court:
- MyPace Life shall become entitled to all of the rights, benefits, advantages and powers conferred on or vested in each of CLA-HK and CLL-HK under, or by virtue of, their respective Transferring Policies;
 - the Transferring Policies shall on and with effect from the Transfer Date become MyPace Life's long term business carried on in or from Hong Kong;
 - MyPace Life shall be bound by, observe and perform all terms, conditions and covenants of the Transferring Policies and shall assume all liabilities and satisfy all claims and demands arising out of or in respect of the Transferring Policies in every way as if MyPace Life and not CLA-HK or CLL-HK, as the case may be, had issued the Transferring Policies;
 - all rights, benefits, advantages and powers against each of CLA-HK and CLL-HK conferred on or vested in the Transferring Policyholders or other third parties under or in relation to every Transferring Policy shall cease and shall be substituted by the same rights, benefits, advantages and powers against MyPace Life;
 - in respect of the Transferring Policies under which premiums continue to be payable, the Transferring Policyholders shall account to MyPace Life for any further premiums as and when they become due;
 - MyPace Life shall be entitled to any and all defences, claims, counterclaims and the right of set-off against or under the Transferring Policies which would have been available to CLA-HK and CLL-HK, as the case may be, prior to the Transfer Date;
 - all terms and conditions of the Transferring Policies (including proposals, quotations, slips, or application forms, illustrative documents, principal brochures, offering documents, riders, schedules and declarations) shall remain unchanged save that all references in the Transferring Policies to "CLA-HK" and "CLL-HK", as the case may be, their respective Board of Directors ("Board"), Appointed Actuary, offices, auditors and any other officers, employees and agents shall be read as reference to "MyPace Life", its Board of Directors, Appointed Actuary, offices, auditors and any other officers, employees and agents (as the case may be); and any reference to "CLA-HK" and "CLL-HK", as the case may be, in the names of the Transferring Policies will be read as a reference to "MyPace Life"; and
 - in particular, but without limitation, all rights and duties exercisable or expressed to be exercisable or responsibilities to be performed by "CLA-HK" and "CLL-HK", as the case may be, their respective Board of Directors, Appointed Actuary, offices, auditors and any other officers, employees and agents in relation to the Transferring Policies shall be exercisable or required to be performed by "MyPace Life", its Board of Directors, Appointed Actuary, offices, auditors and any other officers, employees and agents (as the case may be).

Transfer of Statutory Records

- 4.6.3. “Statutory Records” means, for each of CLA-HK and CLL-HK, all books, files, registers, documents, correspondence, papers and other records that are required, by the applicable legal or regulatory requirement or corporate governance requirement (whether or not having the force of law), to be kept by it and retained in its possession in respect of the Transferring Business.
- 4.6.4. On and with effect from the Transfer Date, each of CLA-HK and CLL-HK shall transfer (i) all Statutory Records and other information relating to the Transferring Policyholders, insureds, beneficiaries and assignees of, or any other persons relating to, the Transferring Policies, including, without limitation, the personal data (as defined under Section 2 of the Personal Data (Privacy) Ordinance (Cap. 486)) of such Transferring Policyholders, insureds, beneficiaries, assignees and other persons, which is held by CLA-HK and CLL-HK, as the case may be; and (ii) all Statutory Records relating to the Transferring Assets, Transferring Liabilities, Residual Assets (if applicable) and Residual Liabilities (if applicable) to MyPace Life and MyPace Life shall have the same rights, benefits, advantages and powers in holding and using (and transferring) such information as those of CLA-HK and CLL-HK, as the case may be, prior to the Transfer Date.

Transfer of assets

- 4.6.5. On and with effect from the Transfer Date, subject to Paragraph 4.6.9 below, the Transferring Assets of CLA-HK and CLL-HK shall, by virtue of the Hong Kong Order and without any further act or instrument but subject to Section 7 (Further or other Acts or Assurance) of the Scheme, be transferred by CLA-HK and CLL-HK respectively to, and vested in, MyPace Life, subject to any encumbrances in respect thereof.
- 4.6.6. Subject to Paragraph 4.6.9 below, (i) no Residual Asset (if applicable) of CLA-HK and CLL-HK shall be transferred to or vested in MyPace Life in accordance with the Scheme on the Transfer Date; and (ii) on and with effect from each Subsequent Transfer Date, each Residual Asset (if applicable) of CLA-HK and CLL-HK to which such Subsequent Transfer Date applies shall, by virtue of the Hong Kong Order and without any further act or instrument, be transferred by CLA-HK and CLL-HK respectively to, and vested in, MyPace Life, subject to any encumbrances in respect thereof. Each such Residual Asset shall thereupon be treated as if it was a Transferring Asset in all respects and the provisions of the Scheme applicable to the Transferring Assets shall apply mutatis mutandis to such assets.
- 4.6.7. Pending a Subsequent Transfer Date, subject to Paragraph 4.6.9 below, for each Residual Asset (if applicable) of CLA-HK and CLL-HK, each of CLA-HK and CLL-HK shall, on and with effect from the Transfer Date, hold such Residual Asset, as trustee and in trust for MyPace Life absolutely and shall be subject to MyPace Life’s directions (acting reasonably) in respect thereof until the Relevant Residual Asset is transferred to or otherwise vested in MyPace Life or is disposed of (whereupon each of CLA-HK and CLL-HK shall account to MyPace Life for the proceeds of sale thereof), and MyPace Life shall have authority to act as the attorney of each of CLA-HK and CLL-HK in respect of such Residual Asset for all such purposes.
- 4.6.8. MyPace Life shall accept without investigation or requisition such title as each of CLA-HK and CLL-HK shall have to each Transferring Asset and Residual Asset (if applicable) as at the time of the relevant transfer, regardless of whether the relevant transfer is carried out under Paragraph 4.6.5 or 4.6.6 or deemed to be effected under Paragraph 4.6.9 of this report.
- 4.6.9. In view of the transfer of Coinsurance Assets (excluding those which are Unit Linked Assets attributable to CLL-HK) from MyPace Life to CLA-BB (upon receipt by MyPace Life pursuant to the Scheme) as contemplated under the Coinsurance Agreements, for the purpose of simplifying the process of asset transfers, the respective obligations of CLA-

HK, CLL-HK and MyPace Life in relation to the transfers of the Coinsurance Assets (excluding those which are Unit Linked Assets attributable to CLL-HK) under Paragraphs 4.6.5 and 4.6.6 above shall be deemed to be satisfied by the completion of all of the following actions:

- CLA-HK reallocating the ownership and title of those Coinsurance Assets that are attributable to CLA-HK from CLA-HK to CLA-BB on the Transfer Date and re-characterising such assets in the books of CLA-BB as Coinsurance Assets. It should be noted that CLA-HK and CLA-BB are both branches of the same company, CLA. No third party consent is required for the reallocation of the ownership and title of such assets (despite the different nature of such assets held by CLA-HK and CLA-BB before and after the reallocation), and therefore such reallocation of assets (including Relevant Residual Assets) shall be completed on the Transfer Date.
 - CLL-HK transferring directly to CLA-BB (a) all Relevant Transferring Assets (excluding those which are Unit Linked Assets) that are attributable to CLL-HK on the Transfer Date, and (b) each Relevant Residual Asset (excluding any which are Unit Linked Assets) that is attributable to CLL-HK on the relevant Subsequent Transfer Date. In respect of each Relevant Residual Asset (excluding any which are Unit Linked Assets) of CLL-HK, during the period from the Transfer Date to the applicable Subsequent Transfer Date, MyPace Life in turn shall hold its rights and any beneficial interest it has obtained under Paragraph 4.6.7 of this report in respect of such Relevant Residual Asset (excluding any which are Unit Linked Assets) on trust for CLA-BB for the purpose of the Coinsurance Agreements.
- 4.6.10. For the avoidance of doubt, the part of Coinsurance Assets which are Unit Linked Assets attributable to CLL-HK shall be transferred by CLL-HK to MyPace Life and retained by MyPace Life on a “funds withheld basis” on the Transfer Date and the applicable Subsequent Transfer Date(s) in accordance with Paragraph 4.7.2 of this report. Following the transfer, the custody account maintained by CLL-HK with the Northern Trust Company (as the custodian) will be closed. A new custody account registered directly in MyPace Life’s name will be established with the Northern Trust Company to hold the Unit Linked Assets (such custody account, the “Unit Linked Assets Account”). This will ensure that MyPace Life holds the legal (or, as applicable, beneficial) title to the Unit Linked Assets and enable MyPace Life to have direct access to these assets and also direct contractual enforceability with the custodian to better protect the Transferring Policyholders.
- 4.6.11. CLA-HK, CLL-HK and MyPace Life shall as and when appropriate execute all such documents, including assignments, and do all such other acts and things as may be required to effect or perfect the transfer to, and vesting in, MyPace Life of any Transferring Asset or Residual Asset, including the transfer to, and vesting in, CLA-BB of any Coinsurance Asset.

Transfer of liabilities

- 4.6.12. On and with effect from the Transfer Date, each Transferring Liability of CLA-HK and CLL-HK shall, by virtue of the Hong Kong Order and without any further act or instrument and without investigation or requisition but subject to Section 7 (Further or other Acts or Assurance) of the Scheme, be transferred by CLA-HK and CLL-HK respectively to, and become a liability of, MyPace Life, with the effect that each of CLA-HK and CLL-HK shall be entirely released from and MyPace Life shall assume each such Transferring Liability.
- 4.6.13. No Residual Liability of CLA-HK and CLL-HK shall be transferred to or vested in MyPace Life in accordance with the Scheme on the Transfer Date (if applicable). On and with effect from each Subsequent Transfer Date, each Residual Liability (if applicable) of CLA-HK and CLL-HK to which such Subsequent Transfer Date applies shall, by virtue of the Hong Kong Order and without any further act or instrument and without investigation or requisition, be transferred by CLA-HK and CLL-HK respectively to, and become a liability of, MyPace Life, with the effect that each of CLA-HK and CLL-HK shall be entirely

- released from and MyPace Life shall assume any liability in respect of such Residual Liability. Each such Residual Liability shall thereupon be treated as if it was a Transferring Liability and the provisions of the Scheme applicable to Transferring Liabilities shall apply mutatis mutandis to such liabilities.
- 4.6.14. MyPace Life shall, from and after the Transfer Date, discharge on behalf of CLA-HK and CLL-HK or, failing that, indemnify CLA-HK and CLL-HK, as the case may be, against:
- all Residual Liabilities which are not or are not capable of being transferred on the Transfer Date by the Scheme or by the Hong Kong Order, until the relevant liability is transferred to or becomes a liability of MyPace Life; and
 - save as otherwise provided in the Scheme, any other liability of CLA-HK and CLL-HK (other than Excluded Liabilities) arising on or after (i) the Transfer Date with respect to the Transferring Liabilities; or (ii) the relevant Subsequent Transfer Date with respect to a Residual Liability.
- 4.6.15. CLA-HK, CLL-HK and MyPace Life shall as and when appropriate execute all such documents, including assignments, and do all such other acts and things as may be required to effect or perfect the transfer to, and assumption by, MyPace Life of any Transferring Liability or Residual Liability, including the transfer to, and vesting in, CLA-BB of any Coinsurance Liabilities.
- 4.6.16. MyPace Life shall indemnify and keep CLA-HK and CLL-HK indemnified against all and any losses, liabilities and costs arising from MyPace Life's failure to pay or perform any Transferring Liability or Residual Liability after the Transfer Date or relevant Subsequent Transfer Date (as applicable), including any losses, liabilities or costs incurred or suffered by CLA-HK and CLL-HK, as the case may be, as a result of defending or settling a third party claim alleging such a liability.
- 4.6.17. Pursuant to the Scheme and the Coinsurance Agreements, the Transferring Liabilities are calculated under the IFRS 17 basis by CLA-HK and CLL-HK (refer to Paragraph 4.6.21 below for the calculation of the Transferring Liabilities of CLL-HK). MyPace Life shall solely assume the responsibility should there be any local regulatory requirement to calculate, report, or fund insurance contract liabilities on a Hong Kong statutory basis.
- 4.6.18. Table 4.1 shows the Transferring Liabilities attributable to the Transferring Business as at 31 December 2024.

Table 4.1: Transferring Liabilities of Canada Life Hong Kong as at 31 December 2024 (in USD million and GBP million except for policy counts)

	Class A – Life assurance participating	Class A – Life assurance non- participating	Class C – Linked long term ⁽¹⁾
Policy counts	9,819	113	204
Annual premium	USD 15.7	USD 0.1	GBP 0.2
Transferring Liabilities			
IFRS 17 best estimate liabilities (net of policy loans)	USD 424.6	USD 2.3	GBP 4.9
Other policy liabilities ⁽²⁾	USD 15.1	USD 0.1	NA
Other miscellaneous liabilities	USD 0.4	NA	NA
Total Transferring Liabilities	USD 440.1	USD 2.4	GBP 4.9

Figures may not be additive due to rounding.

Source: Canada Life Hong Kong internal, non-public information; submitted to the IA at the end of June 2025.

Note (1): The IFRS 17 best estimate liabilities for CLL-HK use UK Solvency II liabilities as a proxy.

Note (2): Other policy liabilities to be transferred under the Scheme include provisions for claims admitted but not paid, provisions for incurred but not reported claims, dividends on deposit ("DoD") and outstanding premiums.

- 4.6.19. As at 31 December 2024, CLA-HK's Class A life assurance participating business comprised 9,806 whole of life policies and permanent life policies paid up at age 95 and 13 endowment policies. For the participating policies, 8,783 policies have paid-up additions. CLA-HK's Class A life assurance non-participating business comprised 23 whole of life policies, 27 term policies and 63 universal life policies. Class A riders included term riders and accidental death riders. CLL-HK's Class C linked business comprised 204 whole of life policies.
- 4.6.20. The Transferring Policies of CLA-HK (which are categorised as Class A business) are 98% denominated in USD with the remainder in CAD. The Transferring Policies of CLL-HK (which are categorised as Class C business) are denominated in GBP.
- 4.6.21. While the best estimate Transferring Liabilities shall be calculated under the IFRS 17 basis pursuant to the Scheme, the Transferring Liabilities of CLL-HK are estimated based on the UK Solvency II basis. As at 31 December 2024, the best estimate Transferring Liabilities attributed to Class C linked business were around GBP 4.9 million under the UK Solvency II basis, including unit liabilities of GBP 4.5 million and non-unit best estimate liabilities of GBP 0.4 million. It should be noted that the UK Solvency II non-unit risk margin of GBP 0.1 million will not be transferred under the Scheme. I have been informed by the Appointed Actuary of CLL-HK that the amount of non-unit liabilities will be transferred to MyPace Life (or directly to CLA-BB) on a mutually-agreed basis between CLA-BB and CLL prior to the Transfer Date. The amount is not expected to be materially different from that determined on the UK Solvency II basis (i.e., GBP 0.4 million). Overall, the amount of CLL-HK Transferring Liabilities is immaterial relative to the scale of CLL.

4.7. THE COINSURANCE ARRANGEMENTS

- 4.7.1. Pursuant to the Scheme and the Coinsurance Agreements, all such Coinsurance Assets (excluding those which are Unit Linked Assets attributable to CLL-HK) and Coinsurance Liabilities (excluding those which are attributable to the Unit Linked Assets of CLL-HK) shall, upon receipt by MyPace Life from CLA-HK and CLL-HK pursuant to the Scheme, be transferred immediately from MyPace Life to CLA-BB as part of the initial reinsurance premiums (refer to Paragraph 4.7.4 below for details). It should be noted that, to streamline all such transfers under the Scheme and the Coinsurance Agreements, all such transfers shall be deemed to be effected in the following manner on the Transfer Date:
- CLA will reallocate the Coinsurance Assets and Coinsurance Liabilities that are attributable to CLA-HK from CLA-HK to CLA-BB; and
 - CLL will transfer the Coinsurance Assets (excluding those which are Unit Linked Assets) and Coinsurance Liabilities that are attributable to CLL-HK (excluding those which are attributable to the Unit Linked Assets of CLL-HK) directly from CLL-HK to CLA-BB.
- 4.7.2. For the avoidance of doubt, the part of the Coinsurance Assets which are Unit Linked Assets attributable to CLL-HK and the Coinsurance Liabilities attributed to such Unit Linked Assets will be transferred from CLL-HK to MyPace Life and retained by MyPace Life on a "funds withheld basis". The fair market value of these Unit Linked Assets (less any liabilities associated with those assets such as mortgages, pledges or charges) will be recorded as assets on MyPace Life's balance sheet. Pursuant to the Non-Participating Coinsurance Agreement, the same fair market value (less any liabilities associated with those assets such as mortgages, pledges or charges) will be recorded on MyPace Life's accounts as an account payable to CLA-BB. As such, there will be no impact on MyPace Life's balance sheet, as the assets will be fully offset by the liability represented by the payable to CLA-BB. Meanwhile, CLA-BB will receive charges payable from the Unit Linked Assets Account (net of any rebates owed to MyPace Life) in accordance with the Non-Participating Coinsurance Agreement.

Reinsured liabilities

4.7.3. On the Transfer Date, MyPace Life shall cede the reinsured liabilities to CLA-BB pursuant to the Coinsurance Agreements. Reinsured liabilities shall cover:

- Any non-discretionary benefits under the terms of the Transferring Policies (including any mortality benefits (with applicable interest charges) or surrender benefits);
- Any dividends determined and declared by CLA-BB (refer to Paragraph 4.7.9 below for the dividend declaration process pursuant to the Participating Coinsurance Agreement);
- Any extra-contractual obligations (i.e., all liabilities or obligations and any other related expenses not arising under the express terms and conditions of the Transferring Policies, or any other form of extra-contractual damages or liability relating to the Transferring Policies) arising from (i) actions or omissions before the Transfer Date and (ii) actions of CLA-BB after the Transfer Date; and
- Any IA premium levy paid by MyPace Life in respect of any policy premium.

In no event shall CLA-BB have any liability for, or be obligated to indemnify MyPace Life for the following benefits:

- Any premium tax (other than the IA premium levy);
- Any extra-contractual obligations of MyPace Life;
- Any amount of cash dividends declared by MyPace Life in excess of the amount determined and declared by CLA-BB. Any such excess amount shall be paid by MyPace Life directly to the Transferring Policyholders in cash; or
- Any amount of non-cash dividends declared by MyPace Life in excess of the amount determined and declared by CLA-BB. Any such excess amount shall be funded by MyPace Life through the settlement process outlined in Paragraph 4.7.32 below, and deposited into the closed block sub-account within the CLA-BB Participating Fund (as detailed in Paragraph 4.8.18 below). CLA-BB will only be liable for these excess non-cash dividends once they have been funded by MyPace Life.

Reinsurance premiums

4.7.4. On the Transfer Date, with CLA-BB assuming all insurance risks of MyPace Life in the Transferring Policies, MyPace Life shall fulfil its obligation to pay the initial reinsurance premiums to CLA-BB. Pursuant to the Scheme and the Coinsurance Agreements, it is understood and agreed that the Coinsurance Assets (excluding those which are Unit Linked Assets attributable to CLL-HK) will be directly reallocated or transferred from CLA-HK and CLL-HK to CLA-BB on the Transfer Date. Such reallocation or transfer to CLA-BB will be considered as fulfilling MyPace Life's obligation to pay the initial reinsurance premiums to CLA-BB. For the avoidance of doubt, the premiums received by MyPace Life relating to the CLL-HK unit linked business will be deposited into the Unit Linked Assets Account to the extent required to be deposited therein by the terms of the applicable unit linked policy and invested in the applicable unit linked fund(s). For each unit linked policy, the amount required to be allocated to the Unit Linked Assets Account shall be held by MyPace Life on a "funds withheld basis" in accordance with Paragraph 4.7.2 above.

4.7.5. After the Transfer Date, MyPace Life shall pay CLA-BB the recurring reinsurance premiums on a quarterly basis during the term of the Coinsurance Agreements. For the avoidance of doubt, recurring reinsurance premiums payable also include dividends used as premiums to purchase additional insurance pursuant to the Participating Coinsurance Agreement, as well as Unit Linked Assets acquired by MyPace Life from time to time under the relevant CLL-HK Transferring Policies pursuant to the Non-Participating Coinsurance Agreement.

Expense allowances

- 4.7.6. CLA-BB will pay MyPace Life a regular expense allowance, which shall be settled through the settlement process (refer to the “Settlement” section below for further details), to reimburse MyPace Life for administering the Transferring Policies by paying an annual per policy administration fee (“Administration Fee”) of USD 66 for the first 15 years after the Transfer Date, and USD 99 thereafter. Starting from the first anniversary of the Transfer Date, the Administration Fee is subject to annual adjustment based on the United States Consumer Price Index (or its successor index), subject to a per annum cap of 4.8% for the first 10 years and 3.7% thereafter. In addition, the Administration Fee for the participating Transferring Policies shall be subject to an administration fee floor of USD 300,000 for the first five years.
- 4.7.7. CLA-BB is permitted to consolidate the annual payment of expense allowances with the quarterly settlement amount (if due to MyPace Life), as defined in Paragraph 4.7.32 below, into a single aggregate payment. CLA-BB shall inform MyPace Life of the portion of the aggregate payment that is allocated to such settlement and the expense allowances, respectively.

Ceding commission

- 4.7.8. CLA-BB will pay MyPace Life a one-off ceding commission of USD 3.5 million upfront on the Transfer Date.

Determination of policyholders’ dividend (for participating Transferring Business only)

- 4.7.9. In accordance with the Participating Coinsurance Agreement, CLA-BB will recommend and declare to MyPace Life the level of dividends for each participating Transferring Policy determined pursuant to the philosophy and governance set out in Section 5.3 of this report after considering comments from MyPace Life with reasonable endeavour, as well as Canadian laws applicable to CLA-BB. While MyPace Life has the discretion to declare dividends at a level higher or lower than the dividend scale determined by CLA-BB, both CLA-BB and MyPace Life expect that, in most circumstances, the final policy dividend for each policy declared by MyPace Life is expected to be the same as the dividend determined by CLA-BB. This will hold true unless, in the reasonable opinion of the Appointed Actuary of MyPace Life, based on external legal advice, it is required to declare a different level of dividend under Hong Kong Laws.
- 4.7.10. The participating Transferring Policyholders have the option to choose how their dividends are received: (i) as cash dividends; or (ii) through one or more non-cash dividend options (e.g., premiums for additional insurance) (refer to Paragraph 5.3.5 of this report for further details). Non-cash dividends will be credited to the policyholder’s account, and CLA-BB will establish a reserve for this.
- 4.7.11. If the ultimate level of dividends declared by MyPace Life exceeds the dividend scale determined by CLA-BB, any such excess shall be the responsibility of MyPace Life and shall not be a liability of CLA-BB (refer to Paragraph 4.7.3 above). For cash dividends, MyPace Life will pay directly to the Transferring Policyholders in cash for the excess portion. For non-cash dividends, MyPace Life will settle the excess portion through the settlement process outlined in Paragraph 4.7.32 below.
- 4.7.12. On the other hand, if the level of cash dividends declared by MyPace Life is less than the dividend scale determined by CLA-BB, such shortfall shall be returned to CLA-BB through the settlement process outlined in Paragraph 4.7.32 below. If the level of non-cash dividends declared by MyPace Life is less than that determined by CLA-BB, the actual amount credited to the policyholder’s account will be less than that determined by CLA-BB, resulting in a higher reserve held by CLA-BB. Since the amount credited to the

policyholder's account is also less than expected, the Dividend Stabilisation Reserve ("DSR") will be reduced (refer to Paragraph 5.3.19 of this report for further details). This will align the reserves with the actual level of non-cash dividends declared by MyPace Life.

Security through the Trust Agreement (for participating Transferring Business only)

Trust Agreement and establishment of Trust Account

- 4.7.13. The vast majority of the Transferring Business is within CLA-HK's participating closed block, and the Transferring Assets backing this participating closed block will be owned by CLA-BB after the implementation of the Scheme and the Participating Coinsurance Agreement. To reduce MyPace Life's counterparty risk to CLA-BB, a trust agreement ("Trust Agreement") will be entered into between MyPace Life (as beneficiary), CLA-BB (as grantor) and the Bank of New York Mellon (as the trustee) for participating Transferring Business on or prior to the Transfer Date. Pursuant to the Trust Agreement, CLA-BB shall establish and thereafter shall maintain, at its sole cost and expense, one segregated trust account ("Trust Account") for the participating Transferring Business. On the Transfer Date, CLA-BB will deposit the Transferring Assets (or assets of equivalent value) with respect to the CLA-HK participating Transferring Business into the Trust Account as collateral with MyPace Life named as the beneficiary. This ensures that MyPace Life has direct access to the collateral in the event that CLA-BB fails to pay the settlement amount to MyPace Life, becomes insolvent or the Participating Coinsurance Agreement terminates.
- 4.7.14. The Scheme, the Coinsurance Agreements and the Trust Agreement will not impact the existing fund structures for the existing business of CLA-BB.
- 4.7.15. The Transferring Assets backing the CLA-HK non-participating business (c. USD 2.4 million as at 31 December 2024) and the Non-Unit Linked Assets associated with the CLL-HK Transferring Business (c. GBP 0.4 million) will also be held by CLA-BB after the implementation of the Scheme and the Coinsurance Agreements. However, these assets will not be managed within any segregated trust account, because of the following reasons:
- (i) These assets are denominated in different currencies;
 - (ii) A portion of the letter of credit in favour of the IA (as referred to in the "Security through the Letter of Credit" section below) will support the liabilities attributable to the CLA-HK non-participating business and the Non-Unit Linked Assets of CLL-HK; and
 - (iii) The relatively small size of these assets would make the cost of establishing and maintaining any segregated trust account (c. USD 3 million) disproportionately high.
- As a result, MyPace Life has some exposure to counterparty default risk with respect to these assets.
- 4.7.16. A trust structure is not applicable to the Unit Linked Assets associated with the CLL-HK Transferring Business (c. GBP 4.5 million as at 31 December 2024), as these assets will be directly transferred from CLL-HK to MyPace Life and held in the title of MyPace Life following the Scheme. The short timelines of the settlements and transactions required for Unit Linked Assets makes managing them in a trust operationally impractical. As MyPace Life holds these assets, there is no counterparty default risk.

Deposit of trust assets

- 4.7.17. On the Transfer Date, upon CLA-BB's receipt of the Coinsurance Assets with respect to the CLA-HK participating Transferring Business, CLA-BB shall deposit eligible assets

- having an aggregate asset value of the initial reinsurance premium (refer to Paragraph 4.7.4 of this report) into the Trust Account such that these assets will be accounted for as collateral to reduce MyPace Life's counterparty risk to CLA-BB.
- 4.7.18. The aggregate asset value of the eligible assets held in the Trust Account shall not be less than the Transferring Liabilities with respect to the CLA-HK participating Transferring Business, which are calculated under the IFRS 17 best estimate basis ("Required Balance"). CLA-BB will determine and provide MyPace Life with the Required Balance and the aggregate asset value of the Trust Account for each quarter throughout the term of the Coinsurance Agreements. Once the Required Balance and the aggregate asset value are reviewed and agreed by MyPace Life, if the aggregate asset value for the quarter is less than the Required Balance, CLA-BB shall transfer additional eligible assets to the Trust Account so that the aggregate asset value of such assets is not less than the Required Balance.

Withdrawal of trust assets

- 4.7.19. Subject to Paragraph 4.7.21 below, CLA-BB and MyPace Life agree that CLA-BB may withdraw trust assets from the Trust Account for the purposes of paying the settlement amount with respect to the CLA-HK participating Transferring Business to MyPace Life (refer to the "Settlement" section below for further details).
- 4.7.20. Subject to Paragraph 4.7.21 below, CLA-BB and MyPace Life agree that CLA-BB may also withdraw trust assets from the Trust Account for the purpose of paying expenses and other amounts as permitted under the Closed Block Operating Rules set out in the Participating Coinsurance Agreement ("Hong Kong Closed Block Operating Rules")¹⁰, such as administrative expenses, investment expenses, commissions, and tax expenses, provided that such withdrawal does not result in the aggregate asset value of the trust assets falling short of the Required Balance pertaining to the Trust Account. Trust assets may not be withdrawn from the Trust Account for the purpose of paying any expenses not permitted under the Hong Kong Closed Block Operating Rules.
- 4.7.21. In the event that CLA's financial strength rating by Standard & Poor's falls below BBB+ or Standard & Poor's ceases to issue a financial strength rating in respect of CLA, withdrawal of assets from the Trust Account shall require the consent of MyPace Life.
- 4.7.22. CLA-BB may instruct the trustee to transfer trust assets from the Trust Account to MyPace Life for the purposes of settling the termination payment upon termination of the Participating Coinsurance Agreement. Following the termination payment having been fully paid to MyPace Life, there will be no assets remaining in the Trust Account.
- 4.7.23. MyPace Life may withdraw from the Trust Account any trust assets only as necessary to satisfy any settlement or termination payment due from CLA-BB under the Participating Coinsurance Agreement that CLA-BB has failed to make, provided that MyPace Life shall provide to CLA-BB prior notice of any such intended withdrawal from the Trust Account.

Segregation of trust assets

- 4.7.24. Pursuant to the Participating Coinsurance Agreement and the Trust Agreement, the trust assets backing the CLA-HK participating Transferring Business shall be ring-fenced and deposited into a segregated Trust Account. These trust assets shall also be physically segregated from the assets backing the existing business of CLA-BB (note that there is no existing participating business in CLA-BB).

¹⁰ Refer to Paragraph 5.3.22 of this report for further details.

Management of trust assets

- 4.7.25. Prior to the Scheme, the management of assets pertaining to the CLA-HK Transferring Business is performed jointly by the Canadian Asset Liability Management Team of CLA in Canada and the Investment Division of Empower Annuity Insurance Company of America (“Empower Investments Team”) in the United States.
- 4.7.26. After the Scheme and the Coinsurance Agreements, the same teams will continue to manage these assets.
- 4.7.27. At all times, the assets within the Trust Account shall be managed pursuant to the investment management agreement between CLA-BB and the respective investment manager. Asset managers must comply with the Investment Guidelines set out in the Coinsurance Agreements, which are broadly in line with the investment policies governing the investment activities of Canada Life Hong Kong and CLA-BB (refer to Sections 5.6 and 6.8 of this report for further details).

Security through the Letter of Credit

- 4.7.28. CLA-BB shall maintain one or more clean, irrevocable and unconditional letters of credit (“Letter of Credit”) naming the IA as its sole beneficiary. The initial amount for the Letter of Credit as at the Transfer Date is USD 21.482 million. MyPace Life has committed to the IA that the company’s capital base shall not be less than HKD 200 million (USD 25.642 million) at all times. On the Transfer Date, this comprises paid-up share capital of HKD 28 million (USD 3.6 million), an upfront ceding commission of HKD 27 million (USD 3.5 million) and a portion of the initial amount for the Letter of Credit in favour of the IA of HKD 145 million (USD 18.542 million). The remaining portion of the initial amount for the Letter of Credit of around USD 2.94 million will be held to support the liabilities attributed to the CLA-HK non-participating business and the Non-Unit Linked Assets of CLL-HK. Subject to Paragraph 4.7.30 below, CLA-BB shall ensure that the initial amount, less any amounts drawn on the Letter of Credit by the IA, is maintained at all times until such Letter of Credit is permitted to be terminated under the terms of the Coinsurance Agreements. The Letter of Credit shall issue for a period of not less than one year on an “evergreen” basis, which automatically extends the term for one year from its date of expiration.
- 4.7.29. The IA has the discretion on when to make a drawdown from the Letter of Credit. CLA-BB and MyPace Life agree and acknowledge that the IA is expected to make a drawdown if:
- (i) CLA-BB becomes insolvent or fails to pay any amount owed to MyPace Life (refer to the “Settlement” and “Termination of the Coinsurance Agreements” sections below) under either the Participating Coinsurance Agreement or the Non-Participating Coinsurance Agreement (in the case of the Non-Participating Coinsurance Agreement, this pertains to the amounts not funded by the proceeds of the Unit Linked Assets); or
 - (ii) MyPace Life becomes insolvent, in which case the IA will draw on the Letter of Credit in an amount proportionate to the amount available for drawing under letters of credit delivered to the IA by other reinsurers of MyPace Life (if any);
- provided, however, that CLA-BB acknowledges and agrees that the IA is permitted to draw on the Letter of Credit at the discretion of the IA if in its opinion it is required to do so to appropriately safeguard the interests of the Transferring Policyholders.
- 4.7.30. CLA-BB may submit a written request to the IA annually to reduce the amount of the Letter of Credit, based on the run-off of the Transferring Business reinsured under either the Participating Coinsurance Agreement or the Non-Participating Coinsurance Agreement. However, any such reduction is at the discretion of the IA.

Settlement

- 4.7.31. MyPace Life shall calculate the settlement amount and deliver the settlement report to CLA-BB on a quarterly basis during the term of the Coinsurance Agreements. The in-force policy data and other supplementary information specified in the Coinsurance Agreements shall be provided to CLA-BB on a monthly basis.

Participating Coinsurance Agreement

- 4.7.32. Pursuant to the Participating Coinsurance Agreement, the settlement amount is calculated as the net amount that MyPace Life owes to CLA-BB with respect to the CLA-HK participating Transferring Business. It consists of:

- (i) recurring reinsurance premiums;
- (ii) aggregate of all payment made by the Transferring Policyholders with respect to policy reinstatement and reinstated portion of the surrender benefits paid by CLA-BB to MyPace Life;
- (iii) refunds of any cash dividends determined by CLA-BB that exceed the actual dividends declared by MyPace Life;
- (iv) any excess of non-cash dividends declared by MyPace Life over the amount determined and declared by CLA-BB (refer to Paragraph 4.7.3 for further details);
- (v) policy loan interest charged during the period;
- (vi) net change in outstanding death claims;
- (vii) net change in funds on deposit (including any applicable interest for funds on deposit); and
- (viii) net change in policy loans (including any policy loan interest).

Such amount shall be reduced by reinsured liabilities. For clarity, with respect to items (vi) to (viii) above, a net increase in the balances of outstanding death claims and funds on deposit (including any applicable interest), or a net decrease in balances of policy loan (including any applicable interest), will result in an amount payable by MyPace Life to CLA-BB, and vice versa.

- 4.7.33. Where the settlement amount is greater than zero (i.e., MyPace Life owes such amount to CLA-BB), MyPace Life shall pay such amount to CLA-BB which shall then deposit such amount in the Trust Account. Where the settlement amount is less than zero (i.e., CLA-BB owes such amount to MyPace Life), CLA-BB shall pay the absolute value of such amount to MyPace Life. CLA-BB may withdraw assets from the Trust Account for the purpose of paying the settlement amount (if due to MyPace Life). In the event that there are insufficient funds in the Trust Account to fully cover the settlement amount, CLA-BB shall use its own shareholders' fund to cover the outstanding settlement amount.
- 4.7.34. The settlement process of non-cash dividends is described in Paragraphs 4.7.10 and 4.7.12 of this report.

Non-Participating Coinsurance Agreement

- 4.7.35. Pursuant to the Non-Participating Coinsurance Agreement, the settlement amount is calculated as the net amount that MyPace Life owes to CLA-BB with respect to the CLA-HK non-participating Transferring Business and the CLL-HK Transferring Business. It consists of:
- (i) recurring reinsurance premiums;

- (ii) aggregate of all payment made by the Transferring Policyholders with respect to policy reinstatement and reinstated portion of the surrender benefits paid by CLA-BB to MyPace Life;
- (iii) charges payable from the Unit Linked Assets Account;
- (iv) any excess of Unit Linked Assets value over the benefits payable under the terms of a unit linked policy;
- (v) policy loan interest charged during the period;
- (vi) net change in outstanding death claims; and
- (vii) net change in policy loans (including any policy loan interest).

Such amount shall be reduced by:

- (viii) reinsured liabilities;
- (ix) rebates to the Unit Linked Assets Account;
- (x) any excess of the benefits payable under the terms of a unit linked policy over the Unit Linked Assets value attributable to such unit linked policy; and
- (xi) any custodian fees related to the establishment, maintenance and operation of the Unit Linked Assets Account ("Unit Linked Excess Costs"). The total Unit Linked Excess Costs are subject to a cap of 120% of total fees charged for the first annual period (excluding any set-up fees). Starting from the first anniversary of the Transfer Date, this cap will be adjusted annually based on the United States Consumer Price Index (or its successor index).

For clarity, with respect to items (vi) and (vii) above, a net increase in the balances of outstanding death claims, or a net decrease in balances of policy loan (including any applicable interest), will result in an amount payable by MyPace Life to CLA-BB, and vice versa.

- 4.7.36. MyPace Life shall withdraw from the Unit Linked Assets Account all the charges that are payable from the account values of the Unit Linked Assets Account. Such amount shall be owed to CLA-BB as part of the settlement (refer to Paragraph 4.7.35(iii) above).
- 4.7.37. Specifically for the CLL-HK unit linked Transferring Business, upon MyPace Life receiving a notice of a death claim under a unit linked policy, MyPace Life will notify CLA-BB and CLAM by the next business day. CLA-BB will then make a corresponding reinsurance claim payment to MyPace Life (equal to the Unit Linked Assets value of the claimed policy as of that date) under the Non-Participating Coinsurance Agreement. In such case, MyPace Life will use the relevant Unit Linked Assets it holds to pay the claimant. In so doing, the account payable from MyPace Life to CLA-BB will be set off and reduced by the fair market value of such Unit Linked Assets, and similarly the account receivable by CLA-BB from MyPace Life will also be set off and reduced by the same value. Any excess of benefits payable under the terms of a unit linked policy over the Unit Linked Asset would be payable pursuant to the settlement process set out in the Non-Participating Coinsurance Agreement.
- 4.7.38. In the event that CLA-BB fails to pay any amount owed to MyPace Life, or if either CLA-BB or MyPace Life becomes insolvent, the IA may make a drawdown from the Letter of Credit (as described in Paragraph 4.7.29 above) and in any such (i) it relates to the Participating Coinsurance Agreement or (ii) it relates to the Non-Participating Coinsurance Agreement (other than with respect to amounts not funded by the proceeds of the Unit Linked Assets).

Conversion of closed block participating policies to non-participating policies

- 4.7.39. As contemplated in the Hong Kong Closed Block Operating Rules, if CLA-BB or MyPace Life considers that the number of policies remaining in the closed block sub-account within the CLA-BB Participating Fund and the value of the liabilities associated with such closed block sub-account to provide for policy benefits, future dividend expectations, expenses, and taxes are too small to warrant the cost to maintain a distinct closed block sub-account, either CLA-BB or MyPace Life may by notice to the other, trigger the conversion of the participating policies to non-participating policies, subject to the consent of the other party. Such consent shall not be unreasonably withheld or delayed. The expectation is that consideration of the conversion process to non-participating policies will commence when the value of the closed block sub-account falls below USD 100 million.
- 4.7.40. Upon the receipt of such notice and such consent having been given, both CLA-BB and MyPace Life will cooperate and make all commercially reasonable efforts to obtain any required regulatory approvals for such conversion. For greater certainty, any such conversion is subject to the consent of the OSFI and the IA, to the extent required.
- 4.7.41. Upon conversion of the closed block participating policies to non-participating policies in accordance with the above provisions, CLA-BB and MyPace Life agree that such remaining policies will be ceded by MyPace Life and reinsured by CLA-BB under the Non-Participating Coinsurance Agreement (and the Non-Participating Coinsurance Agreement shall be amended accordingly).

Termination of the Coinsurance Agreements

- 4.7.42. All of CLA-BB's liability with respect to any Transferring Policy shall begin on the Transfer Date, and terminate on the earlier of: (i) the date on which MyPace Life's contractual liability for such Transferring Policy terminates; or (ii) the date on which the Coinsurance Agreement(s) terminate subject to Paragraphs 4.7.43 and 4.7.44 below.
- 4.7.43. Subject to the prior written consent of the IA, either CLA-BB or MyPace Life has the right to terminate the Coinsurance Agreement(s) only if:
- (i) the other party fails to make any undisputed payment required under the terms of the Coinsurance Agreement(s); or
 - (ii) it becomes unlawful under any applicable law in any relevant jurisdiction for either party to perform its obligations under the Coinsurance Agreement(s), provided that the requirement for IA consent shall not apply if such consent would require CLA-BB to do anything or omit to do anything which would render it to be in breach of any applicable law.
- 4.7.44. Subject to the prior written consent of the IA, MyPace Life has the right to recapture any reinsured in-force business from CLA-BB only if any of the events specified in the Coinsurance Agreement(s) takes place including, but not limited to, a rating downgrade of CLA to below BBB+ by Standard & Poor's, insolvency of CLA and changes in the Hong Kong regulatory environment that result in the Coinsurance Agreement(s) no longer being accepted as reinsurance assets.
- 4.7.45. Upon termination of the Coinsurance Agreement(s) for such reasons, MyPace Life shall prepare a termination statement setting forth the termination payment, and reasonable supporting information in relation to its calculation. MyPace Life shall then seek agreement with CLA-BB.
- 4.7.46. In the event that CLA-BB owes the termination payment to MyPace Life, CLA-BB shall pay the termination payment to MyPace Life. In relation to the Participating Coinsurance Agreement, MyPace Life shall be entitled to withdraw any trust assets from the Trust Account to settle the termination payment that is owed to MyPace Life, and in the event of

any shortfall in the Trust Account, CLA-BB shall pay MyPace Life cash in the amount of such deficiency.

- 4.7.47. In the event that MyPace Life owes the termination payment to CLA-BB, MyPace Life shall pay the termination payment to CLA-BB.
- 4.7.48. Following termination and the termination payment having been fully satisfied, CLA-BB may withdraw and retain all remaining trust assets from the Trust Account and MyPace Life shall request the IA return the Letter of Credit to CLA-BB for cancellation.
- 4.7.49. Where CLA-BB terminates the Coinsurance Agreement(s) pursuant to Paragraph 4.7.43(i) above, or either CLA-BB or MyPace Life terminates the Coinsurance Agreement(s) pursuant to Paragraph 4.7.43(ii) above, MyPace Life must also pay to CLA-BB in cash any amount outstanding on the unamortised upfront ceding commission calculated as of the date the Coinsurance Agreement(s) terminate.

Dispute resolution

- 4.7.50. In the case of CLA-BB and MyPace Life encounter disputes relating to one or more calculations in the amount of Required Balance, settlement or termination payment that cannot be resolved through their reasonable efforts, they will jointly appoint an independent actuary for resolution. The independent actuary should determine the calculation, amount or other matter disputed by CLA-BB and MyPace Life, provided that the decision of the independent actuary shall be within the range of values or amounts proposed by CLA-BB and MyPace Life, respectively.
- 4.7.51. Ultimately, all disputes and differences arising under or in connection with the Coinsurance Agreement(s) shall be referred to arbitration under ARIAS Arbitration Rules. The arbitration tribunal may in its sole discretion make such orders and directions as it considers to be necessary for the final determination of the matters in dispute.
- 4.7.52. It should be noted that if an arbitral award determines the level of policyholder dividend declared by CLA-BB to be lower than that would be considered reasonable under the terms of the Participating Coinsurance Agreement and applicable Canadian laws, CLA-BB will be responsible for covering the shortfall.

4.8. FUND STRUCTURE UNDER THE SCHEME AND THE COINSURANCE AGREEMENTS

Fund structure of MyPace Life

- 4.8.1. On and with effect from the Transfer Date, MyPace Life shall establish three new funds, namely, (i) the MyPace Life Class A Participating Fund; (ii) the MyPace Life Class A Non-Participating Fund; and (iii) the MyPace Life Class C Fund. These three new funds shall form the MyPace Life Long Term Funds. MyPace Life also has a shareholders' fund.
- 4.8.2. The MyPace Life Long Term Funds and the MyPace Life Shareholders' Fund will initially be funded by a capital injection of USD 3.6 million. The indicative allocation of such capital injection between the sub-funds within the MyPace Life Long Term Funds and the MyPace Life Shareholders' Fund is detailed in Paragraph 3.3.12 of this report.

The MyPace Life Class A Participating Fund

- 4.8.3. On and with effect from the Transfer Date, all participating Transferring Policies which belong to the CLA-HK Class A Participating Fund, as well as all Transferring Assets and all Transferring Liabilities attributable to the participating Transferring Policies maintained by CLA-HK in the CLA-HK Class A Participating Fund shall be allocated to the MyPace Life Class A Participating Fund.

- 4.8.4. On and with effect from the applicable Subsequent Transfer Date, each Residual Asset and each Residual Liability attributable to the participating Transferring Policies maintained by CLA-HK in the CLA-HK Class A Participating Fund shall be allocated to the MyPace Life Class A Participating Fund.
- 4.8.5. Given that the assets transferred from CLA-HK to MyPace Life will be subsequently transferred to CLA-BB pursuant to the Coinsurance Agreements, to streamline the transfer process, the Coinsurance Assets and Coinsurance Liabilities attributable to the CLA-HK participating Transferring Policies will be reallocated from CLA-HK to CLA-BB and will be held in trust and managed by CLA-BB. MyPace Life will only allocate to the MyPace Life Class A Participating Fund any interest that it has in such Coinsurance Assets and Coinsurance Liabilities attributable to the CLA-HK participating Transferring Policies to the extent appropriate to do so under the actuarial and accounting principles. However, if the liability valuation performed by MyPace Life on the HKRBC basis, using its actuarial assumptions, suggests that additional assets are required to be held by MyPace Life to cover the Transferring Liabilities of the closed participating block, MyPace Life will hold those additional assets as necessary.
- 4.8.6. The reinsurance assets backing the liabilities of participating Transferring Business will be ring-fenced in a closed block participating policyholder sub-account within the MyPace Life Class A Participating Fund solely for the benefits of policyholders. These assets will be physically segregated from the assets backing other run-off participating policies which MyPace Life may acquire via portfolio transfers in future. These assets will be managed in accordance with MyPace Life Closed Block Participating Business Policy.
- 4.8.7. Other assets, which primarily consist of the initial capital injections from shareholders, will be held in the participating operating sub-account within the MyPace Life Class A Participating Fund. The participating operating sub-account is not ring-fenced and is solely for the benefit of shareholders. The assets will be used to support any liabilities attributable to the participating Transferring Business that are not fully covered by the reinsurance assets held in the participating policyholder sub-account, and to address short-term liquidity needs depending on the timing of claims and the reinsurance settlements received from CLA-BB.

The MyPace Life Class A Non-Participating Fund

- 4.8.8. On and with effect from the Transfer Date, all non-participating Transferring Policies which belong to the CLA-HK Class A Non-Participating Fund, as well as all Transferring Assets and all Transferring Liabilities attributable to the non-participating Transferring Policies maintained by CLA-HK in the CLA-HK Class A Non-Participating Fund shall be allocated to the MyPace Life Class A Non-Participating Fund.
- 4.8.9. On and with effect from the applicable Subsequent Transfer Date, each Residual Asset and each Residual Liability attributable to the non-participating Transferring Policies maintained by CLA-HK in the CLA-HK Class A Non-Participating Fund shall be allocated to the MyPace Life Class A Non-Participating Fund.
- 4.8.10. Operationally, the Coinsurance Assets and Coinsurance Liabilities attributable to the CLA-HK non-participating Transferring Policies will be reallocated from CLA-HK to CLA-BB and will be held and managed by CLA-BB to streamline the transfer process. MyPace Life will only allocate to the MyPace Life Class A Non-Participating Fund any interest that it has in such Coinsurance Assets and Coinsurance Liabilities attributable to the CLA-HK non-participating Transferring Policies to the extent appropriate to do so under the actuarial and accounting principles. However, if the liability valuation performed by MyPace Life on the HKRBC basis, using its actuarial assumptions, suggests that additional assets are required to be held by MyPace Life to cover the Transferring Liabilities of the CLA-HK non-participating Transferring Business, MyPace Life will hold those additional assets as necessary.

- 4.8.11. The reinsurance assets backing the liabilities attributable to the non-participating Transferring Business, along with other assets – primarily the initial capital injections from shareholders – will be managed within the MyPace Life Class A Non-Participating Fund. There is no plan to ring-fence and physically segregate these assets from other closed blocks of non-participating business that MyPace Life may acquire via portfolio transfers in future. However, nominal segregation will be applied to these assets.

The MyPace Life Class C Fund/ Unit Linked Assets Account

- 4.8.12. On and with effect from the Transfer Date, all Transferring Policies which belong to the CLL-HK Class C Fund, as well as all Transferring Assets and all Transferring Liabilities maintained by CLL-HK in the CLL-HK Class C Fund shall be allocated to the MyPace Life Class C Fund.
- 4.8.13. On and with effect from the applicable Subsequent Transfer Date, each Residual Asset and each Residual Liability maintained by CLL-HK in the CLL-HK Class C Fund shall be allocated to the MyPace Life Class C Fund.
- 4.8.14. Operationally, the Unit Linked Assets associated with the CLL-HK Transferring Policies will be transferred directly from CLL-HK to MyPace Life and held in a ring-fenced, clearly identifiable custody account maintained by MyPace Life with the Northern Trust Company (as the custodian) (i.e., the Unit Linked Assets Account) as described in Paragraph 4.6.10 above. All premiums with respect to the CLL-HK Transferring Policies shall be deposited into the Unit Linked Assets Account. The Non-Unit Linked Assets associated with the CLL-HK Transferring Policies will be transferred directly from CLL-HK to CLA-BB and be held and managed by CLA-BB. MyPace Life will only allocate to the MyPace Life Class C Fund any interest that it has in such Non-Unit Linked Assets and liabilities attributable to the Non-Unit Linked Assets associated with the CLL-HK Transferring Policies to the extent appropriate to do so under the actuarial and accounting principles.
- 4.8.15. The reinsurance assets backing the non-unit liabilities attributable to the CLL-HK unit linked Transferring Business will be ring-fenced in a closed block Class C policyholder sub-account within the MyPace Life Class C Fund. These assets will be physically segregated from other closed blocks of unit linked business that MyPace Life may acquire via portfolio transfers in future.
- 4.8.16. Other assets, which primarily consist of the initial capital injections from shareholders, will be held in the Class C operating sub-account within the MyPace Life Class C Fund. The Class C operating sub-account is not ring-fenced and is solely for the benefit of shareholders. The assets will be used to support any liabilities attributable to the unit linked Transferring Business that are not fully covered by the reinsurance assets held in the Class C policyholder sub-account, and to address short-term liquidity needs depending on the timing of claims and the reinsurance settlements received from CLA-BB.

Fund structure of CLA-BB

- 4.8.17. The fund structure for the Coinsurance Assets in the CLA-BB Participating Fund will be consistent with the previous structure in CLA-HK. For the CLA-BB Non-Participating Fund, there is no plan to ring-fence and physically segregate these assets from the existing non-participating business of CLA-BB on account of materiality and given the additional security provided by the Letter of Credit, with the exception of the assets currently held in the Ancillary Sub-Account. These funds shall form the CLA-BB Long Term Funds. CLA-BB also has a shareholders' fund.

The CLA-BB Participating Fund

- 4.8.18. On and with effect from the Transfer Date and each Subsequent Transfer Date, operationally, the Coinsurance Assets backing the liabilities of the CLA-HK participating Transferring Business will be reallocated from CLA-HK to CLA-BB. These assets will be deposited and ring-fenced in a closed block sub-account within the CLA-BB Participating Fund, via the Trust Account as collateral with MyPace Life named as the beneficiary. These assets will be physically segregated from the assets backing other participating business that CLA-BB may acquire in future (note that there is no existing participating business in CLA-BB). These assets will be managed in accordance with the Hong Kong Closed Block Operating Rules.

The CLA-BB Non-Participating Fund

- 4.8.19. On and with effect from the Transfer Date and each Subsequent Transfer Date, operationally, the Coinsurance Assets backing the liabilities of the CLA-HK non-participating Transferring Business will be reallocated from CLA-HK to CLA-BB, whereas the Non-Unit Linked Assets backing the non-unit liabilities of CLL-HK Transferring Business will be transferred directly from CLL-HK to CLA-BB. These assets will be deposited in the CLA-BB Non-Participating Fund. The assets backing the Ancillary Sub-Account will be ring-fenced. There is no plan to ring-fence and physically segregate other assets from the existing non-participating business of CLA-BB on account of materiality and given the additional security provided by the Letter of Credit (refer to Paragraph 4.7.28 above).
- 4.8.20. Separate from the Scheme, additional assets will be transferred from CLA-HK to CLA-BB as compensation to CLA-BB for reinsuring the Transferring Business and covering its capital and expense costs (refer to Paragraphs 5.8.2 and 5.8.3 below). These assets are not part of the Transferring Assets under the Scheme and will be transferred directly from CLA-HK to CLA-BB. The total amount of these additional assets in the CLA-BB Non-Participating Fund is still to be determined.

4.9. FUTURE OPERATION

- 4.9.1. MyPace Life has undertaken to fulfil all the insurance policy contract conditions for the Transferring Business once the Scheme is implemented. These will include:
- the day-to-day business operation in the ordinary and usual course in compliance with all applicable laws, regulations and other requirements having the force of law, and in line with best industry practice prevailing in Hong Kong;
 - the responsibility for financial reporting on a Hong Kong statutory basis and regulatory filings to the IA;
 - the responsibility for all communication with the policyholders; and
 - the policyholder and claims administration with the use of the PACE administration system (refer to Paragraph 7.3.2 of this report for further details).
- 4.9.2. CLA-BB will be responsible for financial reporting on a Canadian IFRS 17 basis and regulatory filings to both the FSC and the OSFI.

4.10. COST AND EXPENSES RELATED TO THE SCHEME

- 4.10.1. All costs in relation to the preparation of the Scheme and its presentation to the Hong Kong Court for sanction and all other professional fees related thereto shall be paid by MyPace Life, CLA and CLL from their respective shareholders' funds, in such manner as may be agreed between them, and shall not be borne by the funds maintained by MyPace

- Life, CLA-HK or CLL-HK pursuant to the Ordinance in respect of their respective long term business or the long term policyholders thereof.
- 4.10.2. Certain costs and expenses related to the Scheme including, but not limited to, court fees, advertising fees, fees of the Independent Actuary and the Joint Counsel representing the Parties in the court, costs associated with customers' notifications and communications, and fees payable to any regulatory authority, will be equally borne by Canada Life Group (where the costs will be apportioned between CLA and CLL on a mutually agreed basis) and MyPace Life.
- 4.10.3. I have been informed by the Appointed Actuary of CLA-HK that the expected costs and expenses related to the Scheme will be covered by a dedicated project budget funded by CLA of around USD 4 million to USD 5 million, which are immaterial relative to the balance sheet of CLA.
- 4.10.4. CLL-HK has estimated the costs and expenses related to the Scheme to be around GBP 0.4 million. I have been informed by the Appointed Actuary of CLL-HK that these expected costs and expenses are immaterial relative to CLL's overall balance sheet.
- 4.10.5. MyPace Life has estimated the costs and expenses incurred from the transfer to be around USD 0.4 million.

Section 5 **Impact of the Proposed Transfer – Effect on the Benefit Expectations of the Transferring Policyholders**

5.1. INTRODUCTION

- 5.1.1. In this section I consider the major issues relating to the benefit expectations of the Transferring Policyholders, while considerations of the main issues relating to the financial security of the Transferring Policyholders are provided in Section 6. In forming my opinion in this section, I have considered the various matters addressed in the following paragraphs.
- 5.1.2. As CLA-HK and CLL-HK have ceased to effect any new contracts of insurance, including contracts of reinsurance accepted but excluding contracts of reinsurance ceded, of long term business, in or from Hong Kong since 1994 and 1995 respectively, there are no prospective long term Transferring Policyholders that need to be considered.

5.2. CONSIDERATIONS AFFECTING POLICYHOLDERS' BENEFIT EXPECTATIONS

- 5.2.1. A detailed breakdown of the products composing the Transferring Business has been provided under Table 3.2 and Table 3.4. Amongst these products, the products with discretionary benefits include all the participating products as well as the universal life products, all of which remain in-force and closed to new business.
- 5.2.2. Unlike participating and universal life products where I need to consider the impact of the Scheme and the Coinsurance Agreements on the policyholders' expectations of discretionary benefits, for non-participating business providing guaranteed benefits for guaranteed premiums (including non-participating riders on participating contracts), my focus is on the likely effects of the Scheme and the Coinsurance Agreements on the financial security of these contractual benefits. This is covered in Section 6 of this report.
- 5.2.3. For policies with discretionary components, I must also consider the likely effects of the Scheme and the Coinsurance Agreements on how such discretion will be exercised taking into account the current benefit expectations of policyholders. These policies include those with a combination of discretionary and guaranteed benefits such as participating policies. In this report discretionary benefits such as basic dividends or paid-up additional ("PUA") dividends, are referred to as "dividends". I will elaborate further on the form of dividends paid to policyholders of CLA-HK.
- 5.2.4. I also consider CLA-HK policies with other discretionary elements such as:
- interest on dividends and/or death benefits left on deposit with CLA-HK;
 - interest rates on policy loans and automatic premium loan;
 - universal life and unit linked products with non-guaranteed fees and charges; and
 - the small block of CLA-HK policies where CLA-HK can alter the policyholder premiums.
- 5.2.5. In considering the likely effects of the Scheme and the Coinsurance Agreements on the Transferring Policyholders' benefit prospects, I have considered the following areas that could impact future benefits:
- The approach taken to determining the amounts of policyholder dividends for participating products and crediting rate for universal life products subsequent to the implementation of the Scheme and the Coinsurance Agreements, and any differences compared with current practices.

- The future governance procedures and safeguards provided by both CLA-BB and MyPace Life, in respect of their Articles of Association, the Scheme, the Coinsurance Agreements or other supporting documents, that prevent a change of approach that could have an adverse effect on participating policyholder dividends, universal life crediting rates and expenses and charges that are attributable to policyholders.
- The extent to which future investment strategy, and investment performance, of the assets backing the participating, non-participating (including universal life) and linked long term liabilities may be affected by the Scheme and the Coinsurance Agreements.
- The expenses attributable to participating policyholders as a result of the Scheme and the Coinsurance Agreements.

5.3. DISCRETIONARY BENEFITS FOR PARTICIPATING BUSINESS

Existing discretionary benefits of the participating business

- 5.3.1. The participating Transferring Policies of CLA-HK were acquired from Crown Life Canada in 1999. They include traditional whole of life and permanent life paid up at age 95, endowment and participating riders or supplementary benefits attached to or arising from the participating policies.
- 5.3.2. 99.9% of the participating policies in terms of number of in-force policies as at 31 December 2024 are traditional whole of life and permanent life paid up at age 95. The following table shows the details of the major participating products of Canada Life Hong Kong in terms of in-force number of policies and IFRS 17 reserves within this group as at 31 December 2024.

Table 5.1: Major participating products of Canada Life Hong Kong as at 31 December 2024

Participating product	% of participating in-force number of policies	% of participating IFRS 17 reserves
Advance	47%	54%
XXT	24%	21%
Prove	14%	11%
Step Rate 5	9%	6%
Total	95%	91%

Figures may not be additive due to rounding.

Source: CLA-HK internal, non-public information.

- 5.3.3. Among these participating policies, “Advance” is a participating permanent life product paid up at age 95, whereas “XXT”, “Prove” and “Step Rate 5” are participating whole life products. Advance and XXT offer guaranteed level premiums to the Transferring Policyholders, whereas Prove and Step Rate 5 offer premiums at a specific rate for the first four policy years and increase by 20% from the initial premium thereafter.
- 5.3.4. These products offer lifetime protection, non-guaranteed annual dividends starting from the second policy year and PUA dividends (if applicable) to the Transferring Policyholders. Policyholders may purchase additional rider benefits including, but not limited to, accidental death benefit, waiver of premium benefit upon total disability of the life insured or the death of the payor, renewable term insurance benefit, and increasing death insurance benefit.

5.3.5. According to the policy documents,

- Policyholders have the options to choose how to apply the declared dividends, including, but not limited to:
 - (i) paying in cash;
 - (ii) reducing the premiums payable;
 - (iii) repaying policy loan (if applicable);
 - (iv) purchasing additional amounts of participating insurance for CLA-HK's reinvestment into the policy to earn PUA dividends (which is the default option if policyholders have not chosen an option in a month after which a dividend falls due); or
 - (v) holding DoD with CLA-HK, which allows policyholders to leave the non-guaranteed distributed dividends with CLA-HK to earn a non-guaranteed interest rate determined by CLA-HK from time to time.
- Upon the death of the life insured or termination of the contract, policyholders have the option to choose how policy benefits are being paid to the beneficiaries, either:
 - (i) paid in one lump sum;
 - (ii) left on deposit with CLA-HK to earn a non-guaranteed interest rate determined by CLA-HK from time to time (where such option is only available for death benefit but not other benefits); or
 - (iii) converted to one of the annuity benefits specified by CLA-HK based on the guaranteed annuity rates defined in the policy documents.
- Policyholders owning policies with a cash value have the option to take out a loan against their policies ("policy loan") and/or advance a loan to pay any premium that remains unpaid ("automatic premium loan") where the loan interest rate is variable and determined by CLA-HK from time to time or annually depending on products.
- If policyholders choose not to pay further premiums, they have the options to either:
 - (i) surrender the policy and receive the net cash value;
 - (ii) convert the policy to a paid-up life insurance plan for a reduced sum assured payable upon the death of the life insured; or
 - (iii) convert the policy to an extended term insurance.

Historical changes of discretionary benefits for participating business

- 5.3.6. Canada Life Hong Kong currently reviews the policyholder dividend rates for participating business and loan interest rates at least on an annual basis, whereas the accumulation rates credited to the balance of DoD and death benefits on deposit have not been reviewed or changed for many years.
- 5.3.7. In the past, Canada Life Hong Kong made several adjustments to the level of discretionary benefits of the participating policies, and investment performance has been a key factor behind these decisions. This section summarises Canada Life Hong Kong's historical decisions to change the discretionary benefits.
- 5.3.8. As at the end of 2024, the discretionary benefits include:
- Non-guaranteed dividends (including basic dividends and PUA dividends (if applicable));
 - Loan interest rates; and

- Accumulation rates on DoD and death benefits on deposit.

Non-guaranteed dividends

5.3.9. Table 5.2 summarises the dividend interest rate recommendations for 2015 to 2025. In the 2025 dividend scale review, the Appointed Actuary of CLA-HK recommended maintaining the expected investment return on assets at 4.7%, which aligns with the projected rates for the next three years, whereas the dividend enhancement is recommended to be increased by 0.1% due to the Hong Kong DSR exceeding the 5% tolerance level (refer to Paragraph 5.3.19 below).

Table 5.2: CLA-HK historical dividend interest rate recommendation for participating business

Dividend scale review	Expected investment return on assets (a)	Dividend enhancement ⁽¹⁾ (b)	Dividend interest rate [(a) + (b)]
2015	4.7%	0.4%	5.1%
2016	4.7%	0.4%	5.1%
2017	4.5%	0.4%	4.9%
2018	4.5%	0.2%	4.7%
2019	4.8%	0.2%	5.0%
2020	4.8%	0.2%	5.0%
2021	4.4%	0.2%	4.6%
2022	4.3%	0.4%	4.7%
2023	4.3%	0.4%	4.7%
2024	4.7%	0.4%	5.1%
2025 (Proposed)	4.7%	0.5%	5.2%

Source: Memorandum entitled “2025 International Dividend Scale” dated 8 November 2024 from the Appointed Actuary of CLA-HK to the Appointed Actuary of CLA.

Note (1): Dividend enhancement is used to ensure the DSR remains within +/-5% corridor per the Canada Life Closed Block Operating Rules. A positive DSR indicates there are accumulated earnings attributable to the policyholders. Dividend enhancement is used to increase the policyholder payout (i.e., through higher dividends) to be greater than the actual investment income, so the accumulated earnings held in the DSR can be distributed to the policyholders over time via the dividend scale.

Loan interest rates

5.3.10. Canada Life Hong Kong monitors policy loans on an annual basis based on the data as at 30 June of the previous year. As at 30 June 2024, the total policy loan balance was USD 89.6 million, accounting for 77% of the total cash value for those policies with policy loans, which represented 18% of the Transferring Business.

5.3.11. Loan interest rates vary by product. According to the loan provisions of the policy contracts:

- **“Advance” and “Select Ordinary Life Preferred” (“SOLP”):** Loan interest rate is determined by CLA-HK from time to time and is subject to a cap that is determined at each policy anniversary at the higher of: (i) monthly Corporate Bond (Average) Index published by Moody’s; or (ii) the policy’s guaranteed interest rate plus 1%.

- **“XXT”, “Prove” and “Step Rate 5”:** Loan interest rate is determined annually for each policy, effective from the beginning of each policy year. Any change in the loan interest rate is based on a maximum interest rate defined by law and defined according to certain conditions that relate to changes in interest rates. The legal maximum interest rate is defined consistently as for “Advance” and “SOLP” policies.

5.3.12. I have been provided with the historical loan interest rates declared by CLA-HK from January 2020 to May 2025, which are summarised in the table below. The loan interest rates during the period were consistent for “Advance”, “XXT”, “Prove”, “Step Rate 5” and “SOLP”. The declared loan interest rates are lower than the weighted average of guaranteed interest rate plus 1%, which is approximately 6.2%, according to the memorandum entitled “2025 International Dividend Scale”.

Table 5.3: CLA-HK historical loan interest rates

Year	Advance, XXT, Prove, Step Rate 5, SOLP ⁽¹⁾
2020	2.50% - 3.50%
2021	2.50% - 3.25%
2022	2.75% - 5.00%
2023	5.00% - 5.75%
2024	5.00% - 6.00%
January – May 2025	5.25% - 5.75%

Source: CLA-HK internal, non-public information.

Note (1): For each of these products, the declared loan interest rates vary by calendar months within the stated range.

Accumulation rates on DoD and death benefits on deposit

- 5.3.13. According to the policy contracts, “Advance”, “XXT”, “Prove” and “Step Rate 5” offer policyholders the option to leave dividends and death benefits on deposit with CLA-HK, with the option to withdraw at reasonable notice. The accumulation rate credited to the balance of DoD and death benefits on deposit is set from time to time by CLA-HK and is guaranteed to be at least 3.5% p.a. compounded yearly.
- 5.3.14. The accumulation rate has been maintained at 4% p.a. and has not been changed over recent years.
- 5.3.15. As at 31 December 2024, the DoD balance was USD 9.7 million.

Philosophy for determination of discretionary benefits for participating business

- 5.3.16. I have been provided with an abridged version of the Canada Life Closed Block Operating Rules (established at the time of demutualisation of CLA in 1999), the CLA Participating Policyholder Dividend Policy (adopted by the CLA Board of Directors in 2004) and the CLA 2011 Policyholder Dividend Scale Recommendation Actuarial Report for Hong Kong and other individual life insurance policies (effective 1 January 2011) that describe the approach to setting dividends for the participating Transferring Business. I have also been provided with the memorandums entitled “Valuation Bases – CLA International Par & Non-Par” for the years 2021, 2022, 2023 and 2024, as well as the memorandum entitled “2025 International Dividend Scale” dated 8 November 2024. These memorandums, which were prepared by the Appointed Actuary of CLA-HK, show how the non-guaranteed and discretionary benefits are reviewed and adjusted if needed in practice.

*Non-guaranteed dividends*Before the Scheme and the Participating Coinsurance Agreement

- 5.3.17. A separate Closed Block Sub-Account was established within the CLA-HK Class A Participating Fund effective 4 November 1999 in conjunction with the demutualisation of CLA for the Crown Life Canada participating policyholders, and is managed in accordance with the Canada Life Closed Block Operating Rules established by CLA for the closed blocks and approved by the OSFI.
- 5.3.18. CLA-HK determines the dividend rates among classes of policies with certain product and policy attributes in common ("dividend classes") on an annual basis based on the Canadian IFRS 17 reserves. Note that, the Guideline on Underwriting Long Term Insurance Business (other than Class C Business) ("GL16") issued by the IA requires authorized insurers to ensure policyholders' reasonable expectations are met/ managed when determining the policyholder dividends, and this should not be impacted by any changes in the financial reporting regime or reserving basis.
- 5.3.19. Earnings (or losses) arise when the experience in the Closed Block Sub-Account relating to factors such as mortality and investment income is collectively more (or less) favourable than the assumptions used when pricing the participating policies. To avoid the impact of fluctuation of the experience gains and losses on the dividend rates, a Dividend Stabilisation Reserve ("DSR") was established for the closed participating block, which includes past experience gains and losses that have not yet been fully reflected in the policyholder dividend scale. The DSR is generally managed to be within +/-5% of the Closed Block Sub-Account's assets. If the DSR is lower than -5% of the Closed Block Sub-Account's assets, the shortfall in assets covering the liabilities may be considered material. The Appointed Actuary of CLA-HK shall consider either reducing policyholder dividends or transferring assets into the Closed Block Sub-Account, first from the CLA-HK Ancillary Fund and, if that is insufficient, from the free surplus in the CLA-HK Class A Non-Participating Fund, to bring the percentage back to within the 5% threshold, within a reasonable period of time. Once such a transfer has been made there is no expectation of eventual repayment. Likewise, if the DSR exceeds 5% of the Closed Block Sub-Account's assets, the Appointed Actuary of CLA-HK shall consider increasing policyholder dividends to bring the percentage back to within the 5% threshold. Alternatively, the Appointed Actuary of CLA shall provide written justification in both the annual report to the CLA Board of Directors on proposed dividends and the annual report on the participating account for not increasing the policyholder dividends.
- 5.3.20. When allocating the policyholder dividends between each dividend class, CLA-HK follows the Contribution Principle as set out in the CLA Participating Policyholder Dividend Policy, where the amount distributed as policyholder dividends is divided among dividend classes in proportion to their respective amount of earnings contributed to the Closed Block Sub-Account.
- 5.3.21. More specifically, while the contribution of each participating policy is different, CLA-HK dividend review process seeks to achieve a reasonable and fair allocation amongst classes and generations of participating policies within the dividend class, taking into account factors such as:
- The source and extent of the volatility in claims and investment experience;
 - Expected trend in the future experience and the potential impact on future policyholder dividends;
 - Maintenance of a reasonable DSR (i.e., close to zero), taking into account the drivers of the current level of the DSR, the projected level of the DSR and the projected impact on policyholder dividends;
 - Intergenerational equity; and

- Policyholders' reasonable expectations for dividends (e.g., expectations on the level of volatility which can arise in the dividend scale), taking into account historical dividend payment scale actually paid to the CLA-HK Transferring Policyholders.

After the Scheme and the Participating Coinsurance Agreement

- 5.3.22. After the implementation of the Scheme and the Participating Coinsurance Agreement, the participating Transferring Policies will be subject to the provisions of the Hong Kong Closed Block Operating Rules set out in the Participating Coinsurance Agreement, whereas the Non-Transferring Policies of Canada Life Group will continue to be governed by the Canada Life Closed Block Operating Rules. I have been informed by the Appointed Actuary of CLA-HK that the Hong Kong Closed Block Operating Rules contain excerpts from the Canada Life Closed Block Operating Rules that are of relevance to the participating Transferring Policies, and therefore, they are effectively the same as the Canada Life Closed Block Operating Rules described under Paragraphs 5.3.18 to 5.3.21 of this report. CLA-BB shall determine the level of discretionary benefits received by the Transferring Policyholders in accordance with the provisions of the Hong Kong Closed Block Operating Rules having due regard for any relevant regulatory requirements that govern CLA-BB and comments from MyPace Life with reasonable endeavour.
- 5.3.23. Pursuant to the Participating Coinsurance Agreement, any changes to the provisions of the Hong Kong Closed Block Operating Rules shall require the written consent of MyPace Life, which shall not be unreasonably withheld. Any changes to the provisions of the Hong Kong Closed Block Operating Rules also requires the written agreement of CLA-BB and, if required, prior approval from the OSFI and the IA. Any other amendments to the Participating Coinsurance Agreement must be agreed to by MyPace Life and CLA-BB in writing and the parties will look to obtain the IA's consent before making any material changes which will affect policyholders' interests (except for those which are required for legal, regulatory or compliance purposes).
- 5.3.24. In addition, MyPace Life will continue to comply with the GL16 requirements. Specifically, the Appointed Actuary of MyPace Life is responsible for ensuring that policyholders' reasonable expectations are met/ managed regarding their participating policies, including non-guaranteed benefits. The Participating Coinsurance Agreement ensures that MyPace Life is consulted during the process of setting policyholder dividends, which helps to ensure that there is appropriate consideration of policyholder reasonable expectations (which are the responsibility of MyPace Life).
- 5.3.25. MyPace Life, however, retains the discretion to pay more or less than that the level of discretionary benefits determined by CLA-BB if in the reasonable opinion of its Appointed Actuary, based on external legal advice, it is required to do so under Hong Kong Laws. Any discretionary benefits declared by MyPace Life shall comply with its Closed Block Participating Business Policy. From MyPace Life Closed Block Participating Business Policy, I note that the dividend philosophy, as well as the approach to share surplus and determine non-guaranteed and discretionary benefits have been adopted from Canada Life Closed Block Operating Rules, and therefore are effectively the same as described under Paragraphs 5.3.18 to 5.3.21 of this report. Through this policy, MyPace Life will ensure all transferred policies and their corresponding policyholders are at least as well off as prior to the transfer. Further details are provided in Paragraph 5.3.36 below.
- 5.3.26. Immediately following the transfer, and whenever MyPace Life plans to revise its Closed Block Participating Business Policy, MyPace Life will continue to comply with relevant regulations, including GL16 in respect of any changes to the existing principles and methods for the determination of non-guaranteed dividends and other discretionary benefits of the Transferring Policies, as well as the Guideline on Establishment and Maintenance of Fund(s) in respect of Participating Business ("GL34") which sets out the minimum standards and practices for governance of participating funds.

5.3.27. Overall, I have no reason to believe the Scheme and the Coinsurance Agreements will lead to a materially adverse impact on the determination of the non-guaranteed dividends in relation to the Transferring Policyholders because of the following key reasons:

- (i) The assets and liabilities in respect of the participating Transferring Policies will continue to be maintained in a closed block participating fund and segregated from the non-participating Transferring Business (as was the case before the Scheme), and in particular, the same assets currently held by CLA-HK prior to the Scheme will be transferred to CLA-BB. After the implementation of the Scheme and the Participating Coinsurance Agreement, shareholders will continue to be unable to benefit from any profits arising from the closed block.
- (ii) The Parties have agreed that as of the Transfer Date, and for so long as the Participating Coinsurance Agreement is in place, CLA-BB shall maintain the Closed Block Sub-Account (within the CLA-BB Participating Fund) and Ancillary Sub-Account (within the CLA-BB Non-Participating Fund) in respect of the CLA-HK participating Transferring Policies, the initial value of which shall not be less than the amounts maintained by CLA-HK immediately prior to the Transfer Date. If the Participating Coinsurance Agreement is terminated while any of the Transferring Policies remain reinsured, MyPace Life will establish an Ancillary Sub-Account similar to the one previously maintained by CLA-BB. Should adverse experience deplete the Ancillary Sub-Account, the MyPace Life Shareholders' Fund will cover any deficit. The assets within the Ancillary Sub-Account will remain in a separate investment pool managed or overseen by MyPace Life, adhering to the same investment policies and the Hong Kong Closed Block Operating Rules as previously applied by CLA-BB. Upon termination of the Participating Coinsurance Agreement, MyPace Life will assume the responsibility to maintain the Closed Block Sub-Account and Ancillary Sub-Account in respect of the CLA-HK participating Transferring Policies, the initial value of which shall not be less than the amounts maintained by CLA-BB immediately prior to the termination date of the Participating Coinsurance Agreement. In the event of termination due to CLA-BB's fault, MyPace Life will ensure that the participating Transferring Business continues to be fully capitalised, by raising capital from the shareholders if required. Also, the IA has the discretion to draw from the Letter of Credit for the benefit of MyPace Life if in its opinion it is required to do so to appropriately safeguard the interests of policyholders.
- (iii) As before the Scheme, the Transferring Policies in the closed block will continue to share the profits and losses from mortality, lapse and investments. The expenses charged to the closed block will remain unchanged after the Scheme and the Participating Coinsurance Agreement are implemented, as the allowable expenses charged to the participating Transferring Policyholders are fixed as per the Hong Kong Closed Block Operating Rules.
- (iv) The same valuation team, which is the Local Reporting Team of the Capital and Risk Solutions Division of CLA, will continue to recommend the dividends for CLA-BB, based on the current dividend philosophy operated by CLA-HK and the Hong Kong Closed Block Operating Rules, which are effectively the same as the Canada Life Closed Block Operating Rules applied to CLA-HK before the transfer, including the operation of the DSR.
- (v) While MyPace Life retains the right to declare a final level of dividends which may be higher or lower than the dividends proposed by CLA-BB, the determination of dividend should adhere to the principles and procedures set out in MyPace Life Closed Block Participating Business Policy, which is broadly in line with the Canada Life Closed Block Operating Rules and the Hong Kong Closed Block Operating Rules followed by CLA-HK and CLA-BB respectively. Further, MyPace Life will be consulted by CLA-BB as part of the process to determine dividends, ensuring that appropriate consideration is given to policyholder reasonable expectations in accordance with GL16 requirements.

- (vi) Any changes to the provisions of the Hong Kong Closed Block Operating Rules shall require the written agreement of MyPace Life and CLA-BB and, if required, prior approval from the OSFI and the IA. Any other amendments to the Participating Coinsurance Agreement must be agreed to by MyPace Life and CLA-BB in writing and the parties will look to obtain the IA's consent before making any material changes which will affect policyholders' interests (except for those which are required for legal, regulatory or compliance purposes).

Loan interest rates

- 5.3.28. The Transferring Policyholders owning policies with a cash value have an option to take a policy loan and/or an automatic premium loan with CLA-HK using the cash value as a collateral. Under such loan arrangements, the policyholders taking a policy loan and/or an automatic premium loan need to pay an interest to CLA-HK, which is determined at the loan interest rates declared by CLA-HK. The outstanding loans accrued with interest will reduce the ultimate policyholder benefit upon surrender, maturity, or death.
- 5.3.29. As set out in the loan provisions of the policy contracts, the current loan interest rate is determined by CLA-HK on an annual basis on each policy anniversary, varies by products, and is capped at the higher of: (i) monthly Corporate Bond (Average) Index published by Moody's; or (ii) the policy's guaranteed interest rate plus 1%.
- 5.3.30. After the implementation of the Scheme and the Participating Coinsurance Agreement, CLA-BB will develop initial recommendations of loan interest rates annually based on the same approach adopted by CLA-HK and the policy data provided by MyPace Life. Similar to policyholder dividend scale, CLA-BB will share the proposed loan interest rates with MyPace Life and comments from MyPace Life shall be considered with reasonable endeavour. Any profits or losses arising from policy loans and automatic premium loan will be shared amongst the policyholders of the policies within the closed block. The existing methodology will be reviewed annually by CLA-BB, with input from the Appointed Actuary of MyPace Life.
- 5.3.31. Given the policy contractual terms, MyPace Life's approval control and the philosophy underlying the loan interest rates recommendation will remain unchanged after the implementation of the Scheme and the Participating Coinsurance Agreement, I do not expect any materially adverse impact as a result of the Scheme and the Coinsurance Agreements with respect to the determination of discretionary benefits for the Transferring Policyholders.

Accumulation rates on DoD and death benefits on deposit

- 5.3.32. The participating Transferring Policies have an option to leave the dividend payouts and/or death benefits with CLA-HK on deposit at a non-guaranteed accumulation rate declared by CLA-HK from time to time, which is floored at the guaranteed minimum interest rate set out in the policy contracts.
- 5.3.33. I have been informed by the Appointed Actuary of CLA-HK that the current accumulation rates credited to the balance of DoD and death benefits left with CLA-HK on deposit have not been changed for many years, and there is no intention for CLA-BB to implement a formal review process in setting the deposit accumulation rates after the Scheme and the Participating Coinsurance Agreement.
- 5.3.34. The Appointed Actuary of MyPace Life has confirmed that there is no intention to change the current mechanism in determining the accumulation rates credited to DoD and death benefits on deposit as adopted by CLA-HK (pre-Scheme) or CLA-BB (post-Scheme and post-Coinsurance Agreements). After the Scheme and the Participating Coinsurance Agreement, any profits or losses arising from the DoD and death benefits on deposit will continue to be shared amongst the policyholders of the policies within the closed block.

Governance of discretionary benefits for participating business

- 5.3.35. In terms of the governance process for recommending the dividend scale for participating business, the current approach adopted by CLA-HK, before the Scheme, is for the Appointed Actuary of CLA-HK to prepare a written memorandum proposing the level of adjustment to be made to policyholder dividends and loan interest rates annually or more frequently when needed, primarily based on the dividend policy and philosophy described under Paragraphs 5.3.18 to 5.3.21 above. The proposed dividend scale and loan interest rates will be presented to a senior management group which includes the Appointed Actuary of CLA, who will opine on the fairness of the dividend scale before submission to the CLA Board of Directors for final approval.
- 5.3.36. After the Scheme and the Participating Coinsurance Agreement are implemented, the governance process in respect of dividend scale recommendation will be updated as follows. The involvement of MyPace Life in the dividend setting process is more formally captured in the Participating Coinsurance Agreement:
- CLA-BB will develop an initial recommendation of policyholder dividend scale for the participating Transferring Policies on an annual basis based on the philosophy set out in Paragraphs 5.3.18 to 5.3.21 above and the policy data provided by MyPace Life. In particular, I have been informed by the Appointed Actuary of CLA-HK that, operationally, the determination of policyholder dividends will continue to be performed by the same valuation team, which is the Local Reporting Team of the Capital and Risk Solutions Division of CLA, based on the same dividend policy and philosophy as adopted by CLA-HK before the Scheme. Any amendments to the provisions of the Hong Kong Closed Block Operating Rules, dividend policy and philosophy that impact the Transferring Policies will require the consent of MyPace Life in writing, which shall not be unreasonably withheld. Any amendments to the provision of the Hong Kong Closed Block Operating Rules also requires the written agreement of CLA-BB and, if required, prior approval from the OSFI and the IA. Any other amendments to the Participating Coinsurance Agreement must be agreed to by MyPace Life and CLA-BB in writing and the parties will look to obtain the IA's consent before making any material changes which will affect policyholders' interests (except for those which are required for legal, regulatory or compliance purposes).
 - CLA-BB will share the initial dividend scale recommendation with MyPace Life, and MyPace Life will provide comments in accordance with its dividend management philosophy from policyholder expectation perspective and share any relevant market information. CLA-BB shall consider comments from MyPace Life with reasonable endeavour.
 - The initial dividend scale proposed by CLA-BB will then be presented to and reviewed by the Appointed Actuary of CLA. After the Appointed Actuary of CLA opines on the fairness of the recommended dividend scale, it will be shared with MyPace Life for comments if it is different from the initial dividend scale recommendation. The CLA Board of Directors has the full discretion as to the determination of any dividends declared by CLA-BB.
 - The Appointed Actuary of CLA (or other senior delegate) will present the recommended dividend scale to the CLA Board of Directors for final approval.
 - The dividend scale approved by the CLA Board of Directors will ultimately be reviewed by the senior management of MyPace Life (including the Appointed Actuary and Chief Financial Officer) to ensure its compliance with MyPace Life's dividend management philosophy, particularly the fair treatment between policyholders and shareholders and among different groups of policyholders. The Appointed Actuary of MyPace Life will prepare the dividend management report and seek approval from MyPace Life's Board of Directors, which comprises senior executives of Asia Insurance and PACE, as well as two Independent Non-Executive Directors.

- While MyPace Life has the discretion to declare dividends at a level higher or lower than the dividend scale approved by the CLA Board of Directors, both CLA-BB and MyPace Life expect that, in most circumstances, the final policy dividend for each policy declared by MyPace Life will be the same amount as the dividend approved by the CLA Board of Directors. This will hold true unless, in the reasonable opinion of the Appointed Actuary of MyPace Life, based on external legal advice, it is required to declare a different level of dividend under Hong Kong Laws. In such rare circumstances, should the level of dividends declared by MyPace Life be higher than the final dividend scale approved by the CLA Board of Directors, the excess portion of dividends shall be the responsibility of MyPace Life and shall not be a liability of CLA-BB. On the other hand, should the level of dividends declared by MyPace Life be below that approved by the CLA Board of Directors, such shortfall shall be returned to CLA-BB. Details of the settlement of the excess dividends and shortfalls are set out in Paragraphs 4.7.11 and 4.7.12 of this report respectively.

- 5.3.37. The governance arrangement for making changes to the loan interest rates and accumulation rates credited to DoD and death benefits on deposit will be consistent with the governance process of dividend scale recommendation for participating business set out in Paragraphs 5.3.35 to 5.3.36 above. MyPace Life is expected to adhere to the loan interest rates and accumulation rates proposed by CLA-BB, unless in the reasonable opinion of the Appointed Actuary of MyPace Life, based on external legal advice, it is required to declare different rates under Hong Kong Laws. Any changes to the process of determining the accumulation rates credited to DoD and death benefits on deposit will require review by the Appointed Actuary of MyPace Life and subsequent approval by MyPace Life's Board of Directors. MyPace Life retains approval authority over any decision.
- 5.3.38. Given the proposed change in the governance of non-guaranteed and other discretionary benefits, for both CLA-BB and MyPace Life, I am satisfied that the implementation of the Scheme and the Participating Coinsurance Agreement will result in robust controls being applied to the recommendation processes for non-guaranteed and other discretionary benefits, which should ensure fair treatment of customers and will not materially affect the level of discretionary benefits received by the Transferring Policyholders.

5.4. DISCRETIONARY BENEFITS FOR UNIVERSAL LIFE BUSINESS

Existing discretionary benefits of universal life business

- 5.4.1. As at 31 December 2024, the non-participating Transferring Policies of CLA-HK included a small block of 63 policies for five universal life products, representing 0.2% of the total CLA-HK statutory reserves under the IFRS 17 basis. These products were the former universal life policies acquired from Crown Life Canada in 1999, which had been closed to new business in 1994.
- 5.4.2. For these products, premiums are allocated to a notional account where interest is credited and cost of insurance charges are deducted. All these items are discretionary in nature and have not been changed since the acquisition of these policies from Crown Life Canada in 1999.

Historical changes of discretionary benefits for universal life business

- 5.4.3. I have been informed by the Appointed Actuary of CLA-HK that the crediting rates and the cost of insurance charges for universal life policies have not changed since the acquisition of these policies from Crown Life Canada in 1999. This has set policyholders' expectations.

- 5.4.4. The crediting rates currently range from 4.75% to 7.50%, varying by products and plans. For all plans the current crediting rates either meet or exceed the minimum guaranteed crediting rates, which are summarised in the table below.

Table 5.4: Minimum guaranteed crediting rate and current crediting rate for universal life products of CLA-HK

Universal life product	Minimum guaranteed crediting rate	Current crediting rate
Calculator-8	4.00%	7.50%
Premise	5.50% - 6.00% ⁽¹⁾	6.00%
Unifier	4.50%	5.00% - 5.25% ⁽¹⁾
Unifier Extra	4.50% - 5.50% ⁽¹⁾	4.75% - 6.00% ⁽¹⁾
Versatile Life	4.50%	5.25% - 5.50% ⁽¹⁾

Note (1): For each of these products, crediting rate assumptions vary by plans within the stated range.

Philosophy and governance of discretionary benefits for universal life business

- 5.4.5. The current crediting rates and cost of insurance charges for universal life policies have not been changed since the acquisition of these policies from Crown Life Canada in 1999, which has set policyholders' expectations. There is no intention for CLA-BB to change the current approach, as adopted by CLA-HK, after the implementation of the Scheme and the Non-Participating Coinsurance Agreement.
- 5.4.6. The Appointed Actuary of MyPace Life has confirmed that there is no intention to change the crediting rates or cost of insurance charges for universal life policies after the implementation of the Scheme and the Non-Participating Coinsurance Agreement.
- 5.4.7. After the Scheme and the Non-Participating Coinsurance Agreement are implemented, in the event that CLA-BB chooses to change the current crediting rates and/or cost of insurance charges for universal life business, CLA-BB will inform MyPace Life the proposed rates and/or charges. The Appointed Actuary of MyPace Life will review policy data, change in market conditions, and other relevant factors, to assess the policyholder impact, financial fairness and regulatory compliance of such proposals. A final decision over such changes must be approved by MyPace Life. There is no intention for MyPace Life to declare different crediting rates and cost of insurance charges than those proposed by CLA-BB, unless the Appointed Actuary of MyPace Life believes it is appropriate to declare different crediting rates and/or cost of insurance charges.

5.5. OTHER POLICIES SUBJECT TO COMPANY DISCRETION

CLA-HK non-participating business

- 5.5.1. As at 31 December 2024, there were 31 CLA-HK in-force non-participating policies (18 policies for "Low Cost Life" and 13 policies for "Select Yearly Renewable Term") where CLA-HK has broad rights to adjust policyholder premiums as set out in the policy contracts, depending on the company's future expectations as to mortality, expenses, persistency and interest.
- 5.5.2. CLA-HK has not made any adjustments to the premiums since the acquisition of the Crown Life Canada portfolio in 1999, which has set policyholders' expectation.
- 5.5.3. Both MyPace Life and CLA-BB have confirmed that there is no intention to make adjustments to the policyholder premiums for these non-participating policies after the Scheme and the Non-Participating Coinsurance Agreement are implemented. Any

proposed amendments to the premium rates by CLA-BB shall require approval from MyPace Life.

CLL-HK unit linked business

- 5.5.4. As described in Paragraphs 2.5.3 and 3.2.7 of this report, most of the CLL-HK's Transferring Policies are unit linked whole of life policies for "Flexible Cover Plan" plan, which were originally written by Manulife Hong Kong branch and are currently being administered by Scottish Friendly as part of an outsourcing arrangement initiated in 2019. After the implementation of the Scheme and the Non-Participating Coinsurance Agreement, MyPace Life will be responsible for providing administration services for these unit linked policies, and the outsourcing arrangement between CLL and Scottish Friendly will be terminated.

Unit fund options

- 5.5.5. The Transferring Policyholders are currently provided with four CLAM individual fund options as set out in Paragraph 3.2.5 of this report. In addition to the four CLAM funds, some CLL-HK Transferring Policyholders have also invested in the Canlife Gilts & Fixed Interest fund and the Canlife Property fund, which have recently been closed or suspended, resulting in the transfer of the underlying policyholder units to other funds. I understand from the Appointed Actuary of CLL-HK that this transfer process has been completed for the Canlife Gilts & Fixed Interest fund, whereas the process for the Canlife Property fund is still ongoing. CLL intends to close the Canlife Property fund through a stakeholder buyout and redistribute its assets into the Canlife Managed fund prior to the implementation of the Scheme, ensuring that there is no expected impact on the Scheme. This redistribution into the Canlife Managed fund is consistent with the contractual terms, where CLL-HK has the discretion to select the funds available to the Transferring Policyholders, replace existing fund options with alternative funds, and close fund options to the Transferring Policyholders as necessary. Should CLL be unable to close the Canlife Property fund before the Scheme, MyPace Life will adopt the redistribution process utilised by Scottish Friendly on behalf of CLL. This redistribution process is a standard industry procedure for managing fund closures in unit linked investments and will be implemented whether or not the Scheme proceeds. Therefore, I have no reason to believe the fund closures and redistribution process will lead to a materially adverse impact on either the Scheme itself or the Transferring Policyholders.
- 5.5.6. Post-Scheme, MyPace Life plans to offer the same CLAM fund options to the Transferring Policyholders, although it has the discretion to offer alternative fund options which shall be of similar nature and charge levels as the existing CLAM fund options to align with the best practice, and close fund options to the Transferring Policyholders as necessary. All decisions regarding unit fund options will follow the Unit-Linked Policyholders' Funds Investment Guideline set out in the MyPace Life Enterprise Risk Management ("ERM") Policy, which mirrors the current CLL-HK policy so as to ensure policyholders' experience is not adversely affected. The MyPace Life Board of Directors will retain the ultimate authority over these matters, including decisions on fund closures or any material changes.

Administration charges

- 5.5.7. CLL-HK can, at its discretion, determine the administration charges on Hong Kong-based unit linked business, which will reduce the unit fund value and hence the ultimate policyholder benefit upon surrender.

- 5.5.8. Administration charges are deducted monthly and reflected in the monthly units of the individual funds for covering the ongoing expenses for administering these policies, which include the costs incurred in respect of the policy administration outsourcing arrangement with Scottish Friendly at approximately GBP 10 per policy per month and the reporting costs incurred within CLL-HK. CLL-HK updates the administration charges on an annual basis, effective 1 April each year, in line with the Average Weekly Earnings Index published by the UK's Office of National Statistics since 2011. Before the transfer, the proposed administration charges are overseen by the Chief Actuary of CLL before final approval by the CLL Board. Changes in administration charges are not currently communicated directly to the Transferring Policyholders. It should be noted that the monthly per policy administration charges in recent years, as summarised in the table below, are significantly below the cost of managing this block of business.

Table 5.5: Historical administration charges for CLL-HK unit linked products

Effective date	Monthly per policy administration charge (GBP)	% increase
1 April 2021	3.58	5.14%
1 April 2022	3.70	3.43%
1 April 2023	4.02	8.10%
1 April 2024	4.24	5.38%
1 April 2025	4.50	6.30%

- 5.5.9. Post-transfer, MyPace Life has undertaken to administer the unit linked policies in line with the prevailing regulatory framework in Hong Kong. The cost for managing the unit linked business is expected to be lower than the pre-Scheme level through the use of the PACE administration system (refer to Paragraph 7.3.2 of this report for further details). In any event, MyPace Life will not set or retain charges, as any charges to the Unit Linked Assets Account will be passed through to CLA-BB as part of the settlement (refer to Paragraph 4.7.35(iii) of this report). The policyholder administration charges will continue to be adjusted in line with wage inflation, linked to a broadly similar index as the current CLL-HK practice. Subject to Paragraph 5.5.21 below, any changes to the administration charges will first be reviewed and approved by the Chief Actuary of CLA-BB, then assessed by the Appointed Actuary of MyPace Life, and finally approved by the Board of Directors of MyPace Life. Any changes to such process will require approval from MyPace Life.

Mortality charges

- 5.5.10. Mortality charges are deducted monthly and reflected in the monthly units of the individual funds, which will reduce the unit fund value and hence the ultimate policyholder benefit upon surrender. Such charges have not been changed since the policies had been written until 1 March 2017 when CLL-HK decided to reduce the mortality charges by approximately 30% to reflect the mortality improvements observed during the period from 2012 to 2015.
- 5.5.11. As part of the outsourcing arrangement initiated in 2019, the mortality charge reviews have been managed by Scottish Friendly, with final judgement reserved for the Appointed Actuary of CLL-HK. In line with FCA guidance, these reviews are expected to take place at least every three years. In 2020, Scottish Friendly deferred the planned review given the emerging COVID-19 pandemic and hence the uncertainty around outlook for mortality experience. A full review was conducted in 2022 and it was concluded that there was no evidence to indicate it was necessary to change the mortality charges at that time.

- 5.5.12. Post-transfer, Scottish Friendly will no longer provide administration services. Due to the lack of credible experience for the very small block of CLL-HK Transferring Business, future adjustments to mortality charge factors from 2025 onward have been predetermined in the Non-Participating Coinsurance Agreement, mainly based on current best estimate projections of mortality improvements, with a small adjustment in favour of the policyholders. If the actual mortality improvements over time align with the current best estimate projections, the Transferring Policyholders will experience outcomes that are similar to or better than expected. In addition, the Transferring Policyholders are protected against any downside risk because the mortality charges are fixed. Overall, the size of CLL-HK Transferring Business is immaterial compared to the balance sheet of CLA, meaning that the predetermined schedule for reducing mortality charge factor over time is not expected to have a materially adverse impact on CLA's financials.

Fund management charges

- 5.5.13. The current effective net fund management charges experienced by the Transferring Policyholders are around 1.29% p.a., which includes an annual management charge of 1.25% p.a. and other minor expenses. It should be noted that other policyholders within Canada Life Group (i.e., other than CLL-HK Transferring Policyholders) are also invested in these funds. CLAM, the provider of the current unit funds, charges an additional annual management charge of around 0.375% p.a.. However, this charge is rebated back to the Transferring Policyholders' unit holdings by CLL, so the effective net fund management charges experienced by the Transferring Policyholders remain at the level set out above (i.e., around 1.29% p.a.).
- 5.5.14. After the implementation of the Scheme, MyPace Life will rebate the annual management charge (of around 0.375% p.a.) back to the Transferring Policyholders to ensure the effective net fund management charges experienced by the Transferring Policyholders remains consistent with prior to the transfer. This rebate will be reimbursed by CLA-BB as part of the settlement pursuant to the Non-Participating Coinsurance Agreement (refer to Paragraph 4.7.35(ix) of this report).
- 5.5.15. Prior to the transfer, CLL has the discretionary right to vary the fund management charges, though these charges have not been subject to change in the past few years. Currently, changes to the fund management charges are subject to the following governance process:
- Any changes to the fund management charges would need to be approved by the CLL Protection Senior Leadership Team.
 - Any material changes made to the fund management charges would require final approval by the Canada Life Customer and Operational Risk Committee ("CORC").
- 5.5.16. Post-Scheme and post-Coinsurance Agreements, any proposed changes to the fund management charges will first be reviewed and approved by CLA-BB, and then be assessed by the Appointed Actuary of MyPace Life, considering policyholder fairness, financial impact, and regulatory compliance. The final recommendation will then be submitted for approval by the Board of Directors of MyPace Life prior to implementation. MyPace Life will not set or retain charges, as all fund management charges will be passed through to CLA-BB as part of the settlement (refer to Paragraph 4.7.35(iii) of this report). However, MyPace Life will ensure that all arrangements are appropriately governed, documented, and disclosed in accordance with its obligations.

Others

- 5.5.17. Unlike the other three CLAM fund options, the Canlife Money fund is the only fund that guarantees the bid price of its units will not reduce in value. As such, CLL-HK has undertaken to ensure that the Canlife Money fund yield can never be lower than the

annual management charges charged to the Transferring Policyholders. In the event this occurs (as it did under the low-interest rate environment of the 2010s), CLL-HK would rebate any excess annual management charges over the fund yield to the Transferring Policyholders. Post-transfer, subject to Paragraph 5.5.21 below, MyPace Life has undertaken to continue the same practice, although it is highly improbable that the fund yield will be lower than the annual management charges under the current high-interest rate environment. Pursuant to the Non-Participating Coinsurance Agreement, any rebate associated with this guarantee shall be paid by CLA-BB to MyPace Life as part of the settlement (refer to Paragraph 4.7.35(ix) of this report).

- 5.5.18. An initial charge is applied to unit purchases, which shall not exceed 5% of the unit price per the policy provisions. CLL-HK may reduce the initial charges at its discretion, although I have been informed by the Appointed Actuary of CLL-HK that these charges have not been subject to reduction in recent years. Post-transfer, subject to Paragraph 5.5.21 below, no changes to the initial charges have been planned.
- 5.5.19. CLL-HK may, at its discretion, reduce the allowable sum assured for the Hong Kong-based unit linked policies in order to ensure the policy is sustainable, or require a higher premium to retain the current sum assured, every fifth anniversary of the initial review date (which was set out in the policy contracts), and annually after the policyholder has reached age 75. These reviews are currently administered by Scottish Friendly as part of the outsourcing arrangement initiated in 2019, in line with the methodology carried out by CLL-HK previously. CLL-HK and/or Scottish Friendly reserve the right to have more frequent reviews (though not more than annually). The Transferring Policyholders are also able to request an ad-hoc policy review, including the potential option to make the unit linked policies fully-paid up. In such case, the allowable range of premiums/sum assured would be calculated in line with the same methodology used for regular reviews. After the implementation of the Scheme, MyPace Life will replace Scottish Friendly to provide administration services for the CLL-HK unit linked policies. Maximum sum assured and/or premium will be reviewed by MyPace Life as part of the policy review process conducted every five years (or annually after the policyholder has reached age 75) as detailed in the Non-Participating Coinsurance Agreement. MyPace Life has discussed and agreed with CLA-BB that the current CLL-HK approach will continue to be adopted after the implementation of the Scheme and the Coinsurance Agreements. Where any changes to the assumptions used for the policy review basis or current policy review practices are proposed, they must be sent to CLA-BB for feedback and approval. MyPace Life will adjust the assumptions or practices based on CLA-BB's reasonable feedback.
- 5.5.20. CLL-HK may defer surrenders or unit liquidation for up to six months at its judgement if liquidity pressures make this necessary.

Overall comments

- 5.5.21. Overall, I have no reason to believe the Scheme and the Coinsurance Agreements will lead to a materially adverse impact on the Transferring Policyholders of Canada Life Hong Kong based on the following reasons:
- According to the Scheme, in accepting the Transferring Business, MyPace Life will retain the same rights with respect to those policies mentioned above. These rights exist whether or not the Scheme proceeds.
 - For the CLL-HK Transferring Business, after the implementation of the Scheme, MyPace Life has the discretion to alter or close the unit fund options as necessary. MyPace Life also has the discretion to change unit linked charges (except mortality charges), rebates to the Unit Linked Assets Account, and the allowable sum assured and/or premium, subject to CLA-BB's review and agreement.
 - According to the Coinsurance Agreements, any disputes relating to one or more calculations in the amount of settlement payment (including discretionary benefits)

that cannot be resolved by CLA-BB and MyPace Life through their reasonable efforts, an independent actuary will be appointed jointly by CLA-BB and MyPace Life for resolution. Ultimately, all disputes and differences arising under or in connection with the Coinsurance Agreements shall be referred to arbitration. Specifically, if an arbitral award determines the level of policyholder dividend declared by CLA-BB to be lower than that would be considered reasonable under the terms of the Participating Coinsurance Agreement and applicable Canadian laws, CLA-BB will be responsible for covering the shortfall. This ensures that the policyholder dividend declared by CLA-BB falls within a reasonable range.

5.6. INVESTMENT AND ASSET LIABILITY MANAGEMENT POLICIES

Assets attributable to the CLA-HK participating business

- 5.6.1. After the implementation of the Scheme and the Participating Coinsurance Agreement, consistent with CLA-HK before the Scheme, the assets backing the liabilities of the CLA-HK participating Transferring Business will be ring-fenced in a separate Closed Block Sub-Account within the CLA-BB Participating Fund. These assets will be physically segregated from the existing assets in the CLA-BB Participating Fund (note that there is no existing participating business in CLA-BB) for the sole benefit of the policyholders in that sub-account pursuant to the Participating Coinsurance Agreement. There will also be a CLA-BB Ancillary Sub-Account (within the CLA-BB Non-Participating Fund) containing a pool of assets supporting the provisions for adverse deviations that are required for the policies in the CLA-BB Participating Fund should it have insufficient assets to back the Canadian IFRS reserves (refer to Paragraphs 4.8.20 and 5.3.27(ii) of this report for further details). The majority of the Transferring Liabilities are denominated in USD.
- 5.6.2. The assets backing the participating Transferring Business held in the Trust Account shall be managed in compliance with the Investment Guidelines set out in the Participating Coinsurance Agreement. Specifically, the management and governance of these assets (post-Scheme and post-Coinsurance Agreements) will be consistent with the current practices of CLA-HK given the run-off nature of the Transferring Business and the fact that CLA-HK and CLA-BB are both branches of CLA. The assets will continue to be managed jointly by the Asset Liability Management Team of the Canadian Division of CLA and the Empower Investments Team. Investment activities will continue to be performed in accordance with the same Capital and Risk Solutions Investment Policy (the "Canada Life Investment Policy"), Segmented Investment Guidelines for the International Division of CLA, LifeCo Asset-Liability Management ("ALM") Standard ("Canada Life ALM Policy"), and the Hong Kong Closed Block Operating Rules, which are effectively the same as the Canada Life Closed Block Operating Rules. I have been provided with the latest version of these documents for my review:
 - **The Canada Life Investment Policy:** This policy applies to the Capital and Risk Solutions Segment of Great-West Lifeco Inc. (which includes CLA-HK and CLA-BB) and sets out the approval process of the policy, key investment principles, key roles and responsibilities related to the investment function, investment limits on each asset class, and the process to identify, measure, manage, monitor and report on investment risk. It is owned by the Managing Director of CLAM, is reviewed at least annually, and is approved by the Reinsurance Committee of the Boards of Great-West Lifeco Inc. and Canada Life Group and the Reinsurance Executive Risk Management Committee.
 - **Segmented Investment Guidelines:** The guidelines include separate asset mix, liquidity requirements, currency risk, interest rate risk guidelines that recognise specific risk tolerances of the closed participating block.
 - **Canada Life ALM Policy:** This policy sets out the principles and practice requirements for performing ALM for Great-West Lifeco Inc. and its insurance subsidiaries (including CLA-HK and CLA-BB). This policy is reviewed every three

years, or upon significant change, and approved by the CLA Global Management Investment Review Committee.

- **Hong Kong Closed Block Operating Rules:** It specifies that the assets backing the closed block of participating business shall be maintained in a separate investment pool, which shall properly reflect the nature of the liabilities and shall not include the shares of any subsidiaries or affiliates.

5.6.3. The investment strategy for the closed block of participating business adopted by CLA-BB will also be consistent with that adopted by CLA-HK before the transfer. This includes target asset mix, interest rate risk management, liability cashflow matching, investment activity, monitoring, governance and oversight. The investment strategy aims to manage the interest rate risk, maintain liquidity for liabilities coming due within 12 months, and achieve a competitive portfolio rate of return regardless of interest rate and economic changes. The investment strategy is overseen by the Canada Life International Participating Management Oversight Committee and senior management to ensure:

- The cash targets and investment performance meet the expected needs and strategic objectives;
- All investment activities comply with relevant regulatory requirements and internal policies; and
- Transparency and accountability in the management of the participating funds.

5.6.4. While MyPace Life will not directly manage the assets within the ring-fenced Closed Block Sub-Account (or trust assets) of CLA-BB, MyPace Life will instead provide strategic guidance and oversight through the Participating Coinsurance Agreement to ensure that the CLA-BB's investment strategy is in compliance with the Investment Guidelines set out in the Participating Coinsurance Agreement as well as the MyPace Life Closed Block Participating Business Policy. Details of MyPace Life's governance and oversight in this regard are set out in Paragraph 6.8.3 of this report.

5.6.5. The assets held in the participating operating sub-account within the MyPace Life Class A Participating Fund are attributable to the shareholders of MyPace Life and are not ring-fenced. These assets are managed in accordance with the investment guideline set out in the MyPace Life ERM Policy ("**MyPace Life Investment Guideline**"), similar to the MyPace Life Shareholders' Fund. I have been provided with a copy of the MyPace Life ERM Policy with effect from June 2025 (refer to Paragraph 6.9.5 for details). The MyPace Life Investment Guideline is subject to regular oversight by the Risk Management Commission of MyPace Life and must be approved by the Board of Directors of MyPace Life. This guideline will be reviewed annually or whenever significant changes in market conditions or MyPace Life's strategic objectives occur. Any amendments must be approved by the Board of Directors of MyPace Life and align with MyPace Life's ERM framework to ensure continued effectiveness in managing liquidity, risk, and capital requirement.

Assets attributable to the CLA-HK non-participating business

5.6.6. After the implementation of the Scheme and the Non-Participating Coinsurance Agreement, consistent with CLA-HK before the Scheme, the Transferring Assets backing the liabilities of the non-participating Transferring Business transferred from CLA-HK will be managed within the CLA-BB Non-Participating Fund. These assets, except for those currently held in the Ancillary Sub-Account, will not be physically or nominally segregated from the existing assets within the fund. The assets will be managed in accordance with the Non-Unit Linked Assets Investment Guidelines set out in the Non-Participating Coinsurance Agreement.

- 5.6.7. It should be noted that CLA-BB has increased the amount of the Letter of Credit by the amount of liabilities attributed to the CLA-HK non-participating Transferring Business to provide security, and therefore, the investment and management of these assets are of reduced concern.
- 5.6.8. Similar to MyPace Life Class A Participating Fund, the assets within the MyPace Life Class A Non-Participating Fund will be governed by the MyPace Life Investment Guideline.

Assets attributable to the CLL-HK unit linked business

Assets backing unit liabilities

- 5.6.9. Before the Scheme, the Transferring Policyholders are currently offered CLAM unit fund options described in Paragraph 3.2.5 of this report. Policyholder units are being invested and managed by CLAM in accordance with the investment management agreement between CLL-HK and CLAM. The Canada Life Investment Working Group ("IWG") is responsible for delivering the agreed fund strategy through oversight, monitoring and closure of unit funds if required. The IWG meets on a quarterly basis and formally reports to the CORC. The investment risk lies fully with the policyholders, and hence Unit Linked Assets are held to exactly match and back the unit liabilities. Within each of the four CLAM unit fund options, the assets attributable to the Transferring Policies are currently commingled with assets attributable to other existing unit linked policyholders of Canada Life Group. Despite the commingling, unit accounting ensures that there is clarity over the amount of assets that are attributable to each individual policyholder.
- 5.6.10. Pursuant to the Scheme, all right, title and interest in and to the Unit Linked Assets associated with the CLL-HK unit linked Transferring Business will be legally assigned and transferred from CLL-HK to MyPace Life. The Unit Linked Assets will be held in a ring-fenced, clearly identifiable Unit Linked Assets Account registered directly in MyPace Life's name, with the Northern Trust Company continuing to serve as the custodian. These assets will continue to be managed by CLAM pursuant to the investment management agreement entered into between MyPace Life and CLAM to be in compliance with the Unit Linked Assets Investment Guidelines set out in the Non-Participating Coinsurance Agreement. I understand that the Unit Linked Assets Investment Guidelines set out in the Non-Participating Coinsurance Agreement are consistent with the current CLAM unit fund investment strategies prior to the Scheme. MyPace Life will conduct monitoring and reviews of the unit fund management after the implementation of the Scheme and the Non-Participating Coinsurance Agreement to ensure they adhere to the Unit Linked Assets Investment Guidelines on a quarterly basis, or more frequently if market conditions require. Subsequent to each review, a report will be presented to the MyPace Life Risk Committee who, along with the MyPace Life Risk Commission, are responsible for delivering the fund strategy through oversight, monitoring and fund closure if required. The Board of Directors of MyPace Life will retain the ultimate authority in approving any decision on fund closures or material changes.

Assets backing non-unit liabilities

- 5.6.11. Before the Scheme, additional assets are currently held within the CLL-HK Class C Fund to back the non-unit liabilities and are governed by the **CLL Investment Operating Policy**. I have been provided with the latest version of this document for my review. This policy sets out at a high level:
- The approach to the investment of CLL's assets, in line with the PRA's Prudent Person Principle, the CLL risk appetite and its business objectives as well as legal and regulatory requirements; and

- The control framework relating to investment activities including key principles and requirements.
- 5.6.12. Following the implementation of the Scheme and the Non-Participating Coinsurance Agreement, operationally, the Non-Unit Linked assets will be transferred directly from CLL-HK to CLA-BB on the Transfer Date and held in the name of CLA-BB, as detailed in Paragraph 4.6.9 of this report. These assets will be managed in compliance with the Non-Unit Linked Assets Investment Guidelines set out in the Non-Participating Coinsurance Agreement. Although there may be changes to the asset management and investment strategy for these assets after the implementation of the Scheme and the Non-Participating Coinsurance Agreement (as compared to the CLL Investment Operating Policy), given that CLA-BB has increased the amount of the Letter of Credit by the amount of liabilities backing the Non-Unit Linked Assets to provide security and these assets are not material to the balance sheet of CLA-BB, I have no reason to believe the Scheme and the Coinsurance Agreements will have a material adverse impact on the benefit expectations of the Transferring Policyholders in this regard.
- 5.6.13. The assets held in the Class C operating sub-account within the MyPace Life Class C Linked Fund are attributable to the shareholders of MyPace Life and are not ring-fenced. These assets will be governed by the MyPace Life Investment Guideline.

Overall comments

- 5.6.14. Overall, I have no reason to believe the Scheme and the Coinsurance Agreements will have a material adverse impact on the benefit expectations of the Transferring Policyholders based on the following reasons:
 - Post-Scheme and post-Coinsurance Agreements, all Transferring Assets ceded to CLA-BB will be managed in accordance with the investment guidelines set out in the Coinsurance Agreements.
 - I have been informed by the Appointed Actuary of CLA-BB that there is no expected material change to the investment policy and ALM policy that will impact materially the way the assets originated from the Transferring Business (excluding those which are Unit Linked Assets attributable to CLL-HK) are managed within CLA-BB, as well as the investment strategy as a result of the Scheme and the Coinsurance Agreements.
 - The Unit Linked Assets attributable to CLL-HK will continue to be held by the same custodian (i.e., the Northern Trust Company) and managed by CLAM. MyPace Life will assume the responsibility for monitoring and reviewing the investment management of unit funds on a quarterly basis.
 - Ultimately, MyPace Life will provide strategic guidance and oversight through the Coinsurance Agreements to ensure the investment strategy adopted by CLA-BB and CLAM is consistent with the investment guidelines set out in the Coinsurance Agreements as well as the MyPace Life Closed Block Participating Business Policy. These investment guidelines and principles are broadly consistent with the Canada Life Group group-wide investment principles (set out in the Canada Life Investment Policy and CLL Investment Operating Policy) adopted by Canada Life Hong Kong prior to the transfer.

5.7. ASSET ALLOCATION

- 5.7.1. Table 5.6 and Table 5.7 set out the target asset allocation for the Transferring Business before and after the Scheme and the Coinsurance Agreements respectively.

Table 5.6: Pre-Scheme target asset allocation

Asset class	CLA-HK Class A Participating Fund	CLA-HK Class A Non-Participating Fund	CLL-HK Class C Fund
Short-term securities ⁽¹⁾	0% - 10%	0% - 15%	N/A
Bonds ⁽²⁾	90% - 100%	85% - 100%	N/A

N/A: Not applicable.

Source: Segmented Investment Guidelines.

Note (1): Cash targets are reviewed quarterly based on expected cash needs of the next 12 months.

Note (2): Target mix for treasury bonds is 15% - 20%, with a maximum allocation of 30%.

Table 5.7: Post-Scheme and post-Coinsurance Agreements target asset allocation

	MyPace Life Long Term Funds/ MyPace Life Shareholders' Fund	CLA-BB Participating Fund (via the Trust Account) ⁽³⁾
Short-term securities ⁽¹⁾	N/A	0% - 10%
Bonds	20% - 30% ⁽⁴⁾	90% - 100% ⁽²⁾
Cash	10% - 20% ⁽¹⁾	N/A
US money market (3 months or less)	50% - 60% ⁽¹⁾	N/A

N/A: Not applicable.

Source: The MyPace Life ERM Policy and the Coinsurance Agreements.

Note (1): Cash targets are reviewed quarterly based on expected cash needs of the next 12 months.

Note (2): Target mix for treasury bonds is 15% - 20%, with a maximum allocation of 30%.

Note (3): In no event shall the assets in the Trust Account at any time be or remain invested in any assets other than investment grade bonds and investment grade short-term securities. If any bonds or short-term securities cease to be investment grade due to a downgrade, such bonds or short-term securities shall be deemed compliant until the end of the following calendar quarter, and replaced by other eligible investment grade assets thereafter.

Note (4): The MyPace Life Shareholders' Fund will primarily invest in short-term US government bonds with a tenor of 2 years or less.

Assets attributable to the CLA-HK participating business

- 5.7.2. The Transferring Assets with respect to the CLA-HK participating Transferring Business will be transferred directly from CLA-HK and CLA-BB pursuant to the Scheme and the Participating Coinsurance Agreement. There is no expected change to the target asset allocation with respect to these assets between CLA-HK and CLA-BB after the implementation of the Scheme and the Participating Coinsurance Agreement. MyPace Life will provide strategic guidance to CLA-BB through the Participating Coinsurance Agreement, ensuring that the underlying asset allocations remain consistent with historical practices adopted by CLA-HK and the MyPace Life Closed Block Participating Business Policy. Operationally, MyPace Life and CLA-BB will coordinate on regular asset reviews – balancing the need for stable returns, capital preservation, and matching long-term liabilities.
- 5.7.3. Given that the assets in the MyPace Life Class A Participating Fund after the implementation of the Scheme and the Coinsurance Agreements (mainly the initial capital injections allocated to the fund) are insignificant, the same target asset allocation is assumed for both the MyPace Life Long Term Funds and the MyPace Life Shareholders' Fund. This target asset allocation differs from that of the CLA-HK Class A Participating Fund before the transfer. The MyPace Life Long Term Funds and the MyPace Life Shareholders' Fund will primarily be invested in cash deposits, money market instruments, and other short-term highly liquid US government bonds, with objective to maintain

sufficient liquidity to meet financial obligations under both normal and stressed market conditions. MyPace Life will regularly monitor the liquidity position by tracking the liquidity ratio (i.e., the ratio of cash and securities maturing within three months to liabilities maturing within three months). The Risk Management Commission of MyPace Life will be alerted if the liquidity ratio falls below 120%. In the event that the liquidity ratio drops below 100%, an automated optimisation of the asset mix will be triggered. If the US government bond holdings are too high, the Chief Financial Officer of MyPace Life will initiate an asset conversion by reducing government bond holding and reallocating the proceeds to cash deposits and to money market instruments in a 70:30 proportion to restore the liquidity ratio above 120%, with a follow-up review in one week. If necessary, the target asset allocation will be recalibrated to maintain a liquidity ratio above 120%. All decisions will be approved by the Risk Management Commission of MyPace Life and fully documented.

- 5.7.4. Given the Transferring Assets attributable to the participating business will be held by CLA-BB (with security provided by the Trust Account) after the implementation of the Scheme and the Participating Coinsurance Agreement and the immateriality of the assets in the MyPace Life Class A Participating Fund, I have no reason to believe that the different target asset allocations between CLA-HK and MyPace Life will materially adversely impact the benefit expectations of the Transferring Policyholders.

Assets attributable to the CLA-HK non-participating business

- 5.7.5. The Transferring Assets with respect to the CLA-HK non-participating Transferring Business will be transferred directly from CLA-HK to CLA-BB pursuant to the Scheme and the Non-Participating Coinsurance Agreement. These assets will reside in the CLA-BB Non-Participating Fund and will not be physically or nominally segregated from the existing assets within the fund, with the exception of the assets currently held in the Ancillary Sub-Account. As such, the target asset allocation for these assets (including the assets currently held in the Ancillary Sub-Account) follows the CLA-BB Non-Participating Fund, which is different from that adopted by CLA-HK prior to the transfer. However, I have no reason to believe that the different target asset allocations between CLA-HK and CLA-BB will materially adversely impact the benefit expectations of the Transferring Policyholders, due to the following reasons:
- The assets backing the liabilities of the non-participating business are immaterial (i.e., USD 2.4 million as at 31 December 2024);
 - The amount of the Letter of Credit has been increased by the amount of liabilities attributed to the CLA-HK non-participating Transferring Business to provide security; and
 - Benefits for the non-participating Transferring Policyholders are guaranteed and any interest rate risk will be borne by CLA-BB.
- 5.7.6. As described in Paragraph 5.7.2 above, MyPace Life will provide strategic oversight of the asset allocations through the Coinsurance Agreements. MyPace Life and CLA-BB will coordinate on regular asset reviews – balancing the need for stable returns, capital preservation, and matching long-term liabilities.
- 5.7.7. Assets within the MyPace Life Class A Non-Participating Fund consist mainly of the initial capital injections allocated to the fund. Given that the Transferring Assets attributable to the non-participating business will be held by CLA-BB after the implementation of the Scheme and the Non-Participating Coinsurance Agreement and the immateriality of the assets in the MyPace Life Class A Non-Participating Fund, I have no reason to believe that MyPace Life's target asset allocation will materially adversely impact the benefit expectations of the Transferring Policyholders.

Assets attributable to the CLL-HK unit linked business

Assets backing the unit liabilities

- 5.7.8. The asset allocation for the unit funds varies among CLAM funds, as per the fund factsheets and will not change as a result of the Scheme and the Non-Participating Coinsurance Agreement. Post-transfer, the same unit fund options will be provided by MyPace Life to the Transferring Policyholders (although MyPace Life has the discretion to offer alternative fund options and close fund options to the Transferring Policyholders as necessary).
- 5.7.9. Prior to the transfer, the unit funds are subject to monitoring and oversight by the Canada Life IWG. Specifically for the Canlife Managed Fund, the Canada Life IWG organises quarterly meetings attended by the Chief Investment Officer and the heads of desk of CLAM to determine the target asset allocation for this fund for the upcoming three months, with the fund's asset allocation being monitored and rebalanced on a weekly basis. Overall, all investments within the Canlife Managed Fund must comply with the rules in Chapter 21 of the FCA Conduct of Business Sourcebook regarding permitted links.
- 5.7.10. Post-transfer, the CLAM unit funds will be subject to monitoring and reviews by MyPace Life on a quarterly basis, or more frequently if market conditions require. Specifically for the Canlife Managed Fund, MyPace Life will assume the responsibility to monitor and review the asset allocation and will hold quarterly meetings, headed by MyPace Life Risk Commission and attended by CLAM's designated representative(s). CLAM will continue to monitor the asset allocation on a weekly basis. As such, there is no expected significant change to the target asset allocation and the current oversight of the unit funds available to the Transferring Policyholders as a result of the Scheme and the Non-Participating Coinsurance Agreement.

Assets backing non-unit liabilities

- 5.7.11. Given the immateriality of the non-unit liabilities for the CLL-HK unit linked business relative to the balance sheet of CLL, the target asset allocation follows that of CLL as a whole.
- 5.7.12. Following the transfer and the Non-Participating Coinsurance Agreement, the assets backing the non-unit liabilities attributable to the CLL-HK unit linked business will reside in the CLA-BB Non-Participating Fund and will not be physically or nominally segregated from the existing assets within the fund. Therefore, the target asset allocation for these assets follows the CLA-BB Non-Participating Fund, which is different from that adopted by CLL-HK prior to the transfer. However, I have no reason to believe that the different target asset allocations between CLL-HK and CLA-BB will materially adversely impact the benefit expectations of the Transferring Policyholders, due to the following reasons:
- The assets backing the non-unit best estimate liabilities of the CLL-HK Transferring Business are immaterial (i.e., GBP 0.4 million as at 31 December 2024);
 - The investment risk associated with the CLL-HK Transferring Business is retained by policyholders through the Unit Linked Assets; and
 - The amount of the Letter of Credit has been increased by the amount of liabilities backing the Non-Unit Linked Assets to provide security.

5.8. FUTURE OPERATING COSTS

- 5.8.1. Since MyPace Life will cede the Transferring Business to CLA-BB following the implementation of the Scheme and the Coinsurance Agreements, future operating costs in respect of the Transferring Policies will be borne and shared by both CLA-BB and MyPace Life.

- 5.8.2. For future operations, CLA/ CLA-BB will pay PACE an onboarding fee of a total of USD 5 million for a period of five years, as a remuneration for PACE's services in creating the infrastructure including the development of the PACE administration system for the post-transfer administration of the Transferring Policies. As of the date of this report, a total of USD 1 million has been paid to PACE.
- 5.8.3. In addition, CLA-BB will pay MyPace Life an upfront ceding commission on the Transfer Date and ongoing per policy annual Administration Fee for administering the Transferring Policies (refer to Paragraph 4.7.6 above). CLA-BB will also be responsible for the expenses incurred in relation to the Canadian IFRS 17 financial reporting and regulatory filings activities to the OSFI. The Appointed Actuary of CLA-HK has confirmed that these costs are immaterial relative to the balance sheet of CLA, and hence will not lead to an increase in the expense-related charges applied to the Transferring Policyholders after the Scheme and the Coinsurance Agreements. In particular, the expenses that can be charged to the participating Transferring Policyholders have been fixed by the Hong Kong Closed Block Operating Rules.
- 5.8.4. After the implementation of the Scheme, MyPace Life will be responsible for policyholder and claims administration, financial reporting on a Hong Kong statutory basis and regulatory filings to the IA. The future operating costs expected to be borne by MyPace Life (before inflation) include:
- Administrative costs covering administrative staff compensations, office rent and maintenance and miscellaneous expenses;
 - Initial central function and transaction costs; and
 - Annual prescribed regulatory fees to the IA pursuant to The Insurance (Authorization and Annual Fees) Regulation (Cap. 41C).
- 5.8.5. In respect of the Unit Linked Assets that will be retained and owned by MyPace Life after the Scheme, these assets will be held in a segregated Unit Linked Assets Account with the Northern Trust Company serving as the custodian. Pursuant to the Non-Participating Coinsurance Agreement, the administrative costs and expenses related to the establishment, maintenance and operation of the Unit Linked Assets Account will be borne by CLA-BB as part of the settlement, subject to a cap which will be adjusted annually for inflation. Any custody costs in excess of the cap shall be covered by MyPace Life. The Appointed Actuary of MyPace Life has informed me that, given the 20% buffer allowed within the cap along with the yearly inflation adjustment, he currently expects the likelihood of the custody costs exceeding the cap to be very remote.
- 5.8.6. I have been informed by the Appointed Actuary of MyPace Life that certain internal functions of MyPace Life (e.g., internal audit) will be performed by the staff from Asia Insurance and PACE. Approximately USD 1 million of staff-related cost will be initially borne by Asia Insurance and PACE, not MyPace Life. A formal recharge of these costs from MyPace Life to Asia Insurance and PACE will be triggered once MyPace Life achieves economies of scale and synergies upon integrating more portfolios via portfolio transfers in the future. Given these operating costs are expected to be sufficiently covered by the surplus in the MyPace Life's Shareholders' Fund as well as the per policy Administration Fee reimbursed from CLA-BB, it is expected that the Scheme and the Coinsurance Agreements will not lead to an increase in the expense-related charges applied to the Transferring Policyholders.
- 5.8.7. With respect to participating business which accounts for 97% of the number of Transferring Policies as at 31 December 2024, the expenses and charges allocation rules for the CLA-HK Class A Participating Fund were set out in the Canada Life Closed Block Operating Rules as part of the creation of the closed participating block and approved by the Canadian regulator, the OSFI. The expenses currently charged to the participating block include a per policy component and a per thousand sum assured component. Under the Participating Coinsurance Agreement, the same expense allocation basis for the closed participating block under CLA-BB will apply as currently under CLA-HK. As there

are no expected changes to the amounts charged to the Transferring Policyholders, I believe there is no adverse impact on the participating Transferring Policyholders after the Scheme and the Coinsurance Agreement.

- 5.8.8. Since 1 January 2018, the IA has imposed a prescribed levy, payable by the policyholders, on insurance premiums in accordance with the Insurance (Levy) Regulation and the Insurance (Levy) Order under the Ordinance. Such levy, however, is currently paid by Canada Life Hong Kong and is not passed onto the Transferring Policyholders. MyPace Life has undertaken to pay the premium levy for the Transferring Policyholders after the Scheme and the Coinsurance Agreements (which will be reimbursed by CLA-BB through the settlement process under the Coinsurance Agreements), in line with the existing practice of Canada Life Hong Kong.
- 5.8.9. In assessing the impact of future operating costs on the benefit expectations of the Transferring Policyholders, I have also considered other operating costs including: (i) policy administration charges and fund management charges with respect to unit linked business; (ii) costs and expenses in relation to the Scheme; (iii) ongoing renewal commissions (if any); and (iv) the potential ex-gratia payment for the CLL-HK Transferring Policyholders who have been UK tax residents prior to the Scheme and have an adverse tax impact as a result of the Scheme, which are set out in Section 5.5, Section 4.10, Paragraph 7.5.2 and Paragraph 5.11.6 of this report respectively.
- 5.8.10. Based on the above considerations, I expect that the Scheme and the Coinsurance Agreements will not lead to an increase in the expense-related charges applied to the Transferring Policyholders. Therefore, there will be no material adverse impact on the level of discretionary benefits paid to the Transferring Policyholders.

5.9. CONTRACTUAL BENEFITS PROVISIONS

- 5.9.1. According to the Scheme, MyPace Life shall be bound by, observe and perform all terms, conditions and covenants of the Transferring Policies, assume all liabilities and satisfy all claims and demands arising out of or in respect of the Transferring Policies in every way as if MyPace Life and not CLA-HK or CLL-HK, as the case may be, had issued the Transferring Policies. Therefore, MyPace Life will commit to continue paying the contractual benefits of the Transferring Policyholders of CLA-HK and CLL-HK.
- 5.9.2. I am aware that the contractual benefits (options and guarantees) embedded in the Transferring Policies, in addition to the guaranteed cash value include:
- Guaranteed death benefits for some products;
 - Guaranteed flat dividends for the closed participating block agreed between Crown Life Canada and Canada Life Group as part of the acquisition in 1999;
 - Guaranteed interests embedded in the guaranteed monthly annuity income under the annuity options for the settlement of death benefit or surrender benefit for most participating products;
 - Minimum guaranteed interests credited to the balance of the DoD and/or death benefit left on deposit with Canada Life Hong Kong for most participating products;
 - Minimum guaranteed interests credited from the account value of universal life products;
 - Options allowing policyholders owning policies with a cash value to take out a loan against their policies and/or advance a loan to pay any premium that remains unpaid with a maximum limit on the loan interest rate prescribed in the loan provisions of the policy contracts;
 - Convertible option allowing the policyholders aged below 66 to convert the "Five Year Renewable Additional Term Insurance Benefit Rider" into a new level premium whole

life or endowment plan without proof of insurability at any time within the specific conversion period with a limit on sum assured;

- Convertible option allowing the policyholders to convert “Select Yearly Renewable Term” non-participating plan into another non-participating whole life plan, “Low Cost Life”; and
- Implicit guarantee underlying the Canlife Money fund option available to the unit linked Transferring Policyholders that the bid price of its units will not reduce in value.

5.9.3. After the implementation of the Scheme and the Coinsurance Agreements, all contractual guaranteed benefits described in Paragraph 5.9.2 above will not be altered.

5.9.4. The Appointed Actuary of CLL-HK has advised me that options that were once available to certain CLL-HK policyholders were withdrawn in 2012.

5.9.5. Despite CLA-HK ceasing to effect any new contracts of insurance since 1994, I have been informed that there has been no policyholder request for policy conversion from 2005 to date. In addition:

- In respect of the “Five Year Renewable Additional Term Insurance Benefit Rider” option, the only policyholder with this option is older than the maximum age of conversion, therefore the option is no longer practically available.
- In respect of the option to convert “Select Yearly Renewable Term” into “Low Cost Life”, the Appointed Actuary of CLA-HK has informed me that CLA-HK does not have a binding obligation to offer this option to its policyholders. As there are no insurance plans currently available from CLA-HK, any policyholder request to make a conversion option would be turned down. I understand that this has been stated in the existing policy documents and has been the policy of CLA-HK for many years.
- As described, these conversion options are not practically available to the Transferring Policyholders prior to the transfer and will not be available after the Transferring Policies have been transferred to MyPace Life. In this respect, there is no materially adverse impact on the Transferring Policyholders of CLA-HK.

5.9.6. In general, the contractual rights of the Transferring Policyholders, as defined under their existing policy documents, will remain the same before and after the Scheme and the Coinsurance Agreements are implemented. Therefore, I have no reason to believe there will be a materially adverse impact on the Transferring Policyholders of Canada Life Hong Kong in this regard.

5.10. COSTS AND EXPENSES IN RELATION TO THE SCHEME

5.10.1. The costs are planned to be paid by MyPace Life, CLA and CLL (from their respective shareholders’ fund), in such manner as may be agreed between them, and shall not be borne by the funds maintained by MyPace Life, CLA-HK or CLL-HK pursuant to the Ordinance in respect of their respective long term business or the long term policyholders thereof. The total costs and expenses incurred are expected to be equally borne by Canada Life Group and MyPace Life. I have been informed by the Appointed Actuaries of CLA-HK and CLL-HK that the expected costs and expenses related to the Scheme are immaterial compared to the size of the respective balance sheets of CLA and CLL. Also, MyPace Life has estimated the total costs and expenses incurred from the transfer to be around USD 0.4 million and confirmed this is not expected to lead to an increase in expense-related charges applied to policyholders or a decrease in the policyholder dividend levels paid.

5.10.2. Therefore, I have no reason to believe there will be a materially adverse impact on the Transferring Policyholders of Canada Life Hong Kong in this regard.

5.11. TAX IMPLICATIONS

- 5.11.1. When forming my conclusion regarding the tax implications as a result of the Scheme and the Coinsurance Agreements, I have relied on the internal tax assessment performed by Canada Life Hong Kong.
- 5.11.2. I have been informed by the Appointed Actuary of CLA-HK that all tax balances of Canada Life Hong Kong will be left with Canada Life Group (instead of transferring the same to MyPace Life).
- 5.11.3. CLA-HK has been calculating its tax liability based on total assessable profits at the prescribed tax rate for Hong Kong profit tax of 16.5%, where assessable profit of the long term business is assumed to be 5% of the net premiums written for the year. The tax balance (i.e., current income tax asset in the unaudited IFRS 17 financial statements) of CLA-HK to be left with Canada Life Group are USD 1.2 thousand for the year ending 31 December 2024, which are not deemed material in respect of the overall Scheme.
- 5.11.4. CLL-HK has been calculating its tax liability based on total assessable profits at the prescribed tax rate for Hong Kong profit tax of 16.5%, where assessable profit of the long term business is assumed to be 5% of the net premiums written for the year. It should be noted that CLL does not prepare a standalone financial statement for CLL-HK given the immateriality of the CLL-HK Transferring Business at the CLL entity level, as permitted by the IA under the accounting concession until 31 December 2026 (refer to Paragraphs 2.5.6 and 2.5.7 of this report for further details).
- 5.11.5. I understand that MyPace Life will elect the same taxation basis as CLA-HK and CLL-HK (i.e., profit tax of 16.5% on 5% of the net earned premiums). Since the Transferring Business will be fully ceded to CLA-BB through the Coinsurance Agreements after the implementation of the Scheme, the net earned premium of MyPace Life will effectively be zero, and therefore, MyPace Life is not expected to pay any profit tax or incur any tax liabilities in accordance with its business plan submitted to the IA in June 2025. No tax adjustment has been made for any other non-premium income such as ceding commission or Administration Fee. This taxation basis has been reviewed and confirmed by MyPace Life's prospective independent auditor.
- 5.11.6. CLL and those CLL-HK Transferring Policyholders who have been UK tax residents have been taxed for corporation tax and policyholder tax, respectively, under the UK tax regime based on the basic life assurance and general annuity business ("BLAGAB") trade profit, which is determined as chargeable income less expenses ("I-E"). Transferring the CLL-HK's Transferring Business to MyPace Life, a Hong Kong-based insurance company, would exempt them from the UK's I-E tax regime. As a benefit to those CLL-HK Transferring Policyholders who are UK tax residents prior to the Scheme, any future net investment return on the Transferring Assets would no longer be subject to the UK tax regime, and hence any such amount would not be deducted from the Transferring Policies. As potential harms, however, these policyholders might lose (i) a tax credit on gains realised after the transfer and (ii) any future tax shelter from those funds with tax losses carried forward (i.e., losses consumed by CLL-HK but not credited to the sub-fund under unit-pricing policy) prior to the Scheme. I understand from the Appointed Actuary of CLL-HK that:
- CLL-HK will issue a separate letter ("UK Tax Insert") to the CLL-HK Transferring Policyholders who, based on the current address records held by Scottish Friendly or CLL-HK is informed, are known to reside or have resided in the UK and explain all the potential tax impacts arising from the transfer and the remediation approach (see below). Should CLL in the future identify any CLL-HK Transferring Policyholders who previously resided in the UK during the term of their unit linked Transferring Policies but now reside elsewhere, these policyholders will still be treated as if they currently reside in the UK, and CLL will contact them to provide the appropriate ex-gratia payment.

- For CLL-HK Transferring Policyholders who currently reside or have resided in the UK during the term of their unit linked Transferring Policies, where there is an adverse tax impact due to the transfer and where the ex-gratia payment is demonstrably required, CLL will refund the tax shortfall to affected policyholders, at an estimated cost of GBP 0.05-0.06 million across the entire CLL-HK portfolio. The ex-gratia payment will be based on the realistic worst-case loss of the applicable UK tax credit to each affected CLL-HK Transferring Policyholder, calculated from the earliest date the policyholder could have resided in the UK (i.e., at the outset of the policy) and their policy value as at the Transfer Date.
- For CLL-HK Transferring Policyholders who have not been UK tax residents but will become UK tax residents, the CLL-HK Appointed Actuary has advised me that there is no net change to the taxation position of these policyholders. Since these policyholders have not accrued any UK tax credits before the Scheme, none will be lost as a result of the Scheme. Should they become UK tax residents in the future, any policy gains after they move to the UK may be subject to the UK I-E tax, as is currently the case. The key change is that, whereas CLL-HK currently pays the I-E tax from the policyholder funds and provides a corresponding tax credit on surrender, MyPace Life will, following the Scheme, neither pay tax from the policyholder funds nor provide a tax credit. In either case, the CLL-HK Transferring Policyholders are effectively taxed only once. Accordingly, the UK Tax Insert will not be sent to Transferring Policyholders of CLL-HK who are not, or have not been, UK tax residents to avoid unnecessary confusion, as the information is not relevant to them. However, the Statutory Statement, which will be issued to all Transferring Policyholders, will advise any Transferring Policyholders of CLL-HK who are or have been UK tax residents but do not receive the UK Tax Insert to contact CLL for further information as CLL is committed to offer the ex-gratia payment for any adverse tax effects to all eligible policyholders for adverse tax effects, regardless of whether they have received the UK Tax Insert prior to the sanction of the Scheme. Eligibility requires UK tax residence at any time during the policy term, as of the sanction date of the Scheme.

Given the plan to communicate with the CLL-HK Transferring Policyholders and provide the ex-gratia payment for losses, I am satisfied that there is no material adverse impact on the Transferring Policyholders.

- 5.11.7. I have been informed by the Appointed Actuary of CLA-HK that CLA-BB shall be subject to the global minimum tax rate of 15% on corporate profits (i.e., 2% Barbados corporate tax rate plus an expected 13% Barbados top-up tax rate) as proposed by the Organisation for Economic Co-operation and Development. As at the Transfer Date, no profit tax is expected to be payable by CLA-BB as the assets transferred by Canada Life Hong Kong (both directly transferring from Canada Life Hong Kong and through MyPace Life) will be equal to the liabilities established by CLA-BB, resulting in zero earnings. Subsequent to the implementation of the Scheme and the Coinsurance Agreements, there is no expected tax associated with the participating Transferring Business ceded from CLA-HK as the earnings of the CLA-BB Participating Fund in respect of the participating Transferring Business will cumulatively be zero over the lifetime of the closed block due to maintenance of the DSR (described in Paragraph 5.3.19 of this report). Effectively, CLA-BB will pay tax on the earnings of the CLA-BB Non-Participating Fund in respect of the non-participating Transferring Business and Non-Unit Linked Assets as well as on the release of margins in respect of the participating Transferring Business from the CLA-BB Ancillary Sub-Account for each reporting period.
- 5.11.8. Given the immaterial expected profit tax or tax liabilities incurred in both CLA-BB and MyPace Life and the immateriality of the Transferring Business relative to the balance sheet of CLA and CLL, I do not expect there will be a material tax implication to the Transferring Policyholders as a result of the Scheme and the Coinsurance Agreements.

5.12. POLICY TERMS AND CONDITIONS

- 5.12.1. I have been informed that, other than the replacement of references from Canada Life Hong Kong to MyPace Life, there will be no change to the policy terms and conditions of in-force insurance policies as a result of the Scheme and the Coinsurance Agreements. The provision of policy loans and automatic premium loan being part of the policy terms and conditions will remain unchanged after the implementation of the Scheme and the Coinsurance Agreements. I have no reason to believe there will be any materially adverse impact on the policy terms and conditions of the Transferring Policyholders as a result of the Scheme and the Coinsurance Agreements.

5.13. CONCLUSION

- 5.13.1. In summary of my assessments above, I consider that the Scheme and the Coinsurance Agreements will not have a materially adverse effect on the reasonable benefit expectations of the Transferring Policyholders of Canada Life Hong Kong.

Section 6 Impact of The Proposed Transfer – Effect on the Financial Security of the Transferring Policyholders

6.1. INTRODUCTION

- 6.1.1. In this section I consider the main issues relating to the financial security of the Transferring Policyholders. In arriving at my opinion, I have considered the issues covered in the paragraphs below.

6.2. CONSIDERATIONS AFFECTING FINANCIAL SECURITY OF POLICYHOLDERS

- 6.2.1. After the Scheme and the Coinsurance Agreements are implemented, the Transferring Policies will be owned by MyPace Life and the policy liabilities will be fully reinsured to CLA-BB (a branch of CLA) through the Coinsurance Agreements. The ongoing financial strengths of MyPace Life and CLA-BB are critical to ensuring the ongoing financial security of policyholders.
- 6.2.2. To protect the financial security of policyholders, insurance companies typically maintain three asset layers: policy reserves, minimum solvency margin and free surplus. The first two layers are mandated by legislation.
- **Policy reserves:** These are assets supporting the policy liabilities, calculated according to the underlying contractual obligations using valuation standards prescribed by statutory rules.
 - **Minimum solvency margin:** As prescribed by the statutory regulation, it includes assets required to meet the minimum statutory solvency requirements and acts as a buffer against the risks associated with the liabilities underwritten by insurers.
 - **Free surplus:** These are assets over and above the policy liabilities and statutory minimum solvency margin.
- 6.2.3. The ratio of net assets (i.e., assets in excess of policy liabilities) to the minimum solvency margin indicates the **solvency position** of the insurance companies. In this section I have examined the historical solvency positions of the Parties and pro-forma solvency position after the Scheme and the Coinsurance Agreements to assess the impact on the solvency position and hence the financial security of the Transferring Policyholders as a result of the Scheme and the Coinsurance Agreements.
- 6.2.4. In addition to the three asset layers, insurance companies are required to annually examine the financial position of the overall business, on a forward-looking basis, under a number of adverse scenarios. In this section I have also examined the projected solvency positions of the Parties before and after the Scheme and the Coinsurance Agreements based on stress testing which may have implications for the financial security of the Transferring Policyholders due to changes in key risk exposures following the Scheme and the Coinsurance Agreements.
- 6.2.5. I have also considered the following factors which may have implications for the financial security of the Transferring Policyholders:
- **Capitalisation policies** maintained by the Parties (including commitments to provide capital support in the event of a solvency issue);
 - The adequacy of **safeguards in the Coinsurance Agreements**;
 - **Shareholders' dividend policies** maintained by the Parties;
 - **Investment policies** maintained by the Parties; and

- **Risk management policies and risk control frameworks** of the Parties.

6.3. PRACTICES TO SET UP POLICY RESERVES

Before the Scheme and the Coinsurance Agreements

- 6.3.1. Typically, insurers in Hong Kong must provide certain financial reports to the IA, with the auditors certifying the financial statements that have been prepared in accordance with the Ordinance and Appointed Actuary issuing Actuary's certificate as required by the Ordinance.
- 6.3.2. CLA-HK is the Hong Kong branch of CLA, a Canadian entity. Prior to the commencement of the HKRBC regime on 1 July 2024, CLA-HK reported its reserves and regulatory capital under both the Canadian reporting basis and the pre-HKRBC basis. The Canadian reporting basis used to measure the policy reserves was IFRS 17 and the regulatory capital framework was the LICAT. The pre-HKRBC reporting basis was Cap. 41E, which was repealed with effect from 1 July 2024. CLA-HK has historically set up reserves for the Transferring Business using established methods and valuation bases that satisfy the pre-HKRBC standards (with reference to the Ordinance and Actuarial Guidance Notes issued by the ASHK). In particular, CLA-HK has used:
- a net premium valuation approach for the statutory valuation of its long term business. The liability is floored at surrender value at the policy level; and
 - a valuation interest rate determined at a product level, reflecting the yield curve as at the valuation date, expected future reinvestment yields and the yield earned on existing assets.
- 6.3.3. From 1 July 2024, the pre-HKRBC basis was replaced by the HKRBC regime. CLA-HK has been granted a concession by the IA that allows it to determine its reserves and capital requirements according to Canadian reporting rules (IFRS 17 balance sheet and LICAT capital requirements) instead of HKRBC (refer to Paragraph 2.3.8 of this report for further details) until 31 December 2026. Note that, because CLA-HK is a branch of CLA (a Canadian legal entity), this IFRS 17 and LICAT calculation is required to be calculated in any case.
- 6.3.4. CLL is a company incorporated in England and Wales and registered as a non-Hong Kong company in Hong Kong. CLL-HK has received a concession from the IA that allows it to calculate its statutory reserves and capital requirements under the UK Solvency II basis, instead of the pre-HKRBC or HKRBC basis, until 31 December 2026. CLL-HK is required to hold reserves and regulatory capital according to the requirements of the PRA on the UK Solvency II basis. CLL-HK's reserves are therefore determined on a market-adjusted gross-premium valuation basis, which is a similar approach to HKRBC.
- 6.3.5. I have not independently reviewed the reserve calculations of CLA-HK and CLL-HK. I explicitly rely on the Appointed Actuaries and management of CLA-HK and CLL-HK that the reserves are appropriate with respect to regulatory compliance and accurately presented and the fact that the financial statements of CLA and CLL, which include the results of CLA-HK and CLL-HK respectively, have been audited.
- 6.3.6. MyPace Life is not yet licensed in Hong Kong and therefore does not have any existing practice with regards to reserving for policy liabilities. Once licensed, MyPace Life will need to comply with the reserving and capital requirements of HKRBC in respect of the Transferring Policies.

After the Scheme and the Coinsurance Agreements (MyPace Life)

- 6.3.7. After the Scheme and the Coinsurance Agreements are implemented, the reserves in respect of the Transferring Policies will be determined as follows:
- MyPace Life will hold a current estimate for long term insurance liabilities and a margin over current estimate ("MOCE") in respect of the Transferring Policies, as required by the HKRBC rules and including allowance for the expected direct expenses of MyPace Life.
 - The liabilities of the Transferring Policies are to be fully reinsured to CLA-BB, therefore MyPace Life will hold reinsurance recoverables as assets, which include the Administration Fee that is expected to be payable from CLA-BB to MyPace Life in respect of the Transferring Policies.
- 6.3.8. Practically, the MyPace Life current estimate is made up of two components:
- The current estimate for long term insurance liabilities excluding MyPace Life's expenses, calculated on the HKRBC basis; and
 - The expected present value of MyPace Life's expenses on the same HKRBC basis.
- 6.3.9. Practically, the MyPace Life reinsurance recoverables are made up of two components:
- The present value of the net amounts expected to be received from CLA-BB for claims that have been paid or are expected to be paid by MyPace Life with an aggregate asset value equal to the IFRS 17 best estimate of liabilities attributed to the Transferring Business, excluding MyPace Life's direct expenses;
 - The expected present value of Administration Fee payable from CLA-BB to MyPace Life on the HKRBC basis.
- 6.3.10. According to rule 33(3) of Cap. 41R, the value of reinsurance recoverables should be adjusted for the expected losses due to potential default of the reinsurance counterparty, CLA-BB. The Parties have indicated that the Transferring Assets attributed to the CLA-HK participating Transferring Business, account for c.98% of the total Transferring Assets as at 31 December 2024, shall be managed in a segregated Trust Account, as collateral, with MyPace Life designated as the beneficiary. As such, the expected counterparty default risk associated with the reinsurance recoverables is expected to be immaterial given that most of the counterparty default risk exposures associated with the reinsurance recoverables are covered by eligible collateral.
- 6.3.11. The Appointed Actuary of MyPace Life, whose appointment is subject to the approval of the IA, will be responsible for determining the current estimate, MOCE and reinsurance recoverables according to the HKRBC rules:
- In order to calculate these various items, information on discretionary benefits will be provided by CLA-BB on a regular basis.
 - The Appointed Actuaries of the Parties have informed me that, in determining the current estimate immediately following the Scheme and the Coinsurance Agreements, the Appointed Actuary of MyPace Life will set the best estimate assumptions for mortality and lapse under the HKRBC basis. This could potentially be different from the best estimate assumptions developed by CLA-BB and approved by the CLA Appointed Actuary for their reporting under the IFRS 17 basis. A difference could arise if the Appointed Actuaries have different views on best estimate assumptions, and they each exercise their responsibility within their respective jurisdictions. The Appointed Actuary of MyPace Life has indicated that, typically, they expect alignment between the best estimate assumptions. However, in the event that the best estimate assumptions set by the Appointed Actuary of MyPace Life are more prudent than those of CLA then additional reserves and capital, under the HKRBC basis, will be held by MyPace Life as required.

- The Appointed Actuary of MyPace Life will set best estimate assumptions for future direct expenses of MyPace Life. Given that MyPace Life is a new company, these best estimate assumptions will be based on expectations of staff and system costs and future expense inflation.

After the Scheme and the Coinsurance Agreements (CLA-BB)

- 6.3.12. Concurrent to the implementation of the Scheme, the CLA-HK policy liabilities will be fully reinsured by MyPace Life to CLA-BB through the Coinsurance Agreements. Valuation of these liabilities from CLA-BB's perspective is not required on a Hong Kong regulatory basis, but CLA-BB must comply with the regulatory requirements of the FSC. The Appointed Actuary of CLA-HK has indicated that the reserving approach in Barbados is IFRS 17, which is the same as the reserving approach for CLA. In particular, following the implementation of the Scheme and the Coinsurance Agreements:
- The valuation reserve for CLA-BB in respect of the CLA-HK Transferring Policies will continue to be on the Canadian IFRS 17 basis.
 - The existing components for best estimate liabilities and RA relating to policyholder benefits, and their underlying methodologies and assumptions will remain unchanged (e.g. mortality assumption, lapse assumption, and dividend cashflows).
 - A new expense reserve will need to be established by CLA-BB to provide for (i) the outstanding onboarding fee to PACE as at the Transfer Date; (ii) the ongoing Administration Fee with respect to the Transferring Policies to MyPace Life; and (iii) expenses incurred in relation to Canadian financial reporting and regulatory filings activities to the OSFI.
 - CLA-BB may apply a different calculation of the CSM in respect of the Transferring Policies compared to the current approach under CLA-HK. The exact amount will be determined following the implementation of the Scheme and the Coinsurance Agreements.
 - Overall, the expense reserve and CSM determined by CLA-BB following the implementation of the Scheme and the Coinsurance Agreements may have a different value compared to the amounts currently held by CLA-HK. However, the difference is not expected to be material relative to the balance sheet of CLA and will only impact the shareholders of CLA and not policyholders.
- 6.3.13. The Transferring Liabilities of CLL-HK will also be fully reinsured to CLA-BB after the Scheme and the Coinsurance Agreements are implemented. Following the Scheme and the Coinsurance Agreements, the reserving approach will follow the Canadian IFRS 17 basis, which differs from the UK Solvency II basis used before the Scheme. Although the valuation bases are different before and after the implementation of the Scheme and the Coinsurance Agreements, the unit reserves will be the same and, given the very small size of the unit linked Transferring Policies of CLL-HK relative to the size of CLA, the slightly different approach to determining non-unit reserves will not have a material adverse impact on the financial security of the Transferring Policyholders.
- 6.3.14. From a Canada Life Group perspective the valuation methodologies and assumptions will remain materially similar before and after the Scheme and the Coinsurance Agreements. Although there will be a slight difference in the calculation of the CSM, such difference is not material from the overall perspective of CLA and will impact shareholders and not policyholders. Meanwhile, MyPace Life is required to hold reserves in respect of the Transferring Policies and set best estimate assumptions in line with the requirements of the HKRBC rules. Therefore, I do not believe there will be a material adverse impact on the financial security of the Transferring Policyholders in this regard.

6.4. SOLVENCY POSITIONS

- 6.4.1. A typical portfolio transfer would involve a transfer of long term business from one established insurer to another established insurer. For a typical portfolio transfer, a comparison of solvency before and after the implementation of the Scheme is critical to the assessment of any impact on the financial security of the Transferring Policyholders. This portfolio transfer is unusual in that the Transferring Policies are currently held by two large established insurers (CLA-HK and CLL-HK) and are being transferred to a newly-licensed insurer (MyPace Life) which has no history with regards to any solvency position. The implementation of the Coinsurance Agreements immediately after the Scheme ensure that most of the market and insurance risks are retained by CLA (via CLA-BB), despite the policies being legally transferred to MyPace Life. Therefore, the assessment of solvency needs to consider whether the reallocation of risks from CLA-HK and CLL-HK to CLA-BB has any material impact on the solvency position of CLA. It also needs to assess whether MyPace Life has a sufficiently robust solvency position after the implementation of the Scheme and the Coinsurance Agreements, allowing for parental guarantees and the minimum capital base that MyPace Life has committed to the IA to hold.

Before the Scheme and the Coinsurance Agreements

- 6.4.2. Solvency margins are currently maintained by CLA-HK and CLL-HK, in addition to the policy reserves in respect of the in-force business.
- For CLA-HK the solvency margin has historically been based on the pre-HKRBC basis. The CLA-HK Appointed Actuary has indicated CLA-HK is a small proportion of CLA and CLA-HK's solvency position has been managed to ensure that CLA-HK has a solvency ratio of greater than or equal to 150% under the pre-HKRBC basis. To ensure this is the case, sufficient assets are allocated from CLA to CLA-HK. From 1 July 2024, CLA-HK has been granted a concession by the IA until 31 December 2026, that means it is not required to calculate solvency under the HKRBC basis. Instead, CLA-HK is required to provide the solvency information of the total CLA legal entity, which is under the Canadian LICAT basis. CLA's solvency is managed to ensure it meets the internal target solvency ratio under the LICAT basis.
 - CLL-HK has obtained an accounting concession from the IA until 31 December 2026, that means they do not need to calculate the solvency margin relating to its Transferring Business in isolation. This is because of the small size of the long term insurance business of CLL-HK when compared to the total size of the balance sheet of CLL. The IA requires CLL-HK to submit information to the IA to demonstrate the solvency position of the CLL entity under the UK Solvency II basis.
- 6.4.3. The table below shows the historical solvency positions under the pre-HKRBC basis based on the audited accounts. Solvency margin refers to the statutory minimum solvency requirement assuming a minimum solvency requirement of 100%. Net assets are defined as the amount of total assets in excess of policy liabilities, before taking into account solvency margin. Solvency ratio measures the net assets as a proportion of the 100% solvency requirement.
- 6.4.4. Table 6.1 summarises the historical solvency ratios of CLA-HK Long Term Funds under the pre-HKRBC basis. 31 December 2023 was the final year-end valuation date at which CLA-HK was required to produce results on this basis.

Table 6.1: CLA-HK's historical solvency ratios under the pre-HKRBC basis (in USD million except solvency ratio)

	31 December 2020	31 December 2021	31 December 2022	31 December 2023	Pro-forma 31 December 2023 ⁽¹⁾
Solvency margin (at 100% solvency requirement) (1)	27	27	22	22	22
Net assets (2)	76	71	41	76	54
Pre-HKRBC solvency ratio (3)=(2)/(1)	276%	267%	185%	340%	242%

Source: CLA-HK Dynamic Solvency Testing reports for the year ended 31 December 2021 to 31 December 2023.

Figures derived from this table may not be the same due to rounding.

Note (1): The pro-forma position as at 31 December 2023 is calculated assuming that capital is reallocated to CLA, which results in a reduction in the net assets. As of 31 December 2024, a total of USD 22 million has been reallocated to CLA.

- 6.4.5. The historical solvency ratios of CLA-HK were well above the pre-HKRBC minimum solvency requirement of 150%. The Appointed Actuary of CLA-HK has indicated that a total of USD 22 million was reallocated to CLA during 2024, which would have reduced the solvency ratio to 242% on a pro-forma basis as at 31 December 2023. This is still above the minimum 150% solvency level required under the pre-HKRBC basis. In any case, any reallocation of free surplus paid out from the CLA-HK Class A Non-Participating Fund is separate from the Transferring Assets supporting the Transferring Liabilities and will not impact the overall solvency of CLA because this is an internal transfer of capital.
- 6.4.6. Since 1 July 2024, CLA-HK has received a relaxation from the IA regarding the HKRBC reporting requirements until 31 December 2026. As a result, the solvency position of CLA-HK shall be based on that of the total CLA legal entity, which is reported under the Canadian LICAT basis.
- 6.4.7. Table 6.2 summarises the LICAT solvency ratio of the CLA legal entity. As at 31 December 2024, the net assets of CLA-HK under the IFRS 17 basis were USD 30.4 million, which was about 0.1% of the total capital resources of the CLA legal entity.

Table 6.2: CLA's historical solvency ratios under the LICAT basis (in USD million except total LICAT ratio)

	31 December 2021	31 December 2022	31 December 2023	31 December 2024
Required capital (at 100% solvency requirement) (1)	18,017	17,468	16,936	16,331
Total capital resources (2)	22,390	21,020	21,740	21,198
Total LICAT ratio (3)=(2)/(1)	124%	120%	128%	130%

Source: CLA's Management's Discussion and Analysis Reports for the years ended 31 December 2021 to 31 December 2024.

Figures derived from this table may not be the same due to rounding. Figures have been converted from CAD to USD based on the exchange rates applicable on each respective reporting date.

- 6.4.8. The historical solvency ratios of CLA have been stable and consistently well above the minimum required solvency ratio of 100%. Other foreign operations and subsidiaries of CLA are required to comply with local capital or solvency requirements in their respective jurisdictions. CLA has maintained capital levels above these minimum local regulatory requirements in each of its foreign operations, except for entities like CLA-HK that have exemptions from complying with local regulatory solvency requirements.

- 6.4.9. Table 6.3 summarises the historical solvency ratios of the CLL entity under the UK Solvency II basis. For comparison, the non-unit reserves relating only to the unit linked Transferring Business of CLL-HK under the UK Solvency II basis were GBP 0.5 million as at 31 December 2024, including best estimate non-unit liabilities of GBP 0.4 million and a non-unit risk margin of GBP 0.1 million. The Appointed Actuary of CLL-HK has indicated the solvency capital requirement (“SCR”) for this business is negligible. This indicates the very small size of the Transferring Policies of CLL-HK relative to the scale of the CLL entity.

Table 6.3: CLL’s historical solvency ratios under the UK Solvency II basis (in GBP million except solvency ratio)

	31 December 2021	31 December 2022	31 December 2023	31 December 2024
SCR (at 100% solvency requirement) (1)	2,341	1,764	2,204	2,124
Total own funds under UK Solvency II ⁽¹⁾ (2)	3,998	3,563	3,567	3,446
UK Solvency II solvency ratio (3)=(2)/(1)	171%	202%	162%	162%

Source: CLL Solvency and Financial Condition Report for the years ended 31 December 2021 to 31 December 2024.

Figures derived from this table may not be the same due to rounding.

Note (1): The total own funds reported for UK Solvency II purposes in the table above differ from the net assets reported in the CLL audited financial statements, which have been prepared under the UK financial reporting standard.

After the Scheme and the Coinsurance Agreements

- 6.4.10. MyPace Life is a new entity and therefore has no historic solvency data. Specifically for the proposed transfer, MyPace Life will be capitalised with: (i) an initial capital injection of USD 3.6 million prior to the Transfer Date; and (ii) an upfront one-off ceding commission from CLA-BB as at the Transfer Date for administering the Transferring Policies (as described in Paragraph 4.7.8 of this report). I understand that MyPace Life has committed to the IA that the company’s capital base shall not be less than HKD 200 million (USD 25.642 million) at all times. On the Transfer Date, this comprises paid-up share capital of HKD 28 million (USD 3.6 million), an upfront ceding commission of HKD 27 million (USD 3.5 million) and a portion of the initial amount for the Letter of Credit in favour of the IA of HKD 145 million (USD 18.542 million).
- 6.4.11. The projected HKRBC solvency ratios of MyPace Life after the implementation of the Scheme and the Coinsurance Agreements have been estimated by MyPace Life as per Table 6.4 below. The projected HKRBC solvency ratios are expected to be above the minimum HKRBC requirement of 100% and above MyPace Life’s target capital ratio of 150%. The Appointed Actuary of MyPace Life has noted that the projected solvency ratio as at 31 December 2026 falls below MyPace Life’s early warning trigger of 160% as set out in the MyPace Life ERM Policy. This indicates the projected solvency ratio is within risk appetite but additional monitoring would be performed and additional risk management actions considered (as described in Paragraph 6.6.10 of this report). MyPace Life’s projections indicate that its solvency ratio should rise above the 160% trigger point by 31 December 2027. MyPace Life’s capital base, which is maintained at no less than HKD 200 million (USD 25.642 million) at all times, is significantly greater than the HKRBC prescribed capital requirement of USD 5 million over the three-year period ending 31 December 2028. This strong capital base indicates that MyPace Life would be able to meet policyholders’ liabilities in the event of a materially adverse scenario.

Table 6.4: MyPace Life's projected solvency ratios under the HKRBC basis

	31 December 2026	31 December 2027	31 December 2028
Prescribed capital requirement (USD million) (1)	5.1	5.2	5.2
Capital resources (USD million) (2) ⁽¹⁾	8.0	8.4	8.7
HKRBC solvency ratio (3)=(2)/(1)	156%	162%	168%

Source: MyPace Life's business plan submitted to the IA in June 2025 as part of the submission documents for new authorization application.

Figures derived from this table may not be the same due to rounding.

Note (1): Since MyPace Life will withhold the Unit Linked Assets from CLA-BB on a "funds withheld basis" after the transfer, there is no net impact on the capital resources of MyPace Life.

- 6.4.12. After the Scheme and the Coinsurance Agreements are implemented, the Transferring Policies will be reinsured to CLA-BB. The Chief Actuary of CLA-BB indicates that as CLA-BB is a branch of the CLA legal entity, CLA-BB values its assets and liabilities under the Canadian IFRS 17 basis and holds the maximum of required capital between the local Barbados capital requirements and the Canadian LICAT requirements. In the context of CLA-BB, I understand that the local Barbados capital requirements set by the FSC are always lower than the LICAT requirements. This is because the FSC solvency rules, relating to long term business, simply require that the value of assets is greater than the value of liabilities (subject to a specified minimum capital amount of approximately USD125,000). As such, after the Scheme and the Coinsurance Agreements are implemented, the LICAT solvency position of CLA is key. As indicated in Table 6.2 above, the LICAT solvency position of CLA has been above the minimum required capital level of 100% over the last few years. The Scheme and the Coinsurance Agreements will not have a material adverse impact on the LICAT solvency position.

6.5. RISK EXPOSURES

- 6.5.1. For a typical portfolio transfer, key risk exposures would be explored by comparing the relative sensitivity of the solvency position under various stress scenarios before and after the implementation of the Scheme. This would highlight whether the transfer would result in a weakening of the financial security of the Transferring Policyholders or Non-Transferring Policyholders. However, the portfolio transfer of CLA-HK and CLL-HK to MyPace Life is different to a typical portfolio transfer because the net effect of the implementation of the Scheme and the Coinsurance Agreements will be that CLA retains most of the insurance risks (albeit that the key policy risk exposures are essentially transferred from CLA-HK and CLL-HK to CLA-BB, via MyPace Life due to the Scheme and the Coinsurance Agreements). Therefore, the risks to CLA, in respect of the Transferring Policies, will not be materially different before and after the implementation of the Scheme and the Coinsurance Agreements. Meanwhile, MyPace Life's risk profile will be largely driven by exposures to insurance risks (including expense, lapse and mortality), counterparty default risk and operational risk. The subsections below describe the key risk exposures for both CLA and MyPace Life.

Canada Life Group

- 6.5.2. From the Canada Life Group perspective, the liabilities and assets, and hence risks of the Transferring Policies are not materially different before and after the implementation of the Scheme and the Coinsurance Agreements. Moreover, the size of the Transferring Policies is not significant when compared to the overall size of CLA, which is ultimately crucial in providing security for the Transferring Policies both before and after the Scheme and the Coinsurance Agreements.
- 6.5.3. More specifically, the vast majority of the Transferring Policies are within CLA-HK's participating closed block. Components of the management of the CLA-HK's participating Transferring Policies are impacted by the Scheme and the Coinsurance Agreements as follows, as confirmed by the Appointed Actuary of CLA-HK and the Chief Actuary of CLA-BB:
- The underlying assets and the asset allocation of the ring-fenced fund backing the participating business, as well as the risk appetite of the participating closed block will be the same before and after the implementation of the Scheme and the Participating Coinsurance Agreement.
 - The primary loss-absorbency mechanism is the ability to vary policyholder dividends. The same approach towards setting dividends will be applied after the Scheme and the Participating Coinsurance Agreement are implemented.
 - The expenses that can be charged to participating policyholders of the closed block are fixed as per the Canada Life and Hong Kong Closed Block Operating Rules, and will not be changed as a result of the Scheme and the Participating Coinsurance Agreement.
 - Although MyPace Life has the discretion to declare dividends to participating policyholders at a level higher or lower than those approved by the CLA Appointed Actuary, this will be at a cost to MyPace Life and so will not create additional risk for Canada Life Group.
- 6.5.4. From a Canada Life Group perspective the key changes created by the Scheme and the Coinsurance Agreements are as follows:
- Before the Scheme and the Coinsurance Agreements, the CLA-HK liability reserves with respect to the Transferring Business would reflect the costs associated with servicing the policies. After the Scheme and the Coinsurance Agreements are implemented, the CLA-BB liability reserves will reflect additional Administration Fee payable from CLA-BB to MyPace Life to service the Transferring Policies as well as expenses incurred in relation to Canadian financial reporting and regulatory filings activities to the OSFI. The Appointed Actuary of CLA-HK has informed me that, based on preliminary calculations, CLA-BB is expected to hold higher reserves for expenses on the Transferring Policies than CLA-HK did prior to the transfer. This expense risk is borne by shareholders but, given the small size of the Transferring Business relative to the scale of CLA this is not expected to materially impact the financial security of the policyholders. Note that the expenses that can be charged to participating policyholders of the closed block are fixed as per the Canada Life Closed Block Operating Rules, which will continue after the Scheme and the Coinsurance Agreements are implemented.
 - The risks associated with the non-unit reserves of the unit linked policies of CLL-HK will be taken by CLA-BB (a branch of CLA) instead of CLL (an indirect subsidiary of CLA). However, this impact is immaterial because of the very small size of the transferring non-unit reserves relative to the size of CLA.
- 6.5.5. Based on the information presented to me I believe that, from a Canada Life Group perspective, these differences will not drive a material difference in risk exposures or the sensitivity of the solvency positions of CLA.

MyPace Life

- 6.5.6. After the Scheme is implemented, the Transferring Policies will be owned by MyPace Life. MyPace Life's risk exposures can be partially inferred from projections and sensitivities, under the HKRBC basis, that it submitted to the IA in June 2025. These projections reflect the post-Scheme and post-Coinsurance Agreements environment on the basis that the Transferring Business will be the only portfolio managed by MyPace Life. These sensitivities have been produced under optimistic and pessimistic scenarios based on MyPace Life's own assessment of risks. Key assumptions and results are shown in Tables 6.5 and 6.6 below. In coming to my conclusions, I have relied on the accuracy of the information which has been provided to me by the Appointed Actuary of MyPace Life, without independent verification.

Table 6.5: MyPace Life HKRBC sensitivity testing analysis – Key assumptions

Scenarios	Description	Assumptions
Optimistic	Base	
Pessimistic 1	Mass Lapse	35% one-off increase in lapse rate in the first projection year
Pessimistic 2	Decrease in income	- An additive increase of 1.02% lapse rate on top of the best estimate lapse rates across all projection years 15 bps less annual interest rate on retained cash
Pessimistic 3	Increase in cost due to captured and uncaptured risks	- Interest cost to cover delayed reinsurance settlement for 3 months - Unexpected operational incidents from risk event due to new technology transition, resulting in an expense increase of USD 0.2 million 9.6% increase to all expenses
Pessimistic 4	Recalibrated interest risk	25 bps further downward movement of HKRBC prescribed risk-free interest rate to cater for day-to-day interest rate movement
Pessimistic 5	Significant expense overrun	30% additional expenses across all projection years

Table 6.6: MyPace Life HKRBC sensitivity testing analysis – Key results

HKRBC ratio	31 December 2026	31 December 2027	31 December 2028	31 December 2029
Optimistic	156%	162%	168%	173%
Pessimistic 1	97%	96%	99%	102%
Pessimistic 2	128%	133%	137%	142%
Pessimistic 3	149%	155%	160%	166%
Pessimistic 4	144%	149%	154%	160%
Pessimistic 5	98%	97%	101%	105%

- 6.5.7. As would be expected, the results of the stress scenarios indicate that risk exposures for MyPace Life after the implementation of the Scheme and the Coinsurance Agreements are materially different from the risk exposures arising from the Transferring Policies under CLA. The results of the MyPace Life sensitivity analysis indicate that the key risks relate to **lapse** (Pessimistic 1 and Pessimistic 2) and long-term **expenses** (Pessimistic 5). There is lower exposure to falling interest rates (Pessimistic 4) and the expenses arising from an operational incident (Pessimistic 3). Under all scenarios the solvency ratio falls below MyPace Life's target capital in early projection years. Under Pessimistic Scenarios 1 and 5 the solvency ratio falls to below 100% in early projection years. In such scenarios MyPace Life will consider action to bring the HKRBC solvency ratio above 100% through

raising additional capital from shareholders of USD 0.2 million. I understand that MyPace Life has committed to the IA that, should the company's capital base falls below the prescribed capital amount under the HKRBC basis at any time, MyPace Life will use its best endeavours to obtain adequate and necessary financial support from its shareholder(s), in a form agreeable to the IA, such as an additional capital injection. Such support shall be obtained within 30 days (or a period of time otherwise agreed by the IA) to ensure the company's capital base meets the prescribed capital amount.

- 6.5.8. MyPace Life has committed to the IA that it will maintain a capital base of not less than HKD 200 million (USD 25.642 million) at all times, which compares to the projected prescribed capital requirement at year-end 2026 of USD 5.1 million. This indicates that MyPace Life should be able to meet policyholders' liabilities in the event of an adverse scenario such as those described above.

Persistency and expense risk exposures

- 6.5.9. MyPace Life's cashflows are driven primarily by the Administration Fee received from CLA-BB, investment returns on MyPace Life shareholders' assets and MyPace Life's direct expenses incurred in managing the Transferring Policies, including taxes, regulatory fees and the cost of holding regulatory capital. Therefore, risk exposures are primarily driven by increases to **lapses** (or mortality), which would lead to a reduction in Administration Fee and investment income, or an increase in MyPace Life's direct **expenses**.

- **Persistency** (and mortality): The persistency (and mortality) risk exposures arise because MyPace Life receives Administration Fee from CLA-BB based on the number of the Transferring Policies which is expected to be higher than the direct expenses of MyPace Life. If the number of Transferring Policies reduces at a higher rate due to increases in lapses and/or deaths, lower aggregate Administration Fee will be received to cover MyPace Life's own expenses. According to the HKRBC capital requirement, MyPace Life is highly exposed to lapse risk capital requirement. The HKRBC sensitivity test also indicates the projected HKRBC solvency ratios fall below the minimum 100% prescribed capital requirement in the event of mass lapse (refer to Pessimistic 1 scenario in Table 6.6 above for the HKRBC sensitivity results).
- **Expenses**: The expense risk exposure arises if MyPace Life's own expenses increase more than the Administration Fee (after taking into account the annual inflation adjustments) received from CLA-BB. The Administration Fee is adjusted annually with inflation, but the inflation adjustment is subject to a cap. This implies that any increases to MyPace Life's variable expenses due to inflation may not be fully covered by the annually increased Administration Fee. MyPace Life has performed a sensitivity test that indicates the projected HKRBC solvency ratios fall below the minimum 100% prescribed capital requirement in the event of significant expense overrun (refer to Pessimistic 5 scenario in Table 6.6 above for the HKRBC sensitivity results).

- 6.5.10. To manage the identified risks, the MyPace Life ERM Policy sets out risk limits for liquidity, counterparty default, earnings, expenses, underwriting, voluntary lapse and operational risk. Specifically for the voluntary lapse and expense risks, where MyPace Life is most vulnerable, the MyPace Life ERM Policy sets out the following forward-looking risk mitigation strategies:

- **Persistency**: MyPace Life will (i) actively monitor lapse rate on an ongoing basis; (ii) implement campaigns to introduce the benefits of being a customer with MyPace Life; and (iii) enhance customer experience through leveraging the technologies developed by PACE.
- **Expense**: MyPace Life will manage costs via central cost alignment with the initiate shareholders (i.e., Asia Insurance and PACE) per previously agreed, particularly from

2030 onwards. Central cost alignment involves transferring headcount(s) from MyPace Life to one of the initiate shareholders. This requires approval from both the Risk Management Commission of MyPace Life and the senior management of the involved shareholder.

Market risk exposures

- 6.5.11. MyPace Life's market risk exposures are more limited. This is because MyPace Life invests primarily in cash-like assets and the liability-related market risk is limited.

Counterparty default risk exposures

- 6.5.12. MyPace Life has limited net reinsurer counterparty default risk exposure. A significant gross counterparty default risk exposure arises because of the Coinsurance Agreements. The structure of the Scheme and the Coinsurance Agreements is intended to enable CLA to retain most of the financial risks associated with the Transferring Policies, whilst MyPace Life takes on the responsibilities for managing the policies and policyholders. A key consequence of the arrangement is that MyPace Life has responsibility for paying policyholder liabilities as and when they fall due, but they have fully reinsured the policies to CLA-BB, which creates a material gross counterparty default risk for MyPace Life. To help mitigate the counterparty default risk, the Coinsurance Agreements include the following safeguards:

- (i) **Trust Account:** In view of the vast majority of the Transferring Business are within CLA-HK's participating closed block, the Participating Coinsurance Agreement requires assets attributable to the CLA-HK participating Transferring Business to be held in the Trust Account with MyPace Life named as the beneficiary as collateral to secure reinsurance recoverable attributable to the CLA-HK participating Transferring Business. These accounts are funded to ensure there are sufficient assets available to satisfy policyholder liabilities as they arise. CLA-BB may withdraw trust assets from the Trust Account for the purposes of paying the settlement amount to MyPace Life with respect to the participating business. CLA-BB may also withdraw assets from the Trust Account for the purposes of paying expenses and other amounts as permitted under the Hong Kong Closed Block Operating Rules, provided that such withdrawal does not result in the aggregate asset value of the trust assets falling short of the Required Balance. As a result of the collateral, MyPace Life applies a haircut to its reinsurance recoverables on the balance sheet, which materially reduces its gross counterparty default risk exposures arising from the reinsurance recoverables.
- (ii) **CLA-BB Shareholders' Fund:** If there are insufficient funds in the CLA-BB Long Term Funds (and Trust Account in relation to the Participating Coinsurance Agreement) to cover the settlement amount calculated under the IFRS 17 basis (and not the HKRBC basis), CLA-BB shall use its own funds to cover the uncovered part of the settlement amount.
- (iii) **Termination and recapture provisions:** CLA-BB cannot unilaterally withdraw from the Coinsurance Agreements unless MyPace Life fails to make appropriate payments or it becomes illegal for either CLA-BB or MyPace Life to perform its obligations under the Coinsurance Agreements. Any such termination shall be subject to the prior written consent of the IA, except where obtaining such consent would require CLA-BB to do anything or omit to do anything which would render it to be in breach of any applicable law. MyPace Life seeks additional protection through contractual provisions in the Coinsurance Agreements, which provide MyPace Life the right to recapture in-force business without recapture fee under conditions likely to precede default of reinsurance obligations. These conditions include, but not limited to, a

rating downgrade of CLA-BB, insolvency of CLA-BB, or failure of CLA-BB to fund the Trust Account to meet the Required Balance with respect to the CLA-HK participating Transferring Business, in each case subject to the prior written consent of the IA. Upon termination for such reasons, CLA-BB shall pay the termination payment (if due to MyPace Life) determined under the IFRS 17 basis (and not the HKRBC basis) to MyPace Life. In relation to the Participating Coinsurance Agreement, MyPace Life shall be entitled to withdraw necessary funds from the Trust Account to satisfy the termination payment, and any shortfall shall be covered by the CLA-BB Shareholders' Fund.

In general, I believe that these safeguards in the Coinsurance Agreements will ensure the financial security of the Transferring Policyholders and reduce the counterparty default risk exposures of MyPace Life.

6.5.13. Whilst CLA-BB is a financially strong reinsurance partner, I have been informed by the Appointed Actuary of MyPace Life that MyPace Life will develop a crisis management plan that will consider how to manage the operational impact of the termination of the Coinsurance Agreements, should such an unlikely scenario ever happen. The MyPace Life Reinsurance Management Strategy Policy indicates that they will:

- Monitor reinsurers for any early warning signs of possible recapture, such as when the credit rating of reinsurer falls below A- (from Standard & Poor's or Fitch) or A3 (from Moody's);
- Take contingency actions to prepare for a potential recapture, such as hiring investment management and expanding dividend assessment capabilities;
- Recapture the reinsured in-force business from a non-performing reinsurer, subject to the prior written consent of the IA; and
- After a recapture (upon receiving the prior written consent of the IA), consider new risk management measures. The Appointed Actuary of MyPace Life would present a plan to the Actuarial and Finance Commission and to the Board of Directors of MyPace Life. If such recaptured risks are not in compliance with MyPace Life internal policies such as the MyPace Life ERM Policy, MyPace Life will consider new risk management measures such as reinsurance. Selection of new reinsurance counterparties will be in accordance with the MyPace Life Reinsurance Management Strategy Policy and the MyPace Life ERM Policy. The latter policy requires that reinsurance arrangements shall be made with counterparties holding a credit rating of A- or higher from Standard & Poor's or Fitch, or A3 or higher from Moody's. Engagement with the regulator would be considered as appropriate.

6.5.14. In addition to the reinsurer counterparty risk exposure, there is an immaterial residual counterparty default risk exposure related to MyPace Life's own cash assets deposited with banks. The MyPace Life ERM Policy specifies that the cash assets will primarily be deposited with high-quality banks, typically with an international rating of A or better. Such credit rating requirement helps ensure a relatively low risk of counterparty default.

Operational risk exposures

6.5.15. MyPace Life acknowledges that exposure to operational risk is inherent to its business. MyPace Life strives to implement internal controls (e.g., strict data security measures and privacy controls) to mitigate the operational risk exposure to an acceptable level, as well as to develop business continuity plans to maintain a high level of operational resilience. According to the MyPace Life ERM Policy, MyPace Life has no tolerance for major operational risk events which could result in failing to meet policyholders' reasonable expectations, legal breaches or reputational damage. Furthermore, MyPace Life has no appetite for material loss or reputational damage due to business interruption, including cybersecurity incidents.

Overall comments

- 6.5.16. Based on the above considerations, including the safeguards included in the Coinsurance Agreements, I have not identified any areas where additional risk exposures resulting from the implementation of the Scheme and the Coinsurance Agreements are likely to prejudice the financial security of the Transferring Policyholders. This, together with the fact that MyPace Life has an adequate solvency position, particularly after considering the commitment made to the IA regarding the minimum capital base maintained by MyPace Life, there is no reason to believe that the financial security of the Transferring Policyholders may be materially jeopardised as a result of the Scheme and the Coinsurance Agreements.

6.6. CAPITALISATION POLICY

CLA (including CLA-HK, CLL-HK and CLA-BB)

- 6.6.1. Given all insurance risks under the Transferring Policies will be ceded by MyPace Life to CLA-BB through the Coinsurance Agreements after the Scheme, the financial security of the Transferring Policyholders depends heavily on how the total CLA legal entity is capitalised and to what extent capital could be transferred within Canada Life Group should any extreme adverse events happen that might jeopardise the financial position of any of its subsidiaries or branches.
- 6.6.2. I have been provided with the CLA Capital Management Policy that was approved on 8 November 2023. This policy applies to CLA and its subsidiaries and branches, which includes CLA-HK, CLL-HK and CLA-BB. CLA mainly manages its capital:
- To comply with the LICAT Guideline and the Parental Stand-Alone Capital Framework established by the OSFI; and
 - To comply with capital tests imposed by regulatory authorities outside of Canada in jurisdictions where CLA carries on business.
- 6.6.3. From a CLA-HK perspective for Hong Kong statutory purposes, the Appointed Actuary of CLA-HK has informed me that the capitalisation policy has historically been to maintain a minimum solvency ratio of 150% under the pre-HKRBC basis. If the solvency ratio had fallen below 150%, CLA would allocate additional capital to CLA-HK to meet the minimum 150% requirement under the pre-HKRBC basis. CLA-HK has been granted an exemption from the IA in relation to calculation of HKRBC results from 1 July 2024 to 31 December 2026, and therefore, no target capital under the HKRBC basis has been set.
- 6.6.4. From a CLL-HK perspective, CLL-HK has received exemptions from the IA's requirement regarding the calculation of pre-HKRBC solvency positions until the commencement of HKRBC, and the calculation of HKRBC solvency positions from 1 July 2024 to 31 December 2026. This implies that no target capital is determined with respect to Hong Kong statutory requirements. However, from a CLL perspective, it must comply with the UK Solvency II framework implemented by the PRA. CLL aims to manage its UK Solvency II own funds so that its solvency position stays around a level specified in its Capital Management Operating Standard.
- 6.6.5. I understand that CLA is also in discussions with the IA about its ongoing commitment to the Transferring Business. Specifically, CLA-BB shall maintain clean, irrevocable and unconditional Letter of Credit in favour of the IA with an initial amount of USD 21.482 million. MyPace Life has committed to the IA that the company's capital base shall not be less than HKD 200 million (USD 25.642 million) at all times. On the Transfer Date, this comprises paid-up share capital of HKD 28 million (USD 3.6 million), an upfront ceding commission of HKD 27 million (USD 3.5 million) and a portion of the initial amount for the Letter of Credit in favour of the IA of HKD 145 million (USD 18.542 million). The remaining portion of the initial amount for the Letter of Credit of around USD 2.94 million will be held to support the liabilities attributed to the CLA-HK non-participating business and the Non-

Unit Linked Assets of CLL-HK. The Letter of Credit shall be issued for at least a year on an evergreen basis, which automatically extends the term for one year from its date of expiration. The IA has discretion on when to make a drawdown from the Letter of Credit. It is anticipated a drawdown would apply in the event that CLA-BB becomes insolvent, CLA-BB fails to pay any amount owed to MyPace Life, or MyPace Life becomes insolvent. CLA-BB may submit a written request annually to reduce the amount of the Letter of Credit. However, any such reduction is at the discretion of the IA. This commitment by CLA-BB is critical to ensuring the financial security of the Transferring Policyholders.

- 6.6.6. From a capital management and risk appetite perspective, the Appointed Actuaries of CLA-HK and CLL-HK have informed me that the Scheme and the Coinsurance Agreements will not impact the current capital management policies or risk appetites of CLA, CLL or CLA-BB. Therefore, I conclude that the financial protection of the policyholders from the perspective of Canada Life Group is unchanged by the implementation of the Scheme and the Coinsurance Agreements.

MyPace Life

- 6.6.7. MyPace Life has committed to the IA that MyPace Life will maintain a capital base of no less than HKD 200 million (USD 25.642 million) at all times (refer to Paragraph 6.4.10 for further details). MyPace Life will engage in discussion with the IA in good faith to determine the capital base to be maintained by the company in excess of the prescribed capital amount under the HKRBC basis for ensuring that the capital requirements are at all times complied with.
- 6.6.8. From the perspective of compliance with the HKRBC requirements, MyPace Life's target capital ratio of 150% is above the regulatory capital requirement of 100% and not out of line with typical Hong Kong market practice. Broadly speaking, a 150% target capital ratio implies that the insurer can withstand shocks that are 50% larger than the shocks prescribed in the regulator's prescribed capital amount (which is calibrated to a level such that insurers can withstand a 1-in-200 event over a one-year time horizon, consistent with international solvency standards). The target capital ratio has been set by applying more severe stresses than the stresses that are prescribed by the IA for the calculation of the HKRBC prescribed capital requirement including:
- An additive increase of 1.02% to base lapse rates across all projection years (compared to 1.11% of best estimate lapse assumption).
 - An additive increase in long-term expenses of 1.6%, with no additional inflationary impact. This compares to the 8% expense stress and inflationary stress of 1% to 2% per the HKRBC prescribed capital requirement.
 - 25 bps further downward movement of HKRBC prescribed risk-free interest rate to cater for day-to-day interest rate movement.
 - Operational incidents arising from technology transition risk and liquidity risk of approximately USD 0.26 million, which compares to a base-case operational risk prescribed capital requirement of USD 1.19 million as at 31 December 2026.
 - An additional judgement-based buffer is applied to bring the target capital level from the calculated level of 117% up to 150%.
- 6.6.9. MyPace Life is not greatly exposed to market risk. It is primarily exposed to persistency risk, expense risk, operational risk, counterparty default risk, and has a more limited exposure to interest rate risk (the exposure arising from its asset holdings). MyPace Life's risk exposures mean that a typical market shock (at a given level of probability), driven by economic events, would have a lesser impact on MyPace Life compared to more typical insurers. However, MyPace Life is a much smaller insurer than Canada Life Group, and it does have greater concentration of risk, particularly for persistency risk, expense risk and

operational risk. However, I note that these risks are typically more controllable than market shocks.

- 6.6.10. MyPace Life has set out its ERM Policy that may apply in the event of the target capital amount being breached.
- In the event that the HKRBC solvency position falls below or is anticipated to fall below the early warning trigger of 160%, consideration of possible management actions and reporting to the Risk Committee will be required should the solvency position remains below 160%.
 - In the event that the HKRBC solvency position of MyPace Life falls below or is anticipated to fall below the target capital ratio of 150%, a task force composed of Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Appointed Actuary should be formed to determine appropriate actions to be taken and recommend the solution with analysis to the Risk Committee and the Board to restore the solvency position above 150% within six months.
 - In the event that the HKRBC solvency ratio falls below the regulatory requirement of 100%, this requires immediate notification to the Risk Committee and escalation to the Board for determining and taking immediate actions to increase the solvency ratio above 100% within three months and above 150% within six months, as well as communication with the IA on management actions.
- 6.6.11. MyPace Life has performed severe but plausible stress tests for mass lapse and expense shocks. The stress tests indicate that additional capital would need to be injected by its parents in order to meet 100% of the HKRBC prescribed capital requirement. I understand that the parents of MyPace Life have committed to the IA to ensure the financial security of the Transferring Policyholders as detailed in Paragraph 6.5.7 above.
- 6.6.12. According to the MyPace Life ERM Policy and the Reinsurance Management Strategy Policy, examples of remedial actions to enhance capital include:
- Raising additional capital support from shareholders (i.e., Asia Insurance and PACE), subject to MyPace Life's Board approval;
 - Imposing additional cost management actions that will pass certain staff cost to parent entities, thereby reducing the expected long-term expenses;
 - Requesting potential support from the reinsurer such as increase of collateralisation by injecting additional assets into the Trust Account, subject to CLA-BB's full and complete discretion; and
 - Recapture of in-force business if terms and conditions provide for a better post-recapture solvency ratio, subject to the prior written consent of the IA.
- 6.6.13. In this context, and with the additional commitments made by CLA and the parent entities of MyPace Life, I am satisfied that the difference in terms of management of capital will not have a materially adverse impact on the financial security of the Transferring Policyholders as a result of the Scheme and the Coinsurance Agreements.

6.7. SHAREHOLDERS' FUND AND POLICY ON SHAREHOLDER DIVIDENDS

- 6.7.1. At the total legal entity level, and as described above, CLA is required to maintain sufficient capital to meet regulatory requirements, and to maintain an amount of capital above the regulatory minimum which can be used to absorb adverse financial results. The Scheme and the Coinsurance Agreements do not change either of these requirements, and the shareholder dividend policy is unaffected by the Scheme or Coinsurance Agreements.
- 6.7.2. From a CLA-HK perspective, in Hong Kong there are no regulatory restrictions regarding transfer of surplus capital in excess of the required solvency margin. Historically, CLA-HK

- has complied with the minimum capital requirement equal to 150% of the required pre-HKRBC solvency margin and, when required, has additional capital being injected from CLA to ensure that this requirement is continuously met. From 1 July 2024 to 31 December 2026, CLA-HK has been exempted from providing solvency information for its long term business but is required to demonstrate that the CLA legal entity has sufficient solvency under the LICAT basis.
- 6.7.3. From a CLL-HK perspective, the IA has granted CLL-HK an accounting concession that exempts it from providing solvency information in respect of its Hong Kong-based unit linked business, but requires demonstration that the CLL legal entity has sufficient solvency under the UK Solvency II basis.
- 6.7.4. Following the Scheme, MyPace Life must comply with regulatory capital requirements and follow operational targets commensurate with its risk profile for prudent capital risk management to distribute shareholder dividend. The operational targets are determined with consideration of at least the following factors:
- The regulatory capital requirements; and
 - An amount of capital in excess of the regulatory requirements, which can be used to absorb adverse financial results.
- Based on the MyPace Life ERM Policy, any distribution of shareholders dividend should not result in a HKRBC solvency ratio falling below 160% and dividends would not be paid if this level was threatened. Further, I understand that MyPace Life has made an undertaking to the IA to seek written regulatory approval before making any declaration or payment of shareholders dividend following the transfer.
- 6.7.5. Following the Scheme and the Coinsurance Agreements, given CLA-BB is a branch of the CLA legal entity, CLA-BB will continue to maintain the maximum of the local Barbados capital requirements and the Canadian LICAT requirements held by CLA as its own regulatory capital requirements. In the context of CLA-BB, the local Barbados capital requirements set by the FSC are always lower than the LICAT requirements.
- 6.7.6. Overall, the key driver of any future payment of shareholder dividends is the ability of the insurer to meet its capital risk appetite. I do not believe there is any material reduction in financial security arising from shareholder dividends after the Scheme and the Coinsurance Agreements are implemented.

6.8. INVESTMENT POLICY

- 6.8.1. Investment activities, which may have implications on the financial security of the Transferring Policyholders, are governed by the investment policies.

Assets attributable to the CLA-HK Transferring Business

- 6.8.2. The Transferring Assets backing the CLA-HK Transferring Business and assets that back the CLA-HK Ancillary Fund are currently managed in accordance with the Canada Life Investment Policy, which applies to CLA-HK and sets out the investment principles, governance arrangements, risk management processes, limits and authorities and specific treatments of individual asset types. After the Scheme and the Coinsurance Agreements have been implemented,
- The Coinsurance Assets attributed to the CLA-HK participating Transferring Business will be ring-fenced in the Trust Account and will be managed in accordance with the investment guidelines set out in the Participating Coinsurance Agreement. I understand that the investment guidelines set out in the Participating Coinsurance Agreement are broadly consistent with the Canada Life Investment Policy. Therefore, from a Canada Life Group perspective, the Transferring Assets backing the CLA-HK

participating Transferring Business are subject to the same investment policy before and after the implementation of the Scheme and the Coinsurance Agreements.

- The Coinsurance Assets attributed to the CLA-HK non-participating Transferring Business will be held in the CLA-BB Non-Participating Fund and will not be physically or nominally segregated from the existing assets within the fund, with the exception of the assets currently within the Ancillary Sub-Account. The assets will be managed in accordance with the Non-Unit Linked Assets Investment Guidelines set out in the Non-Participating Coinsurance Agreement. It should be noted that the amount of the Letter of Credit has been increased by the amount of liabilities attributed to the CLA-HK non-participating Transferring Business to provide security.

6.8.3. Pursuant to the Coinsurance Agreements, CLA-BB shall be responsible for implementation and oversight of the investment strategy agreed between CLA-BB and MyPace Life. Although MyPace Life will not directly manage the assets within the accounts in trust, MyPace Life will provide strategic oversight through the Coinsurance Agreements to ensure compliance with the investment guidelines set out in the Coinsurance Agreements as well as the MyPace Life Closed Block Participating Business Policy via the following key controls:

- MyPace Life may request any information it needs (acting reasonably) to verify CLA-BB's compliance with the investment guidelines set out in the Coinsurance Agreements.
- In relation to the assets managed within the Trust Account, MyPace Life and CLA-BB will receive monthly reports from the trustee of the Trust Account showing all deposits and withdrawals effected during such calendar month and the listing of assets held in the Trust Account. At their request, they may be granted access to the trustee's automated data system that will provide up-to-date information on the trust assets upon request.
- MyPace Life will receive quarterly reinsurance statements and Required Balance which detail the asset values in the Trust Account, ensuring that the trust asset value remains at or above the Required Balance. This enables MyPace Life to continuously monitor the performance of the investment portfolio.
- Any asset substitutions or withdrawals from the Trust Account must adhere to agreed procedures – providing MyPace Life with the assurance that the collateral supporting the liabilities is safeguarded.
- Should any disputes and material discrepancies in asset valuations or investment performance arising under or in connection with the Coinsurance Agreements, MyPace Life has the right to dispute the reported figures and trigger the dispute resolution process (refer to "Dispute resolution" subsection in Section 4.7 of this report).

6.8.4. The investment guidelines set out in the Coinsurance Agreements may be amended from time to time by CLA-BB and MyPace Life. The Appointed Actuary of MyPace Life has confirmed that MyPace Life does not intend to substantially change the investment policy and target asset allocation currently adopted by CLA-HK. While CLA-BB retains the right to amend the Investment Guidelines as set out in the Coinsurance Agreements, among other reasons, to improve the asset and liability cashflow matching, any changes to the investment guidelines set out in the Coinsurance Agreements will require the consent of MyPace Life, not to be unreasonably withheld.

Assets attributable to the CLL-HK Transferring Business

6.8.5. After the transfer, the Unit Linked Assets with respect to the CLL-HK Transferring Policies will continue to be held in a ring-fenced, clearly identifiable custody account with the Northern Trust Company as the custodian and managed by CLAM pursuant to the

investment management agreement entered into between MyPace Life and CLAM to be in compliance with the Unit Linked Assets Investment Guidelines set out in the Non-Participating Coinsurance Agreement and the MyPace Life ERM Policy. The Unit Linked Assets Investment Guidelines are consistent with the current individual fund strategies of the CLAM unit funds that are currently invested in by the CLL-HK Transferring Policyholders. The Unit Linked Assets Investment Guidelines may be amended from time to time by CLA-BB and MyPace Life. The Appointed Actuary of MyPace Life has confirmed that MyPace Life does not intend to substantially change the investment policy and target asset allocation currently adopted by CLL-HK and CLAM, although MyPace Life has the discretion to propose amendments to the Unit Linked Assets Investment Guidelines, among other reasons, to improve the asset and liability cashflow matching. Any such amendments shall be subject to the consent of CLA-BB, not to be unreasonably withheld.

- 6.8.6. Prior to the Scheme, the Non-Unit Linked Assets supporting CLL-HK's unit linked Transferring Policies are governed by the CLL Investment Operating Policy. After the Scheme and the Non-Participating Coinsurance Agreement, these assets will be held within the CLA-BB Non-Participating Fund and will not be physically or nominally segregated from the existing assets within the fund. They will be managed in accordance with the Non-Unit Linked Assets Investment Guidelines set out in the Non-Participating Coinsurance Agreement. Although there may be changes to the asset management and investment strategy for these assets after the implementation of the Scheme and the Non-Participating Coinsurance Agreement, given the very small size of the impacted assets and that the amount of the Letter of Credit has been increased by the amount of liabilities backing the Non-Unit Linked Assets to provide security, I do not believe that such a change will materially adversely affect the financial security of the Transferring Policies.

Shareholders' assets

- 6.8.7. The assets in the MyPace Life Shareholders' Fund will be managed in accordance with the MyPace Life Investment Guideline, as detailed in the MyPace Life ERM Policy. The MyPace Life Shareholders' Fund will primarily be invested in cash deposits, money market instruments and other short-term highly liquid US government bonds with objectives to:
- Preserve capital and maintain a high degree of liquidity;
 - Support MyPace Life's net liabilities after reinsurance to CLA-BB (which mainly relates to MyPace Life's expected expenses), and meet HKRBC capital requirements; and
 - Align with MyPace Life's overall ERM framework to manage risk, liquidity, and counterparty exposures.
- 6.8.8. The MyPace Life Investment Guideline will be reviewed at least annually by the Risk Management Commission of MyPace Life. Any changes must be approved by the Board of Directors of MyPace Life and aligned with MyPace Life's ERM framework to ensure continued effectiveness in managing liquidity, risk, and capital requirements.
- 6.8.9. MyPace Life has committed to the IA that prior written consent from the IA will be obtained before it (i) effects any transaction or enter into any investment activity which materially deviates from the company's prevailing investment policy, or (ii) makes any material changes to the company's investment policy, and MyPace Life will ensure that any material changes to the investment policy is duly approved by the company's Board of Directors.
- 6.8.10. Based on the above considerations, I have not identified any areas where additional risk exposures resulting from the Scheme and the Coinsurance Agreements implementation are likely to prejudice the financial security of the Transferring Policyholders.

6.9. RISK POLICY/ RISK MANAGEMENT FRAMEWORK

- 6.9.1. CLA-HK, CLA-BB and CLL-HK operate under the risk management policies of the ultimate parent entity Great-West Lifeco Inc. I have been supplied with a copy of the Great-West Lifeco Inc. ERM Policy dated 9 April 2024, which applies to all Great-West Lifeco Inc. subsidiaries including CLA and CLL.
- 6.9.2. CLA-HK and CLA-BB operate under risk management policies of the CLA legal entity. For each of the key risks, CLA has established specific risk management policies to monitor and control these risks. The risk management policies also set out guidance to a number of key areas on risk management, including assigning responsible internal parties to each of the key risks identified, duties of the Risk Committee within the Board, duties and formation of the Risk Management Committee which provides assistance to the Risk Committee, duties of Chief Risk Officer, risk reporting structure as well as the risk monitoring controls. Great-West Lifeco Inc. has a risk appetite framework that sets out risk appetite, risk tolerance and risk limits for all key risks. CLA-HK complies with the ERM requirements noted in the IA's Guideline on Enterprise Risk Management ("GL21") by leveraging the Great-West Lifeco Inc. framework. CLA-BB will not have to comply with the IA's GL21.
- 6.9.3. CLL-HK operates under the risk management policies applied to the CLL legal entity, which must comply with rules set down by the UK's PRA. In particular I have been supplied with a copy of the Canada Life UK Risk Appetite Framework and the Canada Life UK Risk Strategy, both dated 28 February 2024, which set out the risk appetites and associated governance for key risks of CLL including market, credit, insurance and operational risks. In addition, CLL-HK must comply with the Great-West Lifeco Inc. ERM Policy as described above.
- 6.9.4. After the Scheme and the Coinsurance Agreements, CLA-BB will be responsible for managing the (transferred and reinsured) policies in line with the risk management framework of the CLA legal entity. For the Transferring Policies of CLA-HK and from a Canada Life Group perspective, there is no material difference between the risk management approach before and after the Scheme and the Coinsurance Agreements. For the Transferring Policies of CLL-HK there may be slight differences between the risk management approaches of CLL-HK and CLA-BB. These differences could arise because CLL-HK and CLA-BB have their own risk management frameworks that have been tailored to meet the relevant local regulatory requirements. However, given the very small exposure of CLL-HK Transferring Business relative to the total Transferring Assets and the need to comply with the overarching Great-West Lifeco Inc. ERM Policy, I do not believe that any differences would result in a materially weaker approach to risk management.
- 6.9.5. I have been provided with a copy of the MyPace Life ERM Policy with effect from June 2025. The ERM Policy is designed to comply with the requirements set out in the IA's GL21. The ERM Policy defines the key components of MyPace Life's risk management as risk culture, risk governance, risk appetite framework, risk assessment and controls framework, and the approach to ORSA. It sets out the risk appetites and risk tolerances for earnings, capital, liquidity, new portfolio integration (underwriting), counterparty default risk, expenses, voluntary lapse and operational risks. It also sets out the frequency of monitoring and the risk owner for each risk.
- 6.9.6. The overall risk management approach is broadly consistent before and after the implementation of the Scheme and the Coinsurance agreements. In particular, from a Canada Life Group perspective, the risk management framework and risk appetite will remain materially unchanged. From MyPace Life's perspective, it is developing its risk management framework to comply with the IA's GL21. This includes setting a risk appetite that considers the key risks to solvency, setting a reasonable buffer above the regulatory minimum solvency requirement, and setting out risk limits in respect of all key risks. As a consequence, I do not expect any materially adverse impact of the Scheme and the Coinsurance Agreements on the Transferring Policyholders as a result of change in risk management framework.

6.10. CONCLUSION

6.10.1. In view of my assessment above, I believe the Scheme and the Coinsurance Agreements will have no material adverse effect on the financial security of the Transferring Policyholders. The main reasons for this opinion are summarised below:

- Total reserves for the Transferring Policies will be calculated using established methods and valuation bases that satisfy the Hong Kong regulatory standards where applicable. CLA's approach to reserving in respect of the Transferring Business is broadly consistent before the Scheme where it owns the Transferring Policies, and after the Scheme and the Coinsurance Agreements where it provides reinsurance to MyPace Life in respect of the Transferring Policies.
- Solvency margins in respect of the Transferring Policies are set using established approaches that will satisfy the Hong Kong regulatory standards where applicable. From Canada Life Group's perspective, after the Scheme and the Coinsurance Agreements, the solvency margin held in respect of the Transferring Policies is broadly similar to the solvency margin held prior to the Scheme, under the Canadian LICAT basis. MyPace Life is required to comply with the requirements of Cap. 41R.
- In addition to holding solvency margins that are required by their individual regulators, both Canada Life Group and MyPace Life target to hold capital at levels above the regulatory capital requirements, to include reasonable buffers to allow for the possibility of adverse experience. The target capital level for CLA is the same before and after the Scheme and the Coinsurance Agreements. For MyPace Life the buffer is set at 150% of the prescribed capital requirement, and takes into consideration the key risks of the business.
- Most of the financial risks associated with the Transferring Policies will be retained by CLA (through CLA-BB) because of the Coinsurance Agreements. Therefore the financial security of the Transferring Policies is largely dependent upon the financial strength of CLA.
- The risk exposures of Canada Life Group in respect of the Transferring Policies are broadly the same before and after the Scheme and the Coinsurance Agreements. Additionally, the Transferring Policies are a small proportion of the total CLA business therefore any difference in risk exposures is small in the context of the CLA legal entity.
- MyPace Life's risk exposures with respect to the Transferring Business are materially different from Canada Life Group's. MyPace Life has determined and measured its key risks as lapse and expenses. MyPace Life has produced sensitivities to the base projection with consideration of management actions that could be taken in the event of a solvency issue and has set its capital buffer in line with the key risks. MyPace Life will also implement forward-looking risk mitigation strategies to reduce lapse and expense risks as set out in its ERM Policy.
- MyPace Life has provided a list of undertakings to the IA to ensure the long-term solvency of MyPace Life. Specifically, MyPace Life will maintain a capital base of no less than HKD 200 million (USD 25.642 million) at all times, comprising on the Transfer Date of its paid-up share capital, an upfront ceding commission and the Letter of Credit. This minimum capital base ensures that MyPace Life can remain solvent. If at any time the capital base maintained by MyPace Life falls below 100% of the HKRBC capital requirement, MyPace Life will use its best endeavours to obtain adequate and necessary financial support from its shareholder(s) in a form agreeable to the IA, such as additional capital injection.
- Whilst the financial security of the Transferring Policyholders is largely dependent upon the financial strength of CLA via the Coinsurance Agreements, there are still risks retained by MyPace Life, including counterparty default risk relating to the coinsurance arrangement. To manage and mitigate this risk, the Coinsurance

Agreements include safeguards including: (i) Trust Account; (ii) CLA-BB Shareholders' Fund; and (iii) termination and recapture provisions to ensure CLA-BB meets its reinsurance obligations. The Coinsurance Agreements also include provisions to ensure that aspects including any amendments to the investment strategies related to the Coinsurance Assets (excluding those which are Unit Linked Assets) require consent from MyPace Life and the determination of policyholder dividends consider comments from MyPace Life with reasonable endeavour.

- Risks associated with the Transferring Policies are managed by Canada Life Group and MyPace Life according to risk management frameworks. In the case of Canada Life Group, broadly the same risk management framework applies before and after the Scheme and the Coinsurance Agreements. From MyPace Life's perspective, it must comply with the IA's GL21. In particular, MyPace Life has indicated it will manage its key risks in line with risk limits set out in its ERM Policy.
- Canada Life Group's approach to investment of the assets that back the Transferring Policies is broadly the same before and after the Scheme and the Coinsurance Agreements. In particular the investment guidelines set out in the Coinsurance Agreements governing the trust assets, assets associated with the CLA-HK non-participating Transferring Business and Unit Linked Assets are broadly consistent with the current investment approach. MyPace Life also intends to maintain substantially the same investment policy and target asset allocation as adopted by Canada Life Hong Kong before the Scheme. Any changes to the investment guidelines set out in the Coinsurance Agreements will require mutual agreement between CLA-BB and MyPace Life. In addition, any material changes to MyPace Life's investment policy should be duly approved by the company's Board of Directors and receive prior written consent from the IA.
- CLA-BB will secure a clean, irrevocable and unconditional Letter of Credit, with the IA as its sole beneficiary. CLA-BB acknowledges and agrees that the IA has the discretion to draw on the Letter of Credit if in its opinion it is required to do so to appropriately safeguard the interests of the Transferring Policyholders. It is expected that the IA may make a drawdown in the event that CLA-BB becomes insolvent or fails to pay any amount owed to MyPace Life under either the Participating Coinsurance Agreement or the Non-Participating Coinsurance Agreement (in the case of the Non-Participating Coinsurance Agreement, this pertains to the amounts not funded by the proceeds of the Unit Linked Assets); or MyPace Life becomes insolvent, in which case the IA will draw on the Letter of Credit in an amount proportionate to the amount available for drawing under letters of credit delivered to the IA by other reinsurers of MyPace Life (if any).
- CLL-HK Transferring Policyholders will continue to benefit from the customary protections provided by having the Unit Linked Assets held with the same custodian in a ring-fenced, clearly identifiable custody account. By having the custody account registered directly in MyPace Life's name, the Transferring Policyholders are protected through direct contractual enforceability. CLAM will remain the investment manager of Unit Linked Assets under an investment management agreement with MyPace Life, ensuring the same level of protection for the Transferring Policyholders through direct contractual enforceability.

Section 7 Other Considerations for the Transferring Policyholders

7.1. INTRODUCTION

- 7.1.1. In this section, I have considered other operational areas that may impact the Transferring Policyholders if the Scheme and the Coinsurance Agreements proceed.

7.2. GROUP STRUCTURE

- 7.2.1. Prior to the transfer, the Transferring Business was owned by CLA-HK, a Hong Kong branch of CLA, and CLL-HK, a Hong Kong branch of CLL, which is an indirect subsidiary of CLA. The Canada Life Group structure before the transfer is shown under Figure 2.1 of this report. After the transfer, the Transferring Business will be transferred to MyPace Life which is owned by Asia Insurance and PACE. CLA and Asia Insurance have similar financial strength rating according to Standard & Poor's (either AA or A). MyPace Life has committed to the IA that any changes to the shareholding structure (including issue and allotment of new shares, save for any Employee Stock Ownership Plan of less than 5% of MyPace Life's shares) or MyPace Life's articles of association must obtain the prior written consent from the IA.
- 7.2.2. The Scheme and the Coinsurance Agreements would not lead to material changes in the group structure of the Parties, other than the withdrawal of CLA and CLL's respective authorizations to carry on long term business in or from Hong Kong, and the closure of their Hong Kong branches. After the implementation of the Scheme and the Coinsurance Agreements, CLA will ultimately retain all the risks (except direct expenses) on the Transferring Business through CLA-BB, and CLA-BB will pay an ongoing Administration Fee to MyPace Life for administering the Transferring Policies. I do not expect any materially adverse impact on the Transferring Business in this regard.

7.3. POLICYHOLDER SERVICES AND SERVICE STANDARDS

- 7.3.1. Prior to the Scheme, the main policyholder services provided by Canada Life Hong Kong to the Transferring Policyholders include ongoing administration of insurance contracts, customer care, receipt of premiums, and adjudication and payment of claims. These services are either provided by the own staff of Canada Life Group (including Canada Life Hong Kong) or outsourced prior to the Scheme. There is an outsourcing policy servicing agreement initiated in 2019 with Scottish Friendly covering the policy administrative service for the unit linked Transferring Business on behalf of CLL-HK.
- 7.3.2. Following the implementation of the Scheme and the Coinsurance Agreements, in consideration of CLA-BB agreeing to reinsure the Transferring Business, MyPace Life and CLA have entered into an Administration Agreement. In accordance with the terms of the Administration Agreement, MyPace Life shall administer the Transferring Policies by using the proprietary administration system developed by PACE until the date on which the Coinsurance Agreements have been terminated. Prior to the Transfer Date,
- PACE shall ensure that the development, implementation and testing of the PACE administration system has been successfully completed, and that the PACE administration system shall, in the reasonable opinion of PACE and MyPace Life after taking into account reasonable opinion and suggestions of CLA-HK and CLL-HK, be ready to enable MyPace Life to administer the Transferring Policies independently from the Transfer Date.

- CLA-HK and CLL-HK have agreed to provide reasonable transitional support to PACE in respect of policy data migration from the existing system adopted by CLA-HK and CLL-HK to the PACE administration system.
- CLA-HK, CLL-HK and PACE will cooperate with each other to perform parallel shadow runs on a policy data set in preparation of the full implementation of the PACE administration system on the Transfer Date.

On and with effect from the Transfer Date,

- MyPace Life shall ensure that it has obtained all necessary licenses and permits from PACE and (if applicable) other party(ies) to use the PACE administration system for the administration of the Transferring Policies. Once MyPace Life successfully commences administering the Transferring Policies after the Scheme, the outsourcing arrangement between CLL and Scottish Friendly will be terminated.
- In the event that (i) the migration to the PACE administration system is unable to be completed and MyPace Life is unable to fully and successfully commence administration of the Transferring Business by the Transfer Date; and (ii) the Scheme takes effect from the Transfer Date regardless, should reasonable system migration support in respect of policy data migration from the existing system adopted by Canada Life Hong Kong to the PACE administration system be required in the three months following the Transfer Date, CLA-HK and CLL-HK shall provide such support to PACE upon reasonable request by PACE pursuant to the Framework Agreement. After cessation of CLA-HK and CLL-HK, being the authorized insurers in Hong Kong, post-migration support will be provided by Canada Life Group to MyPace Life where necessary in the three months following the Transfer Date.

- 7.3.3. Pursuant to the Administration Agreement, MyPace Life shall administer the Transferring Policies in accordance with the terms of the Transferring Policies and at least to the overall standard applied to their administration in the 24 months before the Transfer Date. I have been informed by the Parties that, following a comprehensive comparison of the service levels previously provided by Canada Life Hong Kong to the Transferring Policyholders, MyPace Life has committed to provide broadly similar levels of service, with no material changes expected for the service turn-around time for claims processing, money in or out, policy maintenance, customer enquiries, complaints handling, document dispatch, unit pricing and unit fund switching. MyPace Life shall submit a quarterly performance report to CLA including information specified in the Administration Agreement (e.g., percentage of service level targets achieved) following the end of each calendar quarter during the term of the Administration Agreement.
- 7.3.4. Pursuant to the Administration Agreement, MyPace Life shall continue to govern the CLA-HK Transferring Policies in accordance with the Hong Kong Closed Block Operating Rules set out in the Participating Coinsurance Agreement.
- 7.3.5. Pursuant to the Coinsurance Agreement, any changes to MyPace Life's policyholder services practices for the Transferring Policies, as outlined in the Coinsurance Agreement, shall require the consent of CLA-BB. MyPace Life may delegate certain functions of the administration of the Transferring Policies but only as permitted and described in the Administration Agreement.
- 7.3.6. The Parties have also confirmed that MyPace Life will use their best efforts to employ all or substantially all relevant staff of Canada Life Hong Kong who work on the Transferring Policies, provided that such staff are open to the new employment. For those existing staff that are offered roles with MyPace Life, the offer letters will be issued at least three months prior to the Transfer Date, and the terms will be no less favourable than those under their existing employment contracts with Canada Life Hong Kong immediately before the Scheme.

- 7.3.7. I have been informed by MyPace Life that certain internal functions of MyPace Life (e.g., internal audit) will be performed by the staff from Asia Insurance and PACE, with Asia Insurance being a composite insurance company that has operated in Hong Kong since 1960. Asia Insurance's extensive local market experience and established infrastructure are available to MyPace Life as needed, particularly during the early stages of operation.
- 7.3.8. MyPace Life has also engaged, or is in the final stage of selecting, reputable external vendors to ensure robust operational support and regulatory compliance, including:
- Auditors for financial reporting;
 - Actuaries for financial modelling;
 - Cybersecurity consultants for compliance reviews, ensuring a strong security posture and safeguarding of customer data and system integrity; and
 - Anti-money laundering and counter-terrorist financing vendors for regulatory screening, ensuring adherence to HK's regulatory standards.
- 7.3.9. The existing range of fund choices currently available to the Transferring Policyholders of CLL-HK is not expected to change as a result of the Scheme, although MyPace Life has the discretion to choose new funds with similar nature and charge levels as the existing fund options, and close fund options to the Transferring Policyholders. It should be noted that the Canlife Gilts & Fixed Interest fund and the Canlife Property fund have recently been closed or suspended, resulting in the transfer of the underlying policyholder units to other funds. The transfer process has been completed for the Canlife Gilts & Fixed Interest fund, whereas that for the Canlife Property fund is still ongoing. CLL intends to close the Canlife Property fund through a stakeholder buyout and redistribute its assets into the Canlife Managed fund prior to the implementation of the Scheme, ensuring that there is no expected impact on the Scheme. Should CLL be unable to close the Canlife Property fund before the Scheme, MyPace Life will adopt the redistribution process utilised by Scottish Friendly on behalf of CLL. This redistribution process is a standard industry procedure for managing fund closures in unit linked investments and will be implemented whether or not the Scheme proceeds.
- 7.3.10. Overall, based on the above assessment, I do not expect to see any materially adverse impact on the services provided as well as the service standards after the Scheme and the Coinsurance Agreements are implemented.

7.4. EXISTING REINSURANCE ARRANGEMENTS BEFORE TRANSFER

- 7.4.1. I have been informed by the Appointed Actuary of CLA-HK that 5 long term policies had been reinsured to Pacific Life Insurance Company, John Hancock Life Insurance Company (U.S.A.) and Swiss Re Life & Health America Inc., and were fully recaptured effective 31 December 2023, and hence there are no active reinsurance agreements in place for the Transferring Business prior to the Scheme.
- 7.4.2. As summarised in Section 4 of this report, after the proposed Scheme and Coinsurance Agreements are effected, the Transferring Business will be ceded from MyPace Life to CLA-BB on a coinsurance basis, where CLA-BB will assume all risks (except direct expense) associated with the Transferring Business, and CLA-BB will pay MyPace Life ongoing Administration Fee with respect to the Transferring Policies as defined in the Coinsurance Agreements. Therefore I think there is unlikely to be any materially adverse impact on the Transferring Policyholders following the implementation of the Scheme and the Coinsurance Agreements given the protection offered by the coinsurance arrangements.

7.5. DISTRIBUTION ARRANGEMENTS

- 7.5.1. Given CLA-HK and CLL-HK have ceased to effect any new contracts of insurance, including contracts of reinsurance accepted but excluding contracts of reinsurance ceded, of long term business, in or from Hong Kong since 1994 and 1995 respectively, there are no active distribution agreements relating to the Transferring Business that needs to be considered. I understand that MyPace Life will not hold any license to write new business. Therefore, there is no adverse impact on the Transferring Policyholders from the perspective of distribution arrangements.
- 7.5.2. The core distribution channel used by Canada Life Hong Kong, before it stopped issuing new business, was broker. I have been informed by the Appointed Actuary of CLA-HK that 10 brokerage accounts are receiving ongoing renewal commissions for the life of the policies or up to the date on which they become paid up policies whichever is the earlier. I understand that CLA has contacted all brokers who hold an authorisation with CLA-HK to assess their appetite for an early termination of their relationship with CLA-HK prior to the Transfer Date. On and with effect from the Transfer Date, MyPace Life will take on the responsibility to pay out the renewal commissions to the brokers and CLA-BB will reimburse the corresponding commission payments to MyPace Life as part of the settlements under the Coinsurance Agreements. Given CLA-HK and CLA-BB are branches of the same company, CLA, and the renewal commissions do not exceed CAD 10,000 for any of these brokers, I do not expect this will have any materially adverse impact on the Transferring Policyholders as a result of the Scheme and the Coinsurance Agreements in this regard.

7.6. RECENT INCIDENTS FOR CANADA LIFE HONG KONG AND MYPACE LIFE

- 7.6.1. I have been informed of one recent dialogue through with the IA with respect to the delay in notifying the IA of the change in the Appointed Actuary of CLL-HK in 2023. I do not expect this will have any materially adverse impact on the Transferring Policyholders as a result of the Scheme and the Coinsurance Agreements.
- 7.6.2. The Parties have confirmed that, for Canada Life Hong Kong and MyPace Life, they are not aware of any other relevant and material local regulatory non-compliance incidents to the effect that policyholders may be adversely affected by the Scheme and the Coinsurance Agreements.
- 7.6.3. I have also been provided with a list of customer complaints received by CLA-HK since 2011, plus CLL-HK since 2019 (with respect to the “Flexible Cover Plan” which accounts for 99% of CLL-HK Transferring Policies counts as at 31 December 2024). I note that all of the complaints were either non-substantiated or settled. The Appointed Actuary of CLL-HK has confirmed that there are no customer complaints with respect to “Flexible Investment Bond” since 2022. If any policyholders raise any queries after the transfer, MyPace Life undertakes to address such queries in a professional and responsible manner.

7.7. UNSETTLED CLAIMS

- 7.7.1. All unsettled claims under the Transferring Policies shall be transferred from Canada Life Hong Kong to MyPace Life on and with effect from the Transfer Date, and reinsured from MyPace Life to CLA-BB pursuant to the Coinsurance Agreements. Existing policy terms and conditions will continue to govern the assessment of the claim. MyPace Life will take over the administration of the claims from Canada Life Hong Kong and provide corresponding payments to the Transferring Policyholders in the first instance, whereas CLA-BB will reimburse MyPace Life through the settlement process based on the reinsurance statement of accounts submitted by MyPace Life to CLA-BB on a quarterly basis. MyPace Life will be responsible for settling insurance claims, policyholder

communication as well as claims administration with the use of the PACE administration system (refer to Paragraph 7.3.2 for further details). Overall, I do not expect this will have any materially adverse impact on the Transferring Policyholders as a result of the Scheme and the Coinsurance Agreements.

7.8. CONTINUITY OR COMMENCEMENT OF LEGAL PROCEEDINGS

- 7.8.1. On and with effect from the Transfer Date, by virtue of the Hong Kong Order, any judicial, quasi-judicial, disciplinary, administrative, arbitration or legal proceedings, claims or complaints (whether current, pending, threatened or future including those not yet in contemplation) by or against CLA-HK and CLL-HK in relation to their respective Transferring Policies, Transferring Assets or Transferring Liabilities shall be continued or commenced by or against MyPace Life in substitution for CLA-HK and CLL-HK, and MyPace Life shall be entitled to the same defences, claims, counterclaims and rights of set-off as CLA-HK and CLL-HK, as the case may be, in respect thereof. If MyPace Life fails to discharge such obligations, MyPace Life shall indemnify CLA-HK and CLL-HK, as the case may be, against all liabilities and reasonable costs and expenses, in each case incurred after the Transfer Date, attributable to such proceedings or complaints.
- 7.8.2. On and with effect from the applicable Subsequent Transfer Date, by virtue of the Hong Kong Order, any judicial, quasi-judicial, disciplinary, administrative, arbitration or legal proceedings, claims or complaints (whether current, pending, threatened or future including those not yet in contemplation) by or against CLA-HK and CLL-HK in relation to their respective Residual Assets or Residual Liabilities shall be continued or commenced by or against MyPace Life in substitution for CLA-HK and CLL-HK, and MyPace Life shall be entitled to the same defences, claims, counterclaims and rights of set-off as CLA-HK and CLL-HK, as the case may be, in respect thereof. If MyPace Life fails to discharge such obligations, MyPace Life shall indemnify CLA-HK and CLL-HK, as the case may be, against all liabilities and reasonable costs and expenses, in each case incurred after the applicable Subsequent Transfer Date, attributable to such proceedings or complaints.
- 7.8.3. I have been informed by the Appointed Actuaries of CLA-HK and CLL-HK that there are no current or pending legal proceedings or other dispute resolution proceedings in relation to the Transferring Policies at the time of writing this report. Any legal proceedings prior to the substantive hearing of the petition would be managed on a case-by-case basis, with all parties ensuring no detriment to the Transferring Policyholders would occur. As such, I am satisfied that there will not be a materially adverse impact on the Transferring Policyholders as a result of the Scheme and the Coinsurance Agreements.

7.9. PREMIUMS, MANDATES, SERVICES AND OTHER INSTRUCTIONS

- 7.9.1. All premiums, loan repayments (if any, and interest thereon) and other amounts received or receivable by CLA-HK and CLL-HK (or their respective agents) in respect of any of their respective Transferring Policies on and after the Transfer Date shall be payable to MyPace Life (or its agents) after the Transfer Date.
- 7.9.2. MyPace Life (or its agents) shall be irrevocably authorized to endorse for payment any cheques, drafts, orders, postal orders or other instruments payable to, or to the order of, CLA-HK and CLL-HK (or their respective agents) and received by MyPace Life (or its agents) in respect of premiums paid or loan repayments (if any) under their respective Transferring Policies on or after the Transfer Date.
- 7.9.3. MyPace Life (either itself or via its agents) shall have the sole responsibility for billing and collecting premiums and paying all applicable levies and taxes in respect of premiums accrued under the Transferring Policies on or after the Transfer Date.
- 7.9.4. Any mandate, autopay authority, standing order or other instruction in force on the Transfer Date and providing for the payment by a bank or other intermediary of premiums

payable to or to be received by CLA-HK and CLL-HK (or their respective agents) in respect of any of their respective Transferring Policies shall, from and after the Transfer Date, take effect as if the same had been provided for and authorized in favour of MyPace Life (or its agents).

7.10. VARIATIONS TO THE SCHEME

- 7.10.1. Subject to Paragraph 7.10.3 below, CLA-HK, CLL-HK and MyPace Life may apply to the Hong Kong Court for consent to modify, vary or amend the terms of the Scheme, subject to any conditions which the IA or the Hong Kong Court may impose.
- 7.10.2. Subject to Paragraph 7.10.3 below, the terms of the Scheme shall be modified, varied or amended in accordance with such consent (with conditions, if any) as may be given by the Hong Kong Court under Paragraph 7.10.1 of this report.
- 7.10.3. The consent of the Hong Kong Court shall not be required in relation to modification(s), variation(s) or amendment(s) to correct manifest error(s) of the Scheme or which are reasonably considered by CLA-HK, CLL-HK or MyPace Life to be reasonably necessary to ensure that the provisions of the Scheme operate in the intended manner where there is a change in any relevant laws or regulations, provided that, in each case, the IA has been notified of the same and has indicated that it does not object thereto.

7.11. VARIATIONS TO THE COINSURANCE AGREEMENTS

- 7.11.1. The Coinsurance Agreements shall not be amended or modified and the terms hereof shall not be waived, except, in each case, by written agreement, signed by duly authorized officers of both CLA-BB and MyPace Life, and any amendment made without such written agreement shall be void and of no effect. CLA-BB and MyPace Life will look to obtain the IA's consent before making any material change to the Coinsurance Agreements which will affect the interest of the Transferring Policyholders, except for those which are required for legal, regulatory or compliance purposes.

7.12. CONCLUSION

- 7.12.1. I consider the above various operational areas, including the levels of service provided, will not have a material adverse impact on the Transferring Policyholders and the Scheme and the Coinsurance Agreements should provide sufficient safeguards to ensure that they operate as presented.
- 7.12.2. While I do not expect my conclusions to change, I will prepare a Supplementary Report to the Hong Kong Court prior to the substantive hearing of the petition to update the findings as set out in this report and draw any significant developments or changes that may affect policyholders to the attention of the Hong Kong Court. I would expect the Supplementary Report to include consideration of the following, if relevant:
- updated status of the new authorization application and the acceptance of the elected taxation basis of MyPace Life;
 - updated policy statistics, financial and solvency position of the entities involved in the Scheme as at 30 June 2025;
 - any material changes to the risk profile of Canada Life Hong Kong and MyPace Life;
 - policyholder responses, queries and objections regarding the Scheme that have been made in writing since the date of this report, but prior to the finalisation of the Supplementary Report for submission to the substantive hearing of the petition; and
 - any other material developments that have occurred since the date of this report.

Section 8 Impact of the Proposed Transfer on the Non-Transferring Policyholders of Canada Life Group

8.1. INTRODUCTION

- 8.1.1. While I have considered the effects of the Scheme and the Coinsurance Agreements on the Transferring Policyholders extensively in this report given they are under the jurisdiction of the Hong Kong Court, I also consider the effects of the Scheme and the Coinsurance Agreements on the Non-Transferring Policyholders of Canada Life Group to ensure that no material adverse impact arises for these policyholders.
- 8.1.2. In this section I consider the effects of the Scheme and the Coinsurance Agreements on the Non-Transferring Policyholders of Canada Life Group. When forming my opinion in this section, I have relied upon the professional opinions of the Appointed Actuaries of CLA-HK and CLL-HK.
- 8.1.3. MyPace Life is expected to receive a formal approval from the IA in respect of its authorization application immediately after the making of the order sanctioning the Scheme in December 2025. As the Transferring Business will be the first portfolio onboarding following the sanctioned order from the Hong Kong Court, and MyPace Life does not intend to write any new business, there are no existing MyPace Life policyholders that need to be considered.

8.2. NON-TRANSFERRING POLICIES

- 8.2.1. Canada Life Group offers investments, savings and retirement income, annuities, life, disability, job loss and critical illness insurance for individuals, families and business owners, primarily in Canada, as well as in the UK, Isle of Man and Germany, and in Ireland through Irish Life. Canada Life Group also provides traditional mortality, structured and longevity reinsurance solutions for life insurers through branches and subsidiaries in the United States, Barbados and Ireland.
- 8.2.2. I have been informed by the Appointed Actuary of CLA-HK that the Transferring Policies of CLA-HK represent less than 1% of the total CLA policy counts, annual premiums, and face amounts.
- 8.2.3. The in-force unit linked Transferring Business of CLL-HK represented around or less than 1% of the total policy counts, gross written premium, and total best estimate liabilities for in-force unit linked business at the CLL entity level as at 31 December 2024, as illustrated in Table 8.1 below.

Table 8.1: Comparison of in-force unit linked business between CLL-HK and CLL as at 31 December 2024 (in GBP million except policy counts)

	CLL (1)	CLL-HK (2)	Percentage [(3)=(2)/(1)]
Policy counts	19,351	204	1.1%
Gross written premium	86	0.2	0.2%
Total best estimate liabilities on UK Solvency II basis	2,375.3	4.9 ⁽¹⁾	0.2%

Source: CLL internal, non-public information.

Note (1): The UK Solvency II non-unit risk margin of GBP 0.1 million will not be transferred under the Scheme.

- 8.2.4. CLA-HK is currently administering a small number of policies written in Macau belonging to the Macau branch of CLA and in various Pacific Rim jurisdictions belonging to CLA, which will not be transferred under the Scheme. As at 31 December 2024, there were 366 policies (362 of which were participating policies and 4 of which were non-participating policies) belonging to the CLA Macau branch, and 159 policies (156 of which were participating policies and 3 of which were non-participating policies) written in various Pacific Rim jurisdictions of CLA.

8.3. BENEFIT EXPECTATIONS

- 8.3.1. Given the Non-Transferring Policyholders are essentially the individuals, groups and reinsurance cedants of Canada Life Group's business from its global operations principally in Canada, the UK, the Isle of Man, the United States and Europe, my opinion is made without investigating in detail the characteristics of the business in each country or region.
- 8.3.2. Similar to my comments in respect of Transferring Policyholders, when considering the effects of the Scheme and the Coinsurance Agreements on the benefit expectations of the Non-Transferring Policyholders, I have mainly considered factors related to the fulfilment of contractual terms and provisions.
- 8.3.3. The likely effects of the Scheme and the Coinsurance Agreements on the current benefit expectations for various products are also considered. It includes contracts with direct participating features such as retail segregated fund products which provide guaranteed minimum death benefits and guaranteed minimum accumulation on maturity benefits to protect the segregated fund policyholders from market declines in the underlying investments, unitised with profits products and unit linked products with investment guarantees which are similar to segregated fund products but include minimum credited interest rates and pooling of policyholders' funds, as well as guaranteed minimum withdrawal benefits products combined with levels of death and maturity guarantees.

Contractual benefit provisions

- 8.3.4. When forming my opinion on contractual benefits provision, I have not attempted to look at the contractual benefits provided by Canada Life Group. However, given the Transferring Business is only a small part of Canada Life Group's entire business, I agree with the Appointed Actuaries' opinions that the benefit expectations of the Non-Transferring Policyholders of Canada Life Group in terms of Canada Life Group's ability to pay valid claims, as well as to act appropriately in other contractual matters, should be unchanged.

Policyholder dividend policy and philosophy for participating business

- 8.3.5. I have been informed that there will not be any change to the existing principles and methods for the determination of non-guaranteed dividends and other discretionary benefits of Canada Life Group with respect to the participating policies as a result of the Scheme and the Coinsurance Agreements. It is also important to recognise that the Board of Directors of Canada Life Group has the right to alter the principles and methods under the existing Policyholder Dividend Policy and the Participating Account Management Policy in relation to the participating business, with considerations given to various factors such as changes in applicable legal or regulatory requirements, professional guidelines, industry practices or significant business changes. These rights exist whether or not the Scheme and the Coinsurance Agreements proceed and I have no reason to believe the Scheme and the Coinsurance Agreements will lead to a materially adverse impact on the determination of discretionary benefits in relation to the Non-Transferring Policyholders of Canada Life Group.

- 8.3.6. I understand that the determination of discretionary benefits depends largely on various factors relevant to the sub-accounts within Canada Life Group's participating account including, but not limited to, fairness and equitableness of the allocation method between shareholders and policyholders, the volatility of claims and investment experience, the outlook for future policyholder dividends, the drivers of the current level of the DSR, the projected level of DSR and the projected impact on policyholder dividends, equity between dividend classes and between generations of policies within a dividend class, and policyholders' reasonable expectations for dividends, including expectations on the level of volatility which can arise in the dividend scale. Given the assets backing the insurance liabilities of the closed block Transferring Business will continue to be segregated from the existing sub-accounts of the Non-Transferring Policies of Canada Life Group and managed according to the Canada Life Closed Block Operating Rules established by Canada Life Group and approved by the OSFI, the proposed transfer is not expected to have any material adverse impact on the assets backing the liabilities in relation to the Non-Transferring Policies of Canada Life Group.
- 8.3.7. With respect to the non-transferring Macau and various Pacific Rim jurisdictions' participating policies administered by CLA-HK before the Scheme, I have been informed by the Appointed Actuary of CLA-HK that CLA will continue to adopt the same practice following the implementation of the Scheme and the Coinsurance Agreements, where the Macau and various Pacific Rim jurisdictions dividend scale will be based on the Hong Kong dividend scale determined by CLA-BB for the CLA-HK participating Transferring Policies. Given the level of discretionary benefits received by the non-transferring Macau and various Pacific Rim participating policyholders will continue to be governed by the same policyholder dividend policy and methodology as that used by CLA-HK before the Scheme, I have no reason to believe the Scheme and the Coinsurance Agreements will lead to a materially adverse impact on the reasonable benefit expectations of the non-transferring Macau and various Pacific Rim jurisdictions' participating policyholders in this regard.

Other policies subject to company discretion

- 8.3.8. There are a wide range of elective options embedded in the policies issued by Canada Life Group including, but not limited to, conversion to whole life insurance (term insurance), settlement annuity purchase at guaranteed rates (deposit annuities) and guarantee re-sets (segregated fund maturity guarantees).
- 8.3.9. The charging structure of Canada Life Group unit linked products mainly includes annual management charges, policy administration charges, allocation/ setup charges, bid offer spreads, surrender charges, and benefit charges. For non-guaranteed fees and charges, Canada Life Group will continue to have the broad rights to vary policy charges, as well as the right to impose any other charges for administering the policy, provided that the policyholders will be given prior written notice before changes. I have also been informed that the process and principle involved in determining the level of non-guaranteed charges will not be changed as a result of the Scheme and the Coinsurance Agreements.
- 8.3.10. Canada Life Group will retain the same rights with respect to those products where Canada Life Group has the rights to adjust premium rates following the implementation of the Scheme and the Coinsurance Agreements.
- 8.3.11. Overall, these rights exist whether or not the Scheme and the Coinsurance Agreements proceed and I have no reason to believe the Scheme and the Coinsurance Agreements will lead to a materially adverse exercise of discretion in relation to the Non-Transferring Policyholders of Canada Life Group.

Policy terms and conditions

- 8.3.12. The Appointed Actuaries of CLA-HK and CLL-HK have confirmed that there will be no change to the policy terms and conditions of in-force Non-Transferring Policies of Canada Life Group as a result of the Scheme and the Coinsurance Agreements.

Costs and expenses in relation to the Scheme and the Coinsurance Agreements

- 8.3.13. As described under Paragraph 4.10.1 of this report, all costs in relation to the Scheme shall be paid by CLA, CLL and MyPace Life from their respective shareholders' fund in such manner as may be agreed between them, and shall not be borne by the funds maintained by CLA-HK, CLL-HK or MyPace Life pursuant to the Ordinance in respect of their respective long term business or the long term policyholders thereof.
- 8.3.14. CLA has set up a dedicated budget of USD 4 million to USD 5 million to fund the expected costs and expenses related to the Scheme, which shall be paid from CLA's shareholders' fund. These costs and expenses are very small compared to CLA's excess available capital resources. As at 31 December 2024, the excess above the regulatory minimum solvency requirement was USD 4.9 billion.
- 8.3.15. CLL has estimated its expected costs and expenses related to the Scheme will be around GBP 0.4 million, which will be paid from CLL's shareholders' fund. This amount is immaterial relative to CLL's balance sheet.
- 8.3.16. Pursuant to the Administration Agreement and the Coinsurance Agreements, CLA/ CLA-BB will pay PACE an annual onboarding fee for a period of five years, as a remuneration for PACE in creating the infrastructure for the post-Scheme administration of the Transferring Policies. CLA-BB will also pay an upfront ceding commission as at the Transfer Date, as well as inflation-adjusted per-policy Administration Fee to MyPace Life on an annual basis. I have been informed by the Appointed Actuary of CLA-HK that the aggregate costs and expenses related to the Scheme and the Coinsurance Agreements, incurred during the first year after the Transfer Date, are expected to be no more than CAD 20 million (or c. USD 14 million)¹¹.
- 8.3.17. Given that the expected costs and expenses in relation to the Scheme and the Coinsurance Agreements are very small in the context of the overall expense base of CLA and CLL, this is not expected to have any impact on the expense level of Canada Life Group and its subsidiaries, as well as to lead to an increase in the unit costs charged to the Non-Transferring Policyholders of Canada Life Group or a decrease in the dividend levels paid to the Non-Transferring Policyholders of Canada Life Group.

8.4. FINANCIAL SECURITY

- 8.4.1. The security of the contractual benefits of policyholders can be measured by the excess assets in the long term insurance business fund.
- 8.4.2. In line with the approach used to assess the financial security of the Transferring Policyholders, when considering the effects of the Scheme and the Coinsurance Agreements on the financial security of the Non-Transferring Policyholders of Canada Life Group, I have mainly considered the conservatism of the reserving bases used and the capital and free surplus, together with additional security provided by the entity as a whole, and any potential support available from its shareholders. When assessing the financial security of the Non-Transferring Policyholders, I have considered whether the Scheme and the Coinsurance Agreements would result in any material adverse changes to aspects including regulatory supervision, policy reserves, capital requirements, risk exposures,

¹¹ Based on exchange rate as at 31 December 2024.

investment policies, risk policies, policyholder dividends, service levels, group structure, operations and reinsurance arrangements.

Overall materiality of the Transferring Business

8.4.3. Given that the size of the Transferring Business is relatively immaterial to CLA and CLL, I would not expect the transfer to materially adversely affect the financial security of the Non-Transferring Policyholders of Canada Life Group. To illustrate the relative size, as at 31 December 2024:

- Net assets associated with the Transferring Business under the Canadian IFRS 17 basis¹²: USD 30 million
- Net assets of CLA under the Canadian IFRS 17 basis: USD 21,198 million
- Net assets of CLL under the UK financial reporting standard: GBP 2,354 million

The net assets associated with the Transferring Business represent less than 0.1% of CLA's net assets as at 31 December 2024.

Regulatory supervision

CLA

- 8.4.4. CLA is subject to insurance supervision by the OSFI. The Insurance Companies Act ("ICA") requires Canadian insurance companies to establish and maintain corporate governance including an effective risk management and internal control system that is appropriate to their business activities. In addition to the supervision exercised by the OSFI, CLA and its subsidiaries, branches or associates are supervised according to the requirements of relevant local supervisory authorities.
- 8.4.5. CLA is required to submit an Appointed Actuary's Report annually to the regulator pursuant to subsection 667(2) of the ICA, which includes opinion of the Appointed Actuary concerning the appropriateness of the actuarial and other policy liabilities included in the insurer's financial statements, the work done by the Appointed Actuary to calculate the actuarial and other policy liabilities, the work with respect to the administration of participating accounts, a summary of asset/ liability practices, detailed commentary, data exhibits and calculations supporting the Appointed Actuary's opinion. The OSFI views the Appointed Actuary's Report as a key component of its review of the insurer's financial position and profile.
- 8.4.6. CLA assesses its solvency under the LICAT, one of several indicators used by the OSFI to assess an insurer's financial condition. In performing the LICAT, CLA assesses its solvency and financial condition, expressed as the LICAT ratio which must be submitted to the OSFI annually. Details are set out in the subsequent paragraphs of this section.

CLL

- 8.4.7. CLL is authorized by the PRA and regulated by the PRA and the FCA under the Financial Services and Markets Act 2000. The PRA is a subsidiary of the Bank of England and has responsibility for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. The FCA is an independent authority responsible for the conduct regulation of all financial services firms.

¹² Refer to Paragraph 4.6.21 of this report for details.

- 8.4.8. CLL assesses its solvency under the UK Solvency II basis. In particular, CLL assesses UK Solvency II ratio which must be submitted to the PRA annually. In December 2019, CLL obtained approval from the PRA to use a partial internal model for the calculation of the credit, longevity and catastrophe components of the SCR. All other components of the SCR are calculated using the standard formula under the UK Solvency II basis.
- 8.4.9. The actuarial function at CLL is led by the Director of Capital Management and the Actuarial Function Head. The Solvency II regulations mandate that the Actuarial Function Head must adhere to generally accepted actuarial practices in managing policy reserves, ensuring data quality, and preparing annual reports. In accordance with the PRA Rulebook, CLL is required to publish extensive quantitative information annually in the Solvency II Quantitative Reporting Templates, which are included within the Solvency and Financial Condition Report. The actuarial function at CLL is responsible for reviewing the actuarial inputs for these Quantitative Reporting Templates and contributing to the narrative reports for both the regulator and the public.

The provision of financial security

- 8.4.10. To protect the security of policyholders, insurance companies are required to maintain sufficient policy reserves and adequate capital or margin by legislation.
- **Policy reserves:** Assets supporting the policy liabilities calculated according to the underlying contractual obligations using valuation standards prescribed by the statutory rules with prudent assumptions. Assets are held in accounts explicitly dedicated to the policyholders.
 - **Solvency capital or margin:** Prescribed by the OSFI's LICAT guideline (for CLA) and the UK's Solvency II regulations (for CLL), which compares the regulatory capital resources of a life insurer to its required capital. The required capital is calibrated so that a life insurer can both withstand severe stress events and support the continuity of existing business.

Policy reserves

- 8.4.11. The Scheme and the Coinsurance Agreements, in themselves, would not cause any changes to the valuation basis of CLA and CLL, which will continue to report reserves under the Canadian IFRS 17 basis and the UK Solvency II basis respectively. This includes those Non-Transferring Policies written in Macau and various Pacific Rim jurisdictions belonging to CLA (refer to Paragraph 8.2.4 above). The existing components for best estimate liabilities and RA and their underlying methodologies and assumptions are also not expected to change as a result of the Scheme and the Coinsurance Agreements, where CLA-BB will continue to calculate the best estimate liabilities and RA of the Transferring Policies based on the same assumptions adopted by CLA-HK before the Scheme.
- 8.4.12. I have been informed by the Appointed Actuary of CLA-HK that the Scheme and the Coinsurance Agreements will result in a minor change to the reserving approach within CLA. This relates to slight differences between the current valuation of the policies under CLA-HK compared to the proposed approach once the reinsured policies are reserved for in CLA-BB. Specifically this relates to differences in the expense reserve, CSM and the IFRS 17 valuation approach (General Measurement Model instead of Variable Fee Approach). The differences are not expected to be material from the overall perspective of CLA and such differences will impact shareholders and not policyholders. I understand that this will not have a material adverse impact on the Non-Transferring Policies of Canada Life Group.

Overall financial position and projected solvency position

- 8.4.13. The overall financial security of the Non-Transferring Policyholders of Canada Life Group does not only depend on the amount of statutory reserves and solvency requirements, but also on the level of free surplus.
- 8.4.14. Canada Life Group is a subsidiary of Great-West Lifeco Inc. and a member of the Power Corporation group of Companies, which maintains a strong capital position. The Insurer Financial Strength Rating of Canada Life Group is currently rated “AA” by Standard & Poor’s, “Aa3” by Moody’s and “A+” by A.M. Best. This reflects an insurance company that offers sound financial security and has superior financial strength with respect to its ability to pay policies and contracts. In particular, A+ companies rated by A.M. Best have a very strong ability to meet ongoing obligations to policyholders.

CLA

- 8.4.15. CLA is required to maintain adequate capital or an adequate margin of assets over liabilities in Canada pursuant to the OSFI’s LICAT guideline. In relation to these capital requirements, the OSFI has determined a supervisory minimum total ratio of 90% and a supervisory target total ratio of 100% for life insurers. Insurers are expected to establish an internal capital target which should be above the supervisory target total ratio.
- 8.4.16. From a supervisory perspective, if CLA’s LICAT ratio falls below its internal target capital level, or this is anticipated to happen within two years, CLA is required to inform the OSFI promptly and provide plans on how it expects to manage the risks and/or restore its capital position to its internal targets within a relatively short period of time. In the event that CLA’s LICAT ratio approaches or falls below the supervisory target ratio, this will attract increased supervisory attention, which would generally include an early warning intervention status. The intensity and nature of the supervisory intervention would depend on the circumstances of the particular insurer. If an insurer’s LICAT ratio approaches or falls below the supervisory minimum total ratio, the OSFI would be very concerned about the ongoing viability of the insurer and/or the level of risk to policyholders and creditors.
- 8.4.17. CLA manages its LICAT ratio at the total company level. There is no regulatory requirement to maintain a specified level of capital at the branch level as CLA can allocate capital to its branches, should the need arise.
- 8.4.18. The historical LICAT ratios of CLA as at 31 December 2021 to 2024, and the pro-forma post-Scheme and post-Coinsurance Agreements LICAT ratio as at 31 December 2024 are shown in Table 8.2 below.

Table 8.2: CLA’s total LICAT ratios (in USD million except total LICAT ratio)

	31 December 2021	31 December 2022	31 December 2023	31 December 2024	Pro-forma 31 December 2024 ⁽¹⁾
Required capital (at 100% solvency requirement) (1)	18,017	17,468	16,936	16,331	16,331
Total capital resources (2)	22,390	21,020	21,740	21,198	21,184
Total LICAT ratio (3)=(2)/(1)	124%	120%	128%	130%	130%

Source: CLA’s Management’s Discussion and Analysis Reports for the years ended 31 December 2021 to 31 December 2024.

Figures derived from this table may not be the same due to rounding. Figures have been converted from CAD to USD based on the exchange rates applicable on each respective reporting date.

Note (1): The pro-forma position as at 31 December 2024 is calculated assuming that a total of USD 14 million of costs and expenses related to the Scheme and the Coinsurance Agreements is paid out from the CLA’s shareholders’ fund, which results in a reduction in the total capital resources.

- 8.4.19. As at 31 December 2024, the pre-Scheme total LICAT ratio of CLA was 130%. This represents USD 4.9 billion of free surplus above the supervisory target total ratio requirement for life insurers. I have been informed by the Appointed Actuary of CLA-HK that the impact on CLA's total LICAT ratio as a result of the Scheme and the Coinsurance Agreements is expected to be minimal. The costs and expenses to be paid out from the CLA's shareholders' fund after the implementation of the Scheme and the Coinsurance Agreements are expected to be no more than USD 14 million. These include, but are not limited to, the Scheme-related costs, outstanding onboarding fee to PACE, upfront ceding commission and the Administration Fee payable to MyPace Life in the first year and the Unit Linked Excess Costs borne by CLA-BB. These are relatively immaterial as compared to the CLA's balance sheet and can be well covered by the CLA's net assets of USD 21,198 million under the Canadian IFRS 17 basis as at 31 December 2024. As such, the total LICAT ratio of CLA as at 31 December 2024 after the implementation of the Scheme and the Coinsurance Agreements was estimated to reduce by only 0.1% as compared to the pre-Scheme position which, at 130% was higher than the internal target and supervisory target total ratio.

CLL

- 8.4.20. From a supervisory perspective, CLL is required to hold two distinct capital requirements under the UK Solvency II basis: (i) the SCR and (ii) the minimum capital requirement, in addition to the policy reserves.
- 8.4.21. CLL targets to maintain a higher internal capital requirement above the regulatory requirements. In accordance with the CLL Capital Management Operating Policy, CLL manages the solvency position to the most onerous of:
- A UK Solvency II ratio above the internal capital operating target as defined in the CLL's risk appetite framework; and
 - A minimum Canadian LICAT ratio at the UK management division level as defined by the CLA group, where the LICAT capital requirement reflects the diversification across the CLA group.
- 8.4.22. CLL manages its solvency position at the total company level. There is no regulatory requirement to maintain a specified level of capital at the branch level as CLL can allocate capital to its branches, should the need arise.
- 8.4.23. The historical UK Solvency II ratios of CLL as at 31 December 2021 to 2024 and the pro-forma post-Scheme and post-Coinsurance Agreements UK Solvency II ratio as at 31 December 2024 are shown in Table 8.3 below.

Table 8.3: CLL's UK Solvency II ratios (in GBP million except solvency ratio)

	31 December 2021	31 December 2022	31 December 2023	31 December 2024	Pro-forma 31 December 2024 ⁽²⁾
SCR (at 100% solvency requirement) (1)	2,341	1,764	2,204	2,124	2,124
Total own funds under UK Solvency II ⁽¹⁾ (2)	3,998	3,563	3,567	3,446	3,446
UK Solvency II solvency ratio (3)=(2)/(1)	171%	202%	162%	162%	162%

Source: CLL Solvency and Financial Condition Report for the years ended 31 December 2021 to 31 December 2024.

Figures derived from this table may not be the same due to rounding.

Note (1): The total own funds reported for UK Solvency II purposes in the table above differ from the net assets reported in the CLL audited financial statements, which have been prepared under the UK financial reporting standard.

Note (2): The pro-forma position as at 31 December 2024 is calculated assuming that a total of GBP 0.4 million of costs and expenses related to the Scheme is paid out from the CLL's shareholders' fund, which results in a reduction in the total own funds. This has a negligible impact on solvency position as shown in Table 8.3.

- 8.4.24. As at 31 December 2024, the pre-Scheme total UK Solvency II ratio of CLL was 162%. This represents GBP 1.3 billion of surplus above the regulatory minimum requirement of holding 100% of the SCR. The expected costs and expenses to be paid from CLL's shareholders' fund after the implementation of the Scheme and the Coinsurance Agreements are primarily the Scheme-related costs and the potential ex-gratia payment for the CLL-HK Transferring Policyholders who have been UK tax residents pre-transfer and have an adverse tax impact as a result of the Scheme, which are estimated to be around GBP 0.4 million. These are relatively immaterial as compared to the CLL's balance sheet and can be well covered by the CLL's net assets of GBP 2,354 million under the UK financial reporting standard as at 31 December 2024. As such, the total UK Solvency II ratio of CLL as at 31 December 2024 after the implementation of the Scheme and the Coinsurance Agreements was estimated to reduce by only 0.02% as compared to the pre-Scheme position which, at 162% was higher than the internal target and supervisory SCR ratio.
- 8.4.25. Given CLA and CLL continue to be well capitalised and regulated under the OSFI's LICAT framework and UK Solvency II rules respectively to maintain a healthy solvency position, I have no reason to believe there will be any materially adverse impact on the financial security of the Non-Transferring Policyholders of Canada Life Group as a result of the Scheme and the Coinsurance Agreements from a solvency perspective.

Risk exposures

- 8.4.26. Due to the relatively small size of the Transferring Business compared to the Non-Transferring Policies as shown in Paragraph 8.4.3 of this report, the risk exposures of the Non-Transferring Policies are not expected to change materially as a result of the implementation of the Scheme and the Coinsurance Agreements.

Investment policy

- 8.4.27. Given the ring-fencing of the closed-block Transferring Business from the CLA legal entity since the demutualisation of CLA in 1999 and the Non-Transferring Policies, there is no change in the investment policy/ investment strategy after the implementation of the Scheme and the Coinsurance Agreements.

Risk policy/ risk management framework

- 8.4.28. I have been informed that, none of the group wide policies governing the operation of Canada Life Group will be changed as a result of the Scheme and the Coinsurance Agreements. Risk policies, risk control frameworks and reserving policies are the ones that I consider to be more relevant to the financial security of the Non-Transferring Policyholders of Canada Life Group.
- 8.4.29. With the risk policies and risk control frameworks expected to be maintained in the same way, the Scheme and the Coinsurance Agreements are expected to have no impact on how risks are managed within Canada Life Group.

Corporate governance

- 8.4.30. The governance of Canada Life Group and its subsidiaries, branches and/or associates is also not expected to be affected by the Scheme and the Coinsurance Agreements as the structure, staff management, as well as the internal guidelines maintained by Canada Life

Group around corporate governance are independent of the Scheme and the Coinsurance Agreements.

Policy on shareholder dividends and regulatory environment

- 8.4.31. Dividends on outstanding common shares of Canada Life Group are declared and paid at the sole discretion of the Board of Directors of Canada Life Group, with consideration given to a variety of factors including the level of earnings, adequacy of capital and availability of cash resources.
- 8.4.32. Canada Life Group's ability to pay dividends and, in part, its ability to deploy capital is dependent upon Canada Life Group receiving dividends from its operating subsidiaries. Canada Life Group's operating subsidiaries are subject to regulation in a number of jurisdictions, each of which maintains its own regime for determining the amount of capital that must be held in connection with the different businesses carried on by the operating subsidiaries. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends to Canada Life Group.
- 8.4.33. Given the applicable regulatory requirements in different legal jurisdictions will continue to apply after the implementation of the Scheme and the Coinsurance Agreements as Canada Life Group and its subsidiaries, branches and/or associates continue to operate in their current jurisdictions, there will be no impact from the Scheme and the Coinsurance Agreements on the regulatory framework, solvency practice, corporate governance and policyholder protection rules that apply to Canada Life Group and its subsidiaries, branches and/or associates, as well as on Canada Life Group's shareholders' fund and Canada Life Group's practice in making shareholder dividends.

8.5. OTHER CONSIDERATIONS

- 8.5.1. I have also considered the following areas when assessing the impact of the Scheme and the Coinsurance Agreements on the Non-Transferring Policyholders:
- Group structure;
 - Policyholder services;
 - Operational changes;
 - Reinsurance and retrocession arrangements;
 - Distribution arrangements; and
 - Level of services.

Group structure

- 8.5.2. As the transfer will result in the withdrawal of CLA and CLL's respective authorizations to carry on long term business in or from Hong Kong, as well as the closure of their Hong Kong branches – which will lead to a change in the structure of Canada Life Group – I have to consider the potential impact on the Non-Transferring Policyholders.
- 8.5.3. Same as the comments I have made under Section 7.2 of this report, given the ultimate ownership of the insurance risk still lies with Canada Life Group after the implementation of the Scheme and the Coinsurance Agreements and all the group policies will continue to apply, I do not expect there to be any materially adverse impact on the Non-Transferring Policyholders of Canada Life Group as a result of the change in group structure.

Policyholder services

- 8.5.4. Similar to my comment under Section 7.3 of this report, the main policyholder services provided by Canada Life Group and its subsidiaries, branches and/or associates include mainly underwriting and ongoing administration of (re)insurance contracts, customer care, receipt of premiums, and adjudication and payment of claims. The Scheme and the Coinsurance Agreements, in themselves, would not cause any changes to the personnel providing these services in the entities under Canada Life Group located in different parts of the world, except for the administration of those policies written in Macau and various Pacific Rim jurisdictions belonging to CLA (refer to Paragraph 8.2.4 above). The Appointed Actuary of CLA-HK has confirmed that the policyholder services provided to the Non-Transferring Policyholders should not be compromised after the implementation of the Scheme and the Coinsurance Agreements. Specifically, following the implementation of the Scheme, it is planned that the Non-Transferring Policies written in or from Macau and various Pacific Rim jurisdictions will continue to be administered locally from Hong Kong through an outsourcing arrangement. Ideally, the service provider will retain the same one to two CLA-HK staffs currently responsible for these policies to provide customer service and administration support. Therefore, I do not expect the Scheme and the Coinsurance Agreements to have any materially adverse impact on the policyholder services provided to the Non-Transferring Policyholders of Canada Life Group.
- 8.5.5. The existing range of fund choices currently available to the unit linked Non-Transferring Policyholders of Canada Life Group will not be affected as a result of the Scheme and the Coinsurance Agreements.

Operational changes

- 8.5.6. The Scheme and the Coinsurance Agreements are not expected to have any materially adverse impact on the operational aspects. In particular, the Scheme and the Coinsurance Agreements, in themselves, would not cause any changes to the personnel responsible for producing local statutory reports in compliance with the accounting requirements and valuation regulations across different jurisdictions. Other internal functions including information technology and internal audit will continue to operate in the same manner.

Reinsurance and retrocession arrangements

- 8.5.7. Canada Life Group's business includes both reinsurance and retrocession business transacted directly with clients or through reinsurance brokers primarily in the United States and Europe. The product portfolio offered by Canada Life Group includes life, health, annuity/longevity, mortgage surety and property catastrophe reinsurance, provided on both a proportional and non-proportional basis. In addition to providing reinsurance products to third parties, Canada Life Group also utilises the same structures on internal reinsurance transactions between companies within the Great-West Lifeco Inc. group.
- 8.5.8. I have been informed that Canada Life Group does not plan to make any changes to the existing reinsurance and retrocession arrangements related to the Non-Transferring Policies as a result of the Scheme and the Coinsurance Agreements, other than the reinsurance of the Transferring Business to CLA-BB subsequent to the Scheme.
- 8.5.9. Given the same risks associated with the Transferring Policies will ultimately remain within CLA via the Coinsurance Agreements and the Transferring Policies represent a very small proportion of CLA's overall business, I have no reason to believe the subsequent coinsurance arrangements after the Scheme will lead to a materially adverse impact on the Non-Transferring Policyholders of Canada Life Group.

Distribution arrangements

- 8.5.10. Current distribution agreements in place for the Non-Transferring Policies will not be affected as a result of the Scheme and the Coinsurance Agreements.

Level of services

- 8.5.11. As the Transferring Business is such a small portion of the overall Canada Life Group business as described in Section 8.2 of this report, I have been informed that the transfer of these policies will have a negligible impact on the level of services provided to the Non-Transferring Policyholders. In particular, the Appointed Actuary of CLA-HK has noted that CLA will offer its full support, expertise and financial strength to CLA-BB, and the administrative burden will not be solely imposed upon CLA-BB. For example, CLA employees based in Canada will be performing some of the services required to manage the treaty, such as determining policyholder dividends for the transferring participating policies. Meanwhile, policy administration will be performed by MyPace Life.

8.6. CONCLUSION

- 8.6.1. Taking account of the above considerations, I am satisfied that the Scheme and the Coinsurance Agreements will not materially adversely affect either the reasonable expectations or the financial security of the Non-Transferring Policyholders of Canada Life Group.

Section 9 Policyholder Communications

9.1. INTRODUCTION

- 9.1.1. In this section I summarise the notifications that the Parties will send out to the Transferring Policyholders and my opinion on whether these communications are appropriate in respect of the benefits to the Transferring Policyholders.

9.2. NOTIFICATIONS TO THE TRANSFERRING POLICYHOLDERS

- 9.2.1. A statement as required under Section 24(3)(b) of the Ordinance (the “Statutory Statement”), containing a summary of the terms of the Scheme and a Summary Report, will be sent to the registered address of each shareholder of Canada Life Hong Kong and MyPace Life and to the last known address of each Transferring Policyholder by ordinary mail (if located in Hong Kong) or by ordinary air mail (if located outside Hong Kong) in both the English and Chinese language.
- 9.2.2. Statutory Notice will be published in both English and Chinese newspapers (namely South China Morning Post and Hong Kong Economic Times) and Gazette.
- 9.2.3. All policyholders will be able to review the electronic version of the information about the Scheme on the Parties’ corporate websites until the end of the substantive hearing of the petition, including the full terms of the Scheme, a full version of this report, copy of the petition (having annexed thereto a copy of the Scheme) and the Statutory Statement. Alternatively, policyholders will be able to inspect copies of the above documents at the offices of Baker & McKenzie, solicitors for the Parties, between 9:00 a.m. to 5:30 p.m. (Hong Kong time) on normal business days (Monday to Friday (except public holidays)) for not less than 21 days from the date of first publication of the Statutory Notice, request copies by writing to the offices of CLA-HK, CLL-HK or MyPace Life in Hong Kong on or prior to the date of the substantive hearing of the petition, or call the customer service hotline or email with any enquiries about the Scheme.
- 9.2.4. A copy of the Supplementary Report will be posted on the Parties’ corporate websites upon finalisation of the Supplementary Report around November 2025, and such posting shall be maintained until the end of the substantive hearing of the petition.
- 9.2.5. Key documents, including this report, the Summary Report and the Supplementary Report, will be available in English and Chinese, except that the petition will be available in English only.
- 9.2.6. The Transferring Policyholders will be notified in writing after the Scheme has been sanctioned by the Hong Kong Court and has taken effect. If the Scheme is not sanctioned by the Hong Kong Court and does not take effect, the Transferring Policyholders will also be notified in writing.
- 9.2.7. I am satisfied that the proposed approach to communicating with the Transferring Policyholders is reasonable. I have also reviewed the English version of the proposed communication documents and am satisfied that these documents should help explain the material adverse effects of the transfer. I have relied on the Parties to ensure that the Chinese version of the Scheme document is a faithful translation of the English version and accept no responsibility for any mistranslation.

9.3. NOTIFICATIONS TO THE NON-TRANSFERRING POLICYHOLDERS OF CANADA LIFE GROUP

- 9.3.1. I have been informed by the Parties that they have applied for dispensation in respect of notifying the Non-Transferring Policyholders of Canada Life Group. I am satisfied that this

is an appropriate approach as I agree with the reasons suggested by the Parties, including:

- the fact that there will be no materially adverse impact on the reasonable expectations (with regard to benefits and levels of service) and financial security caused by the Scheme and the Coinsurance Agreements to those policyholders;
- the immateriality of the Transferring Business which is less than 1% at Canada Life Group level in terms of policy counts, annual premiums and face amounts as at 31 December 2024;
- for the sake of avoiding unnecessary confusion to Non-Transferring Policyholders of Canada Life Group whose insurance policies will remain under Canada Life Group as their insurance policies are not the subject matter of the Scheme and the Coinsurance Agreements; and
- for the sake of avoiding unnecessary administrative burden on Canada Life Group with respect to the distribution of the Statutory Statement to the Non-Transferring Policyholders, whereby 99% of which are located outside Hong Kong.

9.4. NOTIFICATIONS TO THE EXISTING MYPACE LIFE POLICYHOLDERS

- 9.4.1. I understand that a formal approval in respect of MyPace Life's authorization application is expected to be granted by the IA immediately after the making of the order sanctioning the Scheme in December 2025. As the Transferring Business will be the first portfolio onboarding following the sanctioned order from the Hong Kong Court, and MyPace Life does not intend to write any new long term business, there is no issue in this regard.

9.5. NOTIFICATIONS TO THE PROSPECTIVE LONG TERM POLICYHOLDERS OF THE PARTIES

- 9.5.1. As CLA-HK and CLL-HK have ceased to effect any new contracts of insurance, including contracts of reinsurance accepted but excluding contracts of reinsurance ceded, of long term business, in or from Hong Kong since 1994 and 1995 respectively, and MyPace Life does not intend to write any new long term business in or from Hong Kong, there is no issue in this regard.

9.6. OBJECTIONS AND QUERIES

- 9.6.1. The Transferring Policyholders and any other persons, such as any employee from the Parties, who feel they will be adversely affected by the Scheme may put their objections to the Court either in writing, by attending the substantive hearing of the petition or by asking a representative to raise their objection. In deciding whether to sanction the Scheme, the Court will consider these objections. I will also consider objections that have been made in writing sufficiently prior to the finalisation of documents for submission to the substantive hearing of the petition in coming to my view on the appropriateness of the Scheme, and will report as appropriate in the Supplementary Report, if relevant.

Appendix A Terms of Reference

General requirements

- A1. The Independent Actuary shall have a duty to act independently and this duty is paramount and overrides any obligation to the person from whom he has received instructions or by whom he is paid.
- A2. Evidence presented to the Hong Kong Court should be, and should be seen to be, the independent product of the Independent Actuary uninfluenced by the exigencies of the instruction or court proceedings.
- A3. The Independent Actuary should provide independent assistance to the Hong Kong Court where appropriate, by way of objective unbiased opinion in relation to matters within his expertise. He should never assume the role of an advocate.
- A4. The Independent Actuary should not omit to consider material facts within his knowledge which could detract from his concluded opinion.
- A5. The Independent Actuary should make it clear when a particular question or issue falls outside his expertise.
- A6. If the Independent Actuary's opinion is not properly researched because he considers that insufficient data is available, then this must be stated with an indication that the opinion is no more than a provisional one.
- A7. In a case where the Independent Actuary who has prepared a report could not assert that the report contained the truth, the whole truth and nothing but the truth without some qualification, that qualification should be stated in the report.
- A8. If the Independent Actuary changes his view on a material matter having read another expert's report or for any other reason, such change of view should be communicated in writing (through legal representatives) without delay to the company, and where appropriate to the Hong Kong Court.
- A9. The Independent Actuary may communicate with the IA as he considers appropriate in connection with the services and the Scheme Report provided in connection with the appointment as Independent Actuary.

Scope of the work of the Independent Actuary in relation to the Scheme

My report is to consider the terms of the Scheme generally and the effect which the Scheme will have on the policyholders of the Parties.

In particular, my report will consider the following specific matters:

- The impact of the Scheme on the financial security of the different groups and generations of policyholders of the Parties involved in the Scheme;
- The impact of the Scheme on the benefit expectation of the different groups and generations of policyholders of the Parties involved in the Scheme;
- A review of, and opinion on the fairness of, the operational continuity resulted by the change in operational plans following implementation of the Scheme, which will include types of new business to be written after the Scheme and its potential impact on the existing rights of the current policyholders of the Parties, as well as the cost implications;
- A review of, and opinion on the fairness of, proposals to combine any funds to the extent that any such combinations are included in the Scheme (either as at the effective date or subsequently), and consideration of any further covenants or undertakings that may be required to ensure that each category of policyholders is treated fairly;
- A review of, and opinion on the fairness of, any mechanisms to be implemented at the same time as the Scheme, but not included in the Scheme, to provide financial support to any of the funds involved in the Scheme;
- An assessment, and opinion on the fairness of, the potential change in capital position and review of the capital management policy to be adopted by the Parties following implementation of the Scheme to the policyholders of the Parties involved in the Scheme;
- A review, and opinion on the fairness of, the current risk exposure and potential change in risk exposure to the various groups of policyholders of the Parties involved in the Scheme. An assessment of any potential increase in concentration risks to the Parties after the transfer;
- An assessment of the nature of business written by the Parties before the transfer. A review of the guarantees offered by the Parties, and assessment of whether the existing guarantees will be matched after the transfer. An opinion on the fairness based on the assessment and review to the policyholders of the Parties involved in the Scheme; and
- An assessment, and opinion on the fairness of, the potential change in the investment policies adopted by the Parties following implementation of the Scheme to the policyholders of the Parties involved in the Scheme.

My review and report will address generally the way in which the Parties have conducted their insurance business but taking into account the particular circumstances of each class of business to be transferred. It will deal inter alia with the following aspects:

- Memorandum, and the Articles of Association, at least insofar as these affect the rights, expectations and interests of policyholders;
- The terms of the policies issued by each of the Parties;
- The existing and proposed internal working arrangements relating to the financial management of the long term business fund, including the operational and administrative arrangements which will apply to the policies to be transferred under the terms of the Scheme; and
- The terms and conditions expected to be imposed by the Scheme to be presented to the Court, including the views expressed by the governing body or management of the Parties.

The above list is not intended to be exclusive to any other aspects which may be identified during the completion of the project and which are considered to be relevant.

In preparing the report, I will give due consideration to all material facts and take proper care to ensure that the report will in its final form accurately represent my opinion, honestly held, on the matters set out above and be limited to the matters of opinion which fall within my area of expertise.

I shall not be directly involved in the formulation of the proposed transfer although I should expect to give guidance during the evolution of the detailed proposals on those issues which concern me, or which I consider unsatisfactory.

I will not provide any advice with respect to the merits of the transfer.

While the Chinese translation of the report will be produced by the Parties, I will review it and ensure its quality.

Disclosure of prior Hong Kong assignments undertaken for the Parties

Milliman Limited in Hong Kong performed a high-level review of MyPace Life's financial projection model prepared under the HKRBC basis for its new license application to the IA in September 2024.

Milliman Limited in Hong Kong provided the Appointed Actuary services for Asia Insurance for the years ended 31 December 2018 to 31 December 2021.

There have been no other projects undertaken by Milliman Limited in Hong Kong for CLA-HK, CLL-HK and PACE over the last 5 years.

Appendix B Key Sources of Data

Documents related to the Scheme and the Coinsurance Agreements

- B1. The Scheme pursuant to Sections 24 and 25(1) of the Ordinance (Cap. 41) for the transfer of the long term insurance business from Canada Life Hong Kong to MyPace Life, as filed with the Hong Kong Court
- B2. Participating Coinsurance Agreement entered into between MyPace Life and CLA-BB under which all insurance risks under the participating CLA-HK Transferring Business (after such policies are transferred to and assumed by MyPace Life pursuant to the Scheme) shall be ceded by MyPace Life to CLA-BB
- B3. Non-Participating Coinsurance Agreement entered into between MyPace Life and CLA-BB under which all insurance risks under the CLA-HK non-participating Transferring Policies and the CLL-HK Transferring Policies (after such policies are transferred to and assumed by MyPace Life pursuant to the Scheme) shall be ceded by MyPace Life to CLA-BB
- B4. Memorandum of Understanding between CLA, Asia Insurance and PACE on 16 April 2024
- B5. Framework Agreement entered into between CLA, CLL, MyPace Life, Asia Insurance and PACE
- B6. Administration Agreement entered into between MyPace Life and CLA-BB
- B7. Trust Agreement by and among MyPace Life, CLA-BB and the Bank of New York Mellon
- B8. Appointed Actuary's report of CLA-HK on the proposed Scheme and the Coinsurance Agreements
- B9. Appointed Actuary's report of CLL-HK on the proposed Scheme and the Coinsurance Agreements
- B10. Appointed Actuary's report of MyPace Life on the proposed Scheme and the Coinsurance Agreements
- B11. Policyholder communication pack issued by both Canada Life Hong Kong and MyPace Life to the Transferring Policyholders

CLA-HK

- B12. Register of authorized insurers filed with the IA evidencing the classes of insurance business for which CLA-HK is authorized to carry on in its Hong Kong branch
- B13. Audited accounts and financial statements of CLA-HK, for the years ended 31 December 2021, 2022 and 2023, prepared in accordance with the HKFRS
- B14. Unaudited accounts and financial statements of CLA-HK, for the years ended 31 December 2023 and 2024, prepared in accordance with IFRS 17
- B15. Appointed actuarial valuation reports, including recommendations of valuation basis, of CLA-HK for the years ended 2021, 2022 and 2023
- B16. Dynamic Solvency Testing reports showing solvency positions of CLA-HK under the pre-HKRBC basis as at 31 December 2021, 31 December 2022 and 31 December 2023
- B17. Fund structure of Canada Life before the transfer
- B18. Organisation structure and management team of CLA-HK before the transfer
- B19. 2011 Policyholder Dividend Scale Recommendation for all Canada Life Hong Kong and other participating individual life policies, effective 1 January 2011

- B20. Memorandum on proposed valuation recommendations for the 2025 International Dividend Scale covering the international block of participating life policies, consisting of Hong Kong and Macau participating life policies, dated 8 November 2024
- B21. Product specifications for major products of CLA-HK
- B22. In-force long term business summary, including number of policies, gross written premium, sum assured, reserves and policy loans as of 31 December 2024
- B23. Summary of guaranteed crediting rates and the latest declared crediting rates for universal life insurance portfolio of CLA-HK
- B24. Historical loan interest rates for major products of CLA-HK for the period from January 2020 to May 2025
- B25. Expense analysis prepared by CLA-HK for the years ended 2021, 2022, 2023 and 2024
- B26. List of brokers receiving ongoing renewal commissions as of May 2025
- B27. Internal Audit Report of governance and insurance oversight over the Hong Kong and Macau branches of The Canada Life Assurance Company, dated 31 March 2022
- B28. Complaint Handling Procedure Guide, effective as of 16 July 2024
- B29. Customer complaint log for the period from 2011 to 16 May 2025
- B30. Correspondence with the regulator from 2022 to 2024, including but not limited to:
 - Letters from the IA dated 22 March 2023 with respect to the approval for the accounting concession under Section 17(2) of the Ordinance, permission given under Section 22A of the Ordinance and relaxation of certain requirements of the Insurance (Determination of Long Term Liabilities) Rules (Cap. 41E) (repealed with effect from 1 July 2024) pursuant to Section 130(1) of the Ordinance from the financial years ended 31 December 2022 until the commencement of HKRBC regime as of 1 July 2024;
 - Letter from the IA dated 28 June 2024 with respect to the withdrawal of the approval granted by the IA in the letters dated 22 March 2023 with effect from 1 July 2024; and
 - Letter from the IA dated 15 August 2024 with respect to the approval for the permission given under Section 22A of the Ordinance with effect from 1 July 2024 until it is otherwise amended or withdrawn by the IA, as well as the relaxation of the Insurance (Valuation and Capital) Rules (Cap. 41R) pursuant to Section 130(1) of the Ordinance and variation to the requirements in the Insurance (Submission of Statements, Reports and Information) Rules (Cap. 41S) pursuant to Section 17(2) of the Ordinance for the period from 1 July 2024 to 31 December 2026

CLL-HK

- B31. Register of authorized insurers filed with the IA evidencing the classes of insurance business for which CLL-HK is authorized to carry on in its Hong Kong branch
- B32. Actuarial valuation basis for the year ending 31 December 2024
- B33. Organisation structure and senior management and actuarial team of CLL-HK before the transfer
- B34. Product brochures and policy provisions specifications for “Flexible Cover Plan” and “Flexible Investment Bond”
- B35. In-force long term business summary, including number of policies, gross annual premium, sum assured and reserves as of 31 December 2024

- B36. Memorandums on proposed policy fees recommendations for CLL-HK unit linked business for 2020 onwards, 2022, 2023, 2024 and 2025
- B37. Customer complaints register for “Flexible Cover Plan” for the period from 2019 to June 2024
- B38. List of correspondence with the regulator for the period from 2022 to 2024, including but not limited to:
- Letter from the IA dated 18 December 2023 with respect to the approval for the accounting concession under Section 17(2) of the Ordinance from the financial year ending 31 December 2023 until the commencement of HKRBC regime as of 1 July 2024;
 - Letter from the IA dated 28 June 2024 with respect to the withdrawal of the approval granted by the IA in the letter dated 18 December 2023 with effect from 1 July 2024; and
 - Letter from the IA dated 15 August 2024 with respect to the approval for the permission given under Section 22A of the Ordinance with effect from 1 July 2024 until it is otherwise amended or withdrawn by the regulator, as well as the relaxation of the Insurance (Valuation and Capital) Rules (Cap. 41R) pursuant to Section 130(1) of the Ordinance and variation to the requirements in the Insurance (Submission of Statements, Reports and Information) Rules (Cap. 41S) pursuant to Section 17(2) of the Ordinance for the period from 1 July 2024 to 31 December 2026

Canada Life Group

- B39. Appointed Actuary's Report to the Audit Committee regarding policy liabilities for The Canada Life Assurance Company and The Canada Life Insurance Company of Canada for the years ended 2021, 2022, 2023 and 2024
- B40. Canada Life Closed Block Operating Rules (abridged version to remove elements pertaining to other blocks of business in CLA that are irrelevant to the Transferring Business)
- B41. The Canada Life Assurance Company Participating Policyholder Dividend Policy
- B42. Terms of Reference for Canada Life International Participating Management Oversight Committee, approved on 18 January 2024
- B43. Consolidated financial statements for The Canada Life Assurance Company for the years ended 31 December 2021, 31 December 2022, 31 December 2023 and 31 December 2024
- B44. Own Risk and Solvency Assessment (ORSA) 2024 Report for The Canada Life Assurance Company (modified version covering selected pages from the main ORSA report for Great-West Lifeco Inc. pertaining to company overview and risk management framework and the CLA supplemental ORSA report pertaining to CLA specific details)
- B45. Own Risk and Solvency Assessment (ORSA) 2021, 2022, 2023 and 2024 Reports for Canada Life Limited
- B46. Solvency and Financial Condition Reports for The Canada Life Group (U.K.) Limited for the years ended 31 December 2021, 31 December 2022, 31 December 2023 and 31 December 2024
- B47. Solvency and Financial Condition Reports for Canada Life Limited for the years ended 31 December 2021, 31 December 2022, 31 December 2023 and 31 December 2024
- B48. Capital and Risk Solutions Investment Policy, approved by the Reinsurance Committee of the Boards of Great-West Lifeco Inc. and Canada Life Group and the Reinsurance Executive Risk Management Committee in 2023
- B49. Lifeco Asset-Liability Management (ALM) Standard for Great-West Lifeco Inc. and its insurance subsidiaries, effective as of 22 October 2018

- B50. Enterprise Risk Management (ERM) Policy for Great-West Lifeco Inc. and its insurance subsidiaries, effective as of 9 April 2024
- B51. Capital Management Policy for The Canada Life Assurance Company and its subsidiaries, effective as of 8 November 2023
- B52. Risk Appetite Framework for The Canada Life Group (U.K.) Limited and its group of companies, effective as of 28 February 2024
- B53. Risk Strategy for The Canada Life Group (U.K.) Limited and its group of companies, effective as of 28 February 2024
- B54. Reinsurance and Risk Mitigation Operating Policy for The Canada Life Group (U.K.) Limited and its group of companies, effective as of 19 November 2024
- B55. Pricing Underwriting and Reserving Operating Policy for The Canada Life Group (U.K.) Limited and its group of companies, effective as of 20 November 2024
- B56. Articles of Association for Canada Life Limited
- B57. Report and financial statements for Canada Life Limited for the years ended 2021, 2022, 2023 and 2024
- B58. Organisation structure and management team of Canada Life Limited before the transfer
- B59. CLL Asset and Liability Management Standard, effective as of 8 November 2023
- B60. CLL Capital Management Operating Policy (including Dividend Policy), effective as of 19 November 2024
- B61. CLL Investment Standard, effective as of 7 December 2023
- B62. CLL Investment Operating Policy, effective as of 22 November 2023
- B63. Unit Linked Mortality Charges Paper for CLL
- B64. Unit trust fund factsheets (including fund holdings as at 31 May 2024 and past performance to 31 May 2024) for four Canlife Life Series 2 Accumulation funds (Equity, International, Managed and Money) at Canada Life Asset Management

MyPace Life

- B65. Materials submitted to the IA for the new authorization to carry on long term insurance business in or from Hong Kong in compliance with GL5 including, but not limited to:
 - Particulars of MyPace Life;
 - Proposed organisation structure and management team (including the Board of Directors and key person(s) in control functions);
 - Duties and responsibilities of senior management;
 - Staff establishment and recruitment;
 - Market feasibility study;
 - Financial standing; and
 - Business plan and financial projections under both optimistic estimate basis and pessimistic estimate basis over the projection period from 2026 to 2084 (with latest version submitted in June 2025).
- B66. Actuarial and Reserving Manual, effective as of September 2024
- B67. Accounting Methodology, effective as of September 2024
- B68. Closed Block Participating Business Policy, effective as of October 2024

- B69. Discretionary Benefits in Closed Block Non-Participating Business Policy, effective as of February 2025
- B70. Reinsurance Management Strategy Policy, effective as of December 2024
- B71. Anti-Money Laundering and Counter-Terrorist Financing Manual, effective as of September 2024
- B72. Internal Audit Policy, effective as of August 2024
- B73. Employee Manual, effective as of September 2024
- B74. Senior Management Retention Policy, effective as of October 2024
- B75. Policy Admin & Customer Services Manual, effective as of September 2024
- B76. Complaints Handling Policy, effective as of September 2024
- B77. Enterprise Risk Management Policy, effective as of June 2025
- B78. Business Continuity Planning Manual, effective as of September 2024
- B79. Software Development and Management Policy, effective as of September 2024
- B80. Personal Data Privacy and Data Protection Policy, effective as of September 2024
- B81. Cybersecurity Policy, effective as of September 2024
- B82. Cybersecurity Incident Response and Recovery Manual, effective as of September 2024
- B83. MyPace Life's responses to the questions and comments from the IA with respect to the new authorization application

Shareholders of MyPace Life

- B84. Annual report of Asia Financial Holdings Limited for the years ended 31 December 2021, 2022, 2023 and 2024
- B85. Report of the Directors and audited financial statements of Asia Insurance for the years ended 31 December 2021, 2022, 2023 and 2024
- B86. Reports and audited financial statements of PACE for the period from 11 November 2020 (the date of incorporation) to 31 March 2022 and for the year ending 31 March 2023
- B87. Unaudited management accounts of PACE for the year ending 31 March 2025

Others

- B88. Other information and clarifications obtained through various email and telecommunication during the period of our assignment

Appendix C Prudential Regulation Authority Handbook

Section 2.27 to 2.40

C.1 INTRODUCTION

- C.1.1. In this appendix I set out the guidance in PRA's Handbook Section 2 (The Prudential Regulation Authority's approach to insurance business transfers) on the form of a report on an insurance business prepared by an independent expert.

C.2 SCHEME REPORT

Section 2.27

- C.2.1. Under section 109 of FSMA, a Scheme report must accompany an application to the court to approve an insurance business transfer scheme. This report must be made in a form approved by the PRA (following consultation with the FCA).

Section 2.27A

- C.2.2. The PRA's assessment of whether to approve the form of the scheme report considers if the report is in an appropriate form to be submitted to the court to assist its assessment of the scheme. The PRA expects to take into consideration whether the report:
- covers in sufficient detail all the issues that appear to the PRA to be relevant; and
 - incorporates appropriate reasoning

Section 2.27B

- C.2.3. The PRA would generally expect a scheme report to contain at least the information specified in 2.30 and 2.32–2.33 below before it would be able to consider approving the form of the report.

Section 2.28

- C.2.4. When the PRA has approved the form of a Scheme report, the Scheme promoter may expect to receive written confirmation to that effect.

Section 2.29

- C.2.5. There may be matters relating to the Scheme or the parties to the transfer that the regulators wish to draw to the attention of the independent expert. The regulators may also wish the report to address particular issues. The independent expert would therefore be expected to contact the regulators at an early stage to establish whether there are such matters or issues. The independent expert should form his own opinion on such issues, which may differ from the opinion of the regulators.

Section 2.30

- C.2.6. The Scheme report should comply with the applicable rules on expert evidence and contain the following information:
- who appointed the independent expert and who is bearing the costs of that appointment;
 - confirmation that the independent expert has been approved or nominated by the PRA;
 - a statement of the independent expert's professional qualifications and (where appropriate) descriptions of the experience that makes them appropriate for the role;

- whether the independent expert, or his employer, has, or has had, direct or indirect interest in any of the parties which might be thought to influence his independence, and details of any such interest;
- the scope of the report;
- the purpose of the Scheme;
- a summary of the terms of the Scheme in so far as they are relevant to the report;
- what documents, reports and other material information the independent expert has considered in preparing the report, whether they have identified any material issues with the information provided and whether any information that they requested has not been provided;
- any firm-specific information the independent expert considers should be included, where the applicant(s) consider it inappropriate to disclose such information, then the independent expert should explain this and the reasons why disclosure has not been possible;
- the extent to which the independent expert has relied on:
 - a) information provided by others; and
 - b) the judgment of others;
- the people on whom the independent expert has relied and why, in his opinion, such reliance is reasonable;
- their opinion of the likely effects of the Scheme on policyholders (this term is defined to include persons with certain rights and contingent rights under the policies), distinguishing between:
 - a) Transferring Policyholders;
 - b) policyholders of the transferor whose contracts will not be transferred;
 - c) policyholders of the transferee; and
 - d) any other relevant policyholder groupings within the above that the independent expert has identified.
- their opinion on the likely effects of the Scheme on any reinsurer of a transferor, any of whose contracts of reinsurance are to be transferred by the Scheme;
- their definition of 'material adverse' effect;
- what matters (if any) that the independent expert has not taken into account or evaluated in the report that might, in their opinion, be relevant to policyholders' consideration of the scheme;
- for each opinion and conclusion that the independent expert expresses in the report, an outline of their reasons; and
- an outline of permutations if a scheme has concurrent or linked schemes, and analysis of the likely effects of the permutations on policyholders.

Section 2.31

C.2.7. The purpose of the scheme report is to inform the court and the independent expert, therefore, has a duty to the court. However reliance will also be placed on it by policyholders, reinsurers, and others affected by the scheme and by the regulators. The amount of detail that it is appropriate to include will depend on the complexity of the scheme, the materiality of the details themselves and the circumstances.

Section 2.31A

- C.2.8. The independent expert is ultimately responsible and accountable for the opinions and conclusions expressed in the scheme report, including where reliance has been placed on others. Therefore where the independent expert has placed reliance on others, they must be clear why they are content to do so.

Section 2.32

- C.2.9. The summary of the terms of the Scheme should include:
- a description of any reinsurance arrangements that it is proposed should pass to the transferee under the scheme; and
 - a description of any guarantees or additional reinsurance that will cover the transferred business or the business of the transferor that will not be transferred.

Section 2.33

- C.2.10. The independent expert's opinion of the likely effects of the scheme should be assessed at both firm and policyholder level and should:
- include a comparison of the likely effects if it is or is not implemented;
 - state whether the firm(s) considered alternative arrangements and, if so, what were the arrangements and why were they not proceeded with;
 - analyse and conclude on how groups of policyholders are affected differently by the scheme, and whether such effects are material in the independent expert's opinion. Where the independent expert considers such effects to be material, they should explain how this affects their overall opinion;
 - include the independent expert's views on:
 - a) the likely effect of the scheme at firm and policyholder level on the ongoing security of policyholders' contractual rights, including an assessment of the stress and scenario testing carried out by the firm(s) and of the potentially available management actions that have been considered by the board of the firm(s) and the likelihood and potential effects of the insolvency of the transferor(s) and transferee(s). The independent expert should also consider whether it is necessary to conduct their own stress and scenario testing or to request the firm(s) to conduct further stress and scenario testing;
 - b) the transferor's and transferee's respective abilities to measure, monitor, and manage risk and to conduct their business prudently. This includes their ability to take corrective action in the even there is a material deterioration of their balance sheets;
 - c) the likely effects of the scheme, in relation to the likelihood of future claims being paid, with consideration of not only the regulatory capital regime, but also any other risks not falling within the regime. This would include those likely to emerge after the first year or that are not fully captured by the regulatory capital requirements;
 - d) whether the transferee(s) existing (or proposed, where applicable) capital model would remain appropriate following the scheme;
 - e) the likely effects of the scheme on matters such as investment management, capital management, new business strategy, claims reserving, administration, claims handling, expense levels and valuation bases for both transferor(s) and transferee(s) in relation to:
 - i. the security of policyholders' contractual rights;
 - ii. levels of service provided to policyholders;

- iii. for long term insurance business, the reasonable expectations of policyholders; and
- f) the likely cost and tax effects of the scheme, in relation to how they may affect the security of policyholders' contractual rights, or for long-term insurance business, their reasonable expectations; and
- g) the likely effects at firm and policyholder level due to any change in risk profiles and/or exposures resulting from the scheme or related transactions.

Section 2.34

C.2.11. The independent expert is not expected to comment on the likely effects on new policyholders, that is those whose contracts are entered into after the effective date of the transfer.

Section 2.35

C.2.12. For any mutual company involved in the Scheme, the report should:

- describe the effect of the scheme on the proprietary rights of members of the company, including the significance of any loss or dilution of the rights of those members to secure or prevent further changes which could affect their entitlements as policyholders;
- state whether, and to what extent, members will receive compensation under the scheme for any diminution of proprietary rights; and
- comment on the appropriateness of any compensation, paying particular attention to any differences in treatment between members with voting rights and those without.

Section 2.36

C.2.13. For a Scheme involving long term insurance business, the report should:

- describe the effect of the Scheme on the nature and value of any rights of policyholders to participate in profits;
- if any such rights will be diluted by the Scheme, describe how any compensation offered to policyholders as a group (such as the injection of funds, allocation of shares, or cash payments) compares with the value of that dilution, and whether the extent and method of its proposed division is equitable as between different classes and generations of policyholders;
- describe the likely effect of the Scheme on the approach used to determine:
 - a) the amount of any non-guaranteed benefits such as bonuses and surrender values; and
 - b) the levels of any discretionary charges;
- describe what safeguards are provided by the scheme against a subsequent change of approach to these matters (in 2.36(1)–(3)) that could act to the detriment of existing policyholders of either firm;
- include the independent expert's overall assessment of the likely effects of the Scheme on the reasonable expectations of long term insurance business policyholders;
- state whether the independent expert is satisfied that for each firm, the Scheme is equitable to all classes and generations of its policyholders; and
- state whether, in the independent expert's opinion, for each relevant firm the Scheme has sufficient safeguards (such as principles of financial management or certification by the a with-profits actuary or actuarial function holder) to ensure that the Scheme operates as presented.

Section 2.37

- C.2.14. Where the transfer forms part of a wider chain of events or corporate restructuring, it may not be appropriate to consider the transfer in isolation and the independent expert should seek sufficient explanations on corporate plans to enable them to understand the wider picture. Likewise, the independent expert will also need information on the operational plans of the transferee and, if only part of the business of the transferor is transferred, of the transferor. These will need to have sufficient detail to allow them to understand in broad terms how the business will be run. The PRA expects the independent expert to comment on how any such plans (including other insurance business transfers involving the parties to the scheme) would impact the likely effects of the scheme at firm and policyholder level.

Section 2.38

- C.2.15. A transfer may provide for benefits to be reduced for some or all of the policies being transferred. This might happen if the transferor is in financial difficulties. If there is such a proposal, the independent expert should report on what reductions they consider ought to be made, unless:

- the information required is not available and will not become available in time for his report, for instance it might depend on future events; or
- they are unable to report on this aspect in the time available

Under such circumstances, the transfer might be urgent and it might be appropriate for the reduction in benefits to take place after the event, by means of an order under section 112 of FSMA. The PRA considers any such reductions against its statutory objectives. Section 113 of FSMA allows the court, on the application of the PRA, to appoint an independent actuary to report on any such post-transfer reduction in benefits.

Section 2.39

- C.2.16. The PRA expects the independent expert to provide a supplementary report for the final court hearing. Any supplementary reports will form part of the scheme report required to be produced under section 109 of FSMA and must also comply with 2.30–2.37.

Section 2.40

- C.2.17. The purpose of the supplementary report is for the independent expert to provide an update on any relevant new information or events that have occurred since the date of the scheme report and to provide an opinion on whether they have affected the transfer. Matters that should be considered include, but are not limited to:

- the most recent audited and unaudited available financial information in respect of the transferor and transferee, which the PRA would expect to have been internally validated;
- any recent economic, financial or regulatory developments; and
- any representations made by policyholders or affected persons that raise issues not previously considered in the scheme report.

Section 2.40A

- C.2.18. In circumstances where there has been a duration between the directions hearing and the final court hearing of six months or more, it may be appropriate for the independent expert to produce an updated scheme report rather than a supplementary report. The PRA would assess this report as set out in 2.27A.

Appendix D Financial Conduct Authority Handbook

SUP18.2.31G to 18.2.41G

D.1 INTRODUCTION

- D.1.1. In this appendix I set out the guidance in FCA's Supervision Handbook section 2 of SUP 18 (Transfers of Business) on the form of a report on an insurance business prepared by an independent expert.

D.2 FORM OF SCHEME REPORT

SUP 18.2.31G

- D.2.1. Under section 109 of the Act, a Scheme report must accompany an application to the court to approve an insurance business transfer Scheme. This report must be made in a form approved by the appropriate regulator. The appropriate regulator would generally expect a Scheme report to contain at least the information specified in SUP18.2.33G before giving its approval.

SUP 18.2.31AG

- D.2.2. When the appropriate regulator has approved the form of a Scheme report, the Scheme promoter may expect to receive written confirmation to that effect from that regulator.

SUP 18.2.32G

- D.2.3. There may be matters relating to the Scheme or the parties to the transfer that the regulators wish to draw to the attention of the independent expert. The regulators may also wish the report to address particular issues. The independent expert should therefore contact the regulators at an early stage to establish whether there are such matters or issues. The independent expert should form his own opinion on such issues, which may differ from the opinion of the regulators.

SUP 18.2.33G

- D.2.4. The Scheme report should comply with the applicable rules on expert evidence and contain the following information:
- who appointed the independent expert and who is bearing the costs of that appointment;
 - confirmation that the independent expert has been approved or nominated by the appropriate regulator;
 - a statement of independent expert's professional qualifications and (where appropriate) descriptions of the experience that fits him for the role;
 - whether the independent expert has, or has had, direct or indirect interest in any of the parties which might be thought to influence his independence, and details of any such interest;
 - the scope of the report;
 - the purpose of the Scheme;
 - a summary of the terms of the Scheme in so far as they are relevant to the report;
 - what documents, reports and other material information the independent expert has considered in preparing his report and whether any information that he requested has not been provided;

- the extent to which the independent expert has relied on:
 - a) information provided by others; and
 - b) the judgment of others;
- the people on whom the independent expert has relied and why, in his opinion, such reliance is reasonable;
- his opinion of the likely effects of the Scheme on policyholders (this term is defined to include persons with certain rights and contingent rights under the policies), distinguishing between:
 - a) Transferring Policyholders;
 - b) policyholders of the transferor whose contracts will not be transferred; and
 - c) policyholders of the transferee;
- his opinion on the likely effects of the Scheme on any reinsurer of a transferor, any of whose contracts of reinsurance are to be transferred by the Scheme;
- what matters (if any) that the independent expert has not taken into account or evaluated in the report that might, in his opinion, be relevant to policyholders' consideration of the Scheme; and
- for each opinion that the independent expert expresses in the report, an outline of his reasons.

SUP 18.2.34G

D.2.5. The purpose of the Scheme report is to inform the court and the independent expert, therefore, has a duty to the court. However reliance will also be placed on it by policyholders, by reinsurers, by others affected by the Scheme and by the regulators. The amount of details that it is appropriate to include will depend on the complexity of the Scheme, the materiality of the details themselves and the circumstances.

SUP 18.2.35G

D.2.6. The summary of the terms of the Scheme should include:

- a description of any reinsurance arrangements that it is proposed should pass to the transferee under the Scheme; and
- a description of any guarantee or additional reinsurance that will cover the transferred business or the business of the transferor that will not be transferred.

SUP 18.2.36G

D.2.7. The independent expert's opinion of the likely effects of the Scheme on policyholders should:

- include a comparison of the likely effects if it is or is not implemented;
- state whether he considered alternative arrangements and, if so, what;
- where different groups of policyholders are likely to be affected differently by the Scheme, include comment on those differences he considers may be material to the policyholders; and
- include his views on:
 - a) the effect of the Scheme on the security of policyholders' contractual rights, including the likelihood and potential effects of the insolvency of the insurer;

- b) the likely effects of the Scheme on matters such as investment management, new business strategy, administration, expense levels and valuation bases in so far as they may affect:
 - i. the security of policyholders' contractual rights;
 - ii. levels of service provided to policyholders; or
 - iii. for long term insurance business, the reasonable expectations of policyholders; and
- c) the cost and tax effects of the Scheme, in so far as they may affect the security of policyholders' contractual rights, or for long term insurance business, their reasonable expectations.

SUP 18.2.37G

D.2.8. The independent expert is not expected to comment on the likely effects on new policyholders, that is, those whose contracts are entered into after the effective date of the transfer.

SUP 18.2.38G

D.2.9. For any mutual company involved in the Scheme, the report should:

- describe the effect of the Scheme on the proprietary rights of members of the company, including the significance of any loss or dilution of the rights of those members to secure or prevent further changes which could affect their entitlements as policyholders;
- state whether, and to what extent, members will receive compensation under the Scheme for any diminution or proprietary rights; and
- comment on the appropriateness of any compensation, paying particular attention to any differences in treatment between with voting rights and those without.

SUP 18.2.39G

D.2.10. For a Scheme involving long term insurance business, the report should:

- describe the effect for the Scheme on the nature and value of any rights of policyholders to participate in profits;
- if any such rights will be diluted by the Scheme, how any compensation offered to policyholders as group (such as the injection of funds, allocation of shares, or cash payments) compares with the value of that dilution, and whether the extent and method of its proposed division is equitable as between different classes and generations of policyholders.
- describe the likely effect of the Scheme on the approach used to determine:
 - a) the amount of any non-guaranteed benefits such as bonuses and surrender values; and
 - b) the levels of any discretionary charges;
- describe what safeguards are provided by the Scheme against a subsequent change of approach to these matters that could act to the detriment of existing policyholders of either firm;
- include the independent expert's overall assessment of the likely effects of the Scheme on the reasonable expectations of long term insurance business policyholders;
- state whether the independent expert is satisfied that for each firm the Scheme is equitable to all classes and generations of its policyholders; and

- state whether, in the independent expert's opinion, for each relevant firm the Scheme has sufficient safeguards (such as principles of financial management or certification by the a with-profits actuary or actuarial function holder) to ensure that the Scheme operates as presented.

SUP 18.2.40G

- D.2.11. Where the transfer forms part of a wider chain of events or corporate restructuring, it may not be appropriate to consider the transfer in isolation and the independent expert should seek sufficient explanations on corporate plans to enable him to understand the wider picture. Likewise he will need information on the operational plans of the transferee and, if only part of the business of the transferor is transferred, of the transferor. These will need to have sufficient details to allow him to understand in broad terms how the business will be run.

SUP 18.2.41G

- D.2.12. A transfer may provide for benefits to be reduced for some or all of the policies being transferred. This might happen if the transferor is in financial difficulties. If there is such a proposal, the independent expert should report on what reductions he considers ought to be made, unless either:

- the information required is not available and will not become available in time for his report, for instance it might depend on future events; or
- otherwise, he is unable to report on this aspect in the time available.

Under such circumstances, the transfer might be urgent and it might be appropriate for the reduction in benefits to take place after the event, by the means of an order under section 112 of the Act. Each regulator would wish to consider the fairness of any such reduction against its objectives and section 113 of the Act allows the court, on the application of either regulator, to appoint an independent actuary to report on any such post-transfer reduction in benefits.

Appendix E Acronyms

AGN7	(ASHK) Actuarial Guidance Note 7
ALM	Asset Liability Management
API	Application Programming Interface
ASHK	Actuarial Society of Hong Kong
BLAGAB	Basic Life Assurance and General Annuity Business (UK)
CAD	Canadian dollars
CLA	The Canada Life Assurance Company
CLA-BB	The Barbados Branch of The Canada Life Assurance Company
CLA-HK	The Hong Kong branch of The Canada Life Assurance Company
CLAM	Canada Life Asset Management Limited
CLL	Canada Life Limited
CLL-HK	The Hong Kong branch of Canada Life Limited
CORC	(Canada Life) Customer and Operational Risk Committee
CSM	Contractual Service Margin under IFRS 17
DoD	Dividends on Deposit
DSR	Dividend Stabilisation Reserve
ERM	Enterprise Risk Management
FCA	Financial Conduct Authority (UK)
FSC	Barbados Financial Services Commission
GAAP	Generally Accepted Accounting Principles
GBP	British pounds
GL5	Guideline on Application for Authorization to Carry on Insurance Business (Hong Kong)
GL16	Guideline on Underwriting Long Term Insurance Business (other than Class C Business)
GL21	Guideline on Enterprise Risk Management (Hong Kong)
GL34	Guideline on Establishment and Maintenance of Fund(s) in respect of Participating Business (Hong Kong)

HKD	Hong Kong dollars
HKFRS	Hong Kong Financial Reporting Standards
HKRBC	Hong Kong Risk-Based Capital
IA	(Hong Kong) Insurance Authority
ICA	Insurance Companies Act (Canada)
IFRS 17	International Financial Reporting Standards: IFRS 17 Insurance Contracts
IWG	(Canada Life) Investment Working Group
LICAT	Life Insurance Capital Adequacy Test (Canada)
MOCE	Margin Over Current Estimate
Ordinance	Insurance Ordinance, Chapter 41 of the Laws of Hong Kong
OSFI	Office of the Superintendent of Financial Institutions (Canada)
PACE	PACE Solutions Limited
PRA	Prudential Regulation Authority (UK)
Pre-HKRBC	Hong Kong statutory reporting basis set out under the former Ordinance prior to the commencement of HKRBC
PUA	Paid-Up Additional (Dividends)
RA	Risk Adjustment for non-financial risk under IFRS 17
ROI	Return on Investment
SCR	(UK Solvency II) Solvency Capital Requirement
SOLP	Select Ordinary Life Preferred
SUP18	Chapter 18 of the FCA Supervision Manual
USD	United States dollars