Policyholder Protection Overview

Canada Life International Limited (CLI)

August 2022

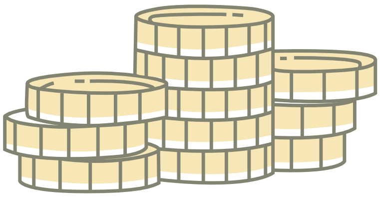
This summary provides an outline of what insurance policyholder protection is in place in the Isle of Man and is intended to provide the certainty you need to help your clients make financial decisions with confidence.

Strict solvency and liquidity controls apply in the Isle of Man to protect policyholders.

There is a formal insurance policyholder compensation scheme in place in the Isle of Man as part of a robust regulatory framework to protect CLI's customers:

- **Regulation** – CLI is authorised and regulated by the Isle of Man Financial Services Authority (FSA), the regulator and supervisory authority for Isle of Man financial services business. CLI is authorised to conduct both Class 1 and Class 2 long-term business.
- **Limited exposure to risk** – CLI's investment business is unit linked, which means when a policyholder pays a premium, this immediately creates a matching liability. CLI's 'risk' life assurance and critical illness business is reinsured to limit CLI's claims exposure to no more than £100,000 for each life assured (£25,000 for all policies which commenced before 4 July 2007), which means that CLI carries a very limited amount of exposure to risk within its long-term business fund.
- **Policyholder compensation** – If CLI becomes unable to meet its liabilities, the Isle of Man compensation scheme would meet up to 90% of CLI's liabilities to its policyholders.
- **Separation** – CLI is required to hold reserves separately from all other assets of the company to cover liabilities to policyholders.
- **Segregation** – CLI is required to segregate policyholder assets so they cannot be used in any circumstances except to meet the claims and liabilities of policyholders. In the unlikely event of CLI being wound up, policyholders' liabilities would take priority and their assets would not be available to liquidators if the life company fails.

- **Solvency** – Isle of Man legislation requires CLI to hold a solvency capital requirement (SCR) above their insurance obligations. There is a two tiered approach to solvency requirements, the SCR, and a minimum capital requirement (MCR), the value for each is in accordance with the Insurance (Long-Term Business Valuation and Solvency) Regulations 2018 and are calculated using a risk based approach.
- **Notify** – As an Isle of Man authorised and regulated life assurance company, CLI must notify the FSA if their assets fall below, or are expected to fall below, the required SCR or MCR amounts.
- **Intervention** – The FSA has powers of intervention if they are concerned about the solvency of a life assurance company. If a Life company's solvency is near or falls below the SCR, the FSA can take steps or request that the company take remedial action to restore its solvency requirements. The MCR represents an absolute minimum requirement below which more serious regulatory intervention can be taken.
- **International standards –** The Isle of Man regulatory framework is in line with the existing international guidelines as agreed by the International Association of Insurance Supervisors (IAIS). It has also been based around the principles and detailed requirements of Solvency II, the solvency and policyholder protection standards adopted across the EU.
- **Monitor** – the FSA closely monitor the activities and financial strength of CLI to ensure it meets the legal and regulatory requirements in the Isle of Man.



Policyholder Compensation Scheme (PCS)

- Policyholders of CLI policies will be protected by the Isle of Man policyholder protection scheme established under the Life Assurance (Compensation of Policyholders) Regulations 1991 if CLI becomes unable to meet its liabilities to them.
- The compensation scheme would meet up to 90% of CLI's liabilities to its policyholders.
- Should another Isle of Man life assurance company become insolvent, the Isle of Man Government has, through a duly appointed Scheme Manager under the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991), the authority to levy a charge of up to 2% of each Isle of Man life assurance company's long-term business fund to meet the compensation being claimed by policyholders of the insolvent company.
- The amount paid from the Policyholder Compensation Scheme (PCS) would be paid from a levy (tax charge) on the assets of the Isle of Man Life Assurance Companies who are still solvent at the time. As a result, if we ever need to pay a levy to the PCS, we reserve the right to deduct an amount of no more than 2% of the account value at the time. More information on the PCS can be found on the Isle of Man Financial Services Authority's website at: **https://www.iomfsa.im/consumer-material/isle-of-man-life-assurance-compensation-scheme/**
- The compensation scheme does not apply to any of the underlying assets that may be linked to a policy; it only applies to an authorised Isle of Man life assurance company which has become insolvent. It is possible that other forms of compensation may be offered where the manager of an underlying linked policy asset becomes insolvent or is otherwise unable to meet its liabilities, but that will depend upon the type of asset involved (that is, whether it is a unit trust, a cash deposit or other), the jurisdiction in which the asset is constituted and whether the asset manager is authorised by a regulatory body. Where there is some form of compensation available at the underlying linked policy asset level, ownership of the asset belongs to CLI and not the policyholder, and although several investors may have their policy linked to the asset value, any compensation due would need to be split between all relevant policyholders of CLI – as is the case with any life assurance or other company in this situation. Where there is any concern about the level of compensation offered at the underlying linked policy asset level, we would recommend contacting the organisation whose investments are being considered for more information.

Choosing a financial provider is about having the confidence your money will be safe and secure for years to come, regardless of economic conditions.

- CLI has a comprehensive and actively managed Risk Management Framework in place to monitor and control risks to which the Company is exposed.
- CLI is committed to the UK market which has been and remains our core market.
- We continue to offer our customers and advisers a choice of jurisdiction, Ireland or Isle of Man.
- With over 30 years of unrivalled strength, the combined Canada Life International businesses have £20.5bn assets under administration (as at 31 March 2022).
- CLI has achieved a rating of B+ 'very strong' from AKG Actuaries & Consultants Ltd in July 2021 which is the highest financial strength rating currently given to any international life company.
- Canada Life UK is investing heavily in its systems and digital offering, demonstrating its belief in and long term commitment to the UK market, as well as continuing to meet the long term needs of its customers.

Heritage

Canada Life has been operating in the UK since 1903.

GREAT-WEST LIFECO

£1.341tn

Assets under Administration

Financial Strength

5-STAR

AKG Rating

+ **120 year international heritage** – CLI is part of Great-West Lifeco, one of the largest life insurance organisations in the world with interests in life insurance, health insurance, investments, retirement savings and reinsurance.

+ **Offering world-class financial and capital strength** – Great-West Lifeco and its subsidiaries serve the financial needs of more than 30 million customers and have more than £1.341 trillion in assets under administration (as at 31 December 2021).

+ **Strong independent ratings** – All of Canada Life International's businesses achieved a five-star financial strength rating from actuarial consultancy AKG in 2021 for the 19th consecutive year, the only offshore insurer to do so.

NOTE: This document is based on the Company's understanding of applicable legislation, law and regulation as at August 2022. It is provided solely for general consideration.

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