



WRITTEN NOTICE
Variation of internal model approval
Internal model approval

To:

Phoenix Life Limited* (FRN 110418)
Phoenix Life Assurance Limited* (FRN 117667)
PA (GI) Limited* (FRN 117668)
Abbey Life Assurance Company Limited* (FRN 17645)

Of:

1 Wythall Green Way, Wythall, Birmingham, B47 6WG

Reference Number:

4978533 , 5006531, 5006535, 5006556

To:

Standard Life Assurance Limited* (FRN 439567)
Standard Life Pension Funds Limited* (FRN 110466)

Of:

Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH

Reference Number:

5006557, 5006558

(* - the 'firm')

Date:

31 August 2018

Decision

- (1) In accordance with Regulations 48 and 49 of the Solvency 2 Regulations 2015 (SI 2015/575) (the 'Regulations') the Prudential Regulation Authority (the 'PRA') previously granted approval to Phoenix Life Limited ('PLL'), Phoenix Life Assurance Limited ('PLAL'), Abbey Life Assurance Company Limited ('ALAC') and PA (GI) Limited ('PAGI') to use an internal model for the calculation of their group and respective solo Solvency Capital Requirements ('SCR') (the 'Phoenix Group Model'), as set out in Annex 1 (the 'Internal Model Approval').
- (2) In accordance with Regulation 48(5)(a) of the Solvency 2 Regulations 2015 (SI 2015/575) (the 'Regulations') the Prudential Regulation Authority (the 'PRA') has decided to grant PLL, PLAL, ALAC and PAGI (Written Notice 4792364, 4792448, 4792449 and 4792500 respectively) a variation of the Internal Model Approval to reflect the change in scope of the Phoenix Group Model from a full internal model to a partial internal model for its calculation of



its group SCR following the acquisition of the Standard Life undertakings (the 'SL undertakings').

- (3) For the purposes of this Written Notice the SL undertakings comprise Standard Life Assurance Limited (FRN 439567) ('SLAL'), Standard Life Pension Funds Limited (FRN 110466) ('SLPF'), insurance undertakings regulated by the PRA.
- (4) In accordance with Regulations 48 and 49 of the Regulations the PRA has decided to grant SLAL and SLPF approval to use the Phoenix Group Model for the purpose of the calculation of part of their group SCR as set out in Annex 2 (Written Notice 5006557, 5006558).
- (5) The amended and restated details of the Phoenix Group Model are set out in Annex 2.

Reasons for the Decision

- (6) On 1 September 2018, Phoenix Group Holdings ('PGH') acquired the SL undertakings and as subsidiary undertakings of PGH were therefore required to be included in the group SCR calculation at the level of PGH required by the relevant rules set out in the "Group Supervision" part of the PRA Rulebook.
- (7) The acquisition of the SL undertakings has been classified as a minor change under the model change policy for the Phoenix Group Model and following this change, in accordance with the model change policy, a notification was made requesting the PRA vary the Internal Model Approval to reflect the change from a full internal model to a partial internal model.
- (8) The PRA's assessment is that at 1 September 2018, the Phoenix Group Model continues to meet the tests and standards after the variation to become a partial internal model. Specifically, the PRA is satisfied that:
 - (a) The internal model complies with the rules contained in Chapters 2 to 4 and 10 to 15 Solvency Capital Requirement – Internal Models Part of the PRA Rulebook.
 - (b) The internal model complies with the requirements set out in Title 1 Chapter VI Solvency capital requirement – full and partial internal models of the Commission Delegated Regulation (EU) 2015/35.
 - (c) The systems of the undertaking for identifying, measuring, monitoring, managing and reporting risk are adequate.
 - (d) The model complies with the requirements of Title 2 Chapter II Section 2 of the Commission Delegated Regulation (EU) 2015/35.
 - (e) The policy for changing the approved partial internal model complies with the rules contained in Chapter 6 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook.
- (9) As PLL, PLAL, ALAC and PAGI have approval to use the Phoenix Group Model to calculate part of the group SCR at the level of PGH, the PRA is satisfied that paragraph (8) also applies with respect to SLAL and SLPF and it is therefore appropriate to give approval to SLAL and SLPF to use the Phoenix Group Model to calculate the same part of the group SCR.



Effective Date

(10) The variation and approvals set out in paragraphs (2) and (4) respectively take effect on 31 August 2018

Decision-Maker

(11) The decision which gave rise to the obligation to give this Notice was made by Mark Cornelius, Head of Life Insurance Groups Department of the PRA.

Publication

(12) Details of this approval will be published on the Financial Services Register.

PRA contacts

(13) For more information concerning this matter generally, the firms should contact their usual supervisory contact.

Mark Cornelius (Head of Department)
Supervisory Division
Prudential Regulation Authority



ANNEX 1

Approval	Date	Description	Written Notices
Approval of a partial internal model	5 December 2015	In accordance with Regulation 48 and 49 of the Solvency 2 Regulations 2015, the Prudential Regulation Authority (the 'PRA') decided to grant Phoenix Life Limited, Phoenix Life Assurance Limited, National Provident Life Limited and PA(GI) Limited approval to use a partial internal model for the calculation of the group and solo Solvency Capital Requirements ('SCR')	2268756 2268757 2268759 2268762
Variation of the partial internal model approval to a full internal model approval	18 December 2015	In accordance with Regulation 48(5)(a) of the Solvency 2 Regulations 2015, the PRA on 18 December 2015 decided to grant Phoenix Life Limited, Phoenix Life Assurance Limited, National Provident Life Limited and PA (GI) Limited a variation of the approval given on 5 December 2015 to reflect the change in scope of the Phoenix Group Model from a partial internal model to a full internal model following the sale of Scottish Mutual International Limited.	2320418 2320419 2320420 2320421
Variation of the full internal model approval to a partial internal model approval	1 November 2016	In accordance with Regulation 48(5)(a) of the Solvency 2 Regulations 2015, the PRA on 1 November 2016 decided to grant Phoenix Life Limited, Phoenix Life Assurance Limited, and PA (GI) Limited a variation of the approval given on 18 December 2015 to reflect the change in scope of the Phoenix Group Model from a full internal model to a partial internal model following the acquisition of AXA Wealth Limited.	3464280 3464285 3464283
Approval to use a partial internal model	1 November 2016	In accordance with Regulations 48 and 49 of the Regulations the, the PRA on 1 November 2016 decided to grant approval to AXA Wealth Limited, a subsidiary undertaking of Phoenix Life Holdings Limited, approval to use the Phoenix Group Model for the purposes of the calculation of part of its group SCR.	3470905
Approval to use a partial internal model	30 December 2016	In accordance with Regulations 48 and 49 of the Regulations the PRA on 30 December 2016 decided to grant approval to Abbey Life Assurance Company Limited, a subsidiary	3906173



		undertaking of Phoenix Life Holdings Limited, approval to use the Phoenix Group Model for the purposes of the calculation of part of its group SCR.	
Extension of scope	17 March 2017	In accordance with Regulation 48(1)(b) of the Solvency 2 Regulations 2015, the PRA decided to approve a major change to the Phoenix Group Model to extend the scope of the Phoenix Group Model to include AXA Wealth Limited ('AWL') for the purposes of calculating the group SCR and AWL's solo SCR.	3835210 3835212 3835214 3835217 4231537
Extension of scope	9 June 2017	In accordance with Regulations 48 and 49 of the Regulations the PRA has decided to approve a major model change to the Phoenix Group Model to extend the scope of the Phoenix Group Model to include and calculate a group SCR at the level of Phoenix Group Holdings ('PGH') for the purposes of enabling PLL, PLAL, PAGI, AWL and ALAC to calculate their group SCRs at the level of both PGH and Phoenix Life Holdings Limited ('PLHL').	3852845 4640696 4640697 4640698 4640699
Major changes and variations to the internal model approval	1 March 2018	In accordance with Regulation 48(1)(b) of the Solvency 2 Regulations 2015, the PRA has decided to approve major changes to the Phoenix Group Model to: (a) extend the scope of the Phoenix Group Model to include the calculation of ALAC's solo SCR; and (b) change the methodology and calibrations in respect of Persistency Risk to specifically include Late Retirement Risk. In accordance with Regulation 48(5)(a) of the Solvency 2 Regulations 2015, the PRA has decided to vary the firms' Internal Model Approval to reflect: (a) the change in scope of the Phoenix Group Model from a partial internal model to a full internal model; (b) that the firms are no longer required to calculate a group SCR at	4792364 4792448 4792449 4792500



		the level of Phoenix Life Holdings Limited following the establishment of the ultimate parent, Phoenix Group Holdings ('PGH'), as the ultimate EEA insurance holding company for the group on 31 January 2018; and (c) the de-authorisation of Phoenix AW Limited on 9 March 2018, such that Phoenix AW Limited is no longer required to calculate a solo SCR.	
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ANNEX 2

The approved Internal Model

1) The approved internal model is as set out in the internal model application documents submitted to the PRA on 30 June 2015 and the further documents listed in Table 1.

Table 1

Phoenix Group Model Reference:	Description:	Date
IM0153	The sale of Scottish Mutual International Limited (regulated by the Central Bank of Ireland and registered in Ireland with Company Number 242244).	2 and 11 December 2015
IM0193x	The acquisition of AXA Wealth Limited (FRN: 119201, regulated by the PRA).	24, 27 October 2016 and 1 November 2016
IM0222	The acquisition of Abbey Life Assurance Company Limited (FRN: 117645, regulated by the PRA).	5, 14, and 30 December 2016
IMO193x	Major model change application to extend the scope of the internal model to AXA Wealth Limited (FRN:119201, regulated by the PRA).	30 November 2016
IMO171x	Major model change application to extend the scope of the internal model to Phoenix Group Holdings	6 December 2016 and 26 May 2017
IMO247x and IMO277x	Major change application to extend the scope of the Internal Model to Abbey Life Assurance Company Limited (FRN: 117645, regulated by the PRA) and to change the methodology and calibrations in respect of Persistency Risk to specifically include Late Retirement Risk.	22 December 2017
IM0318	The acquisition of Standard Life Assurance Limited (FRN 439567) ('SLAL'), Standard Life Pension Funds Limited	3 and 6 July 2018



	(FRN 110466) ('SLPF'), insurance undertakings regulated by the PRA, and Standard Life International Designated Activity Company (registered in Ireland under company number 408507) ('SLIDAC'), an insurance undertaking regulated by the Central Bank of Ireland.	
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2) The partial internal model has been approved to calculate part of the group Solvency Capital Requirement (the 'Group SCR') at the level of Phoenix Group Holdings. The entities with a "Yes" in the Group SCR column in table 2 are those which are included in the model in order to calculate the Group SCR.

3) The partial internal model is approved for those entities with a "Yes" in the Solo SCR column in table 2 to calculate their individual Solvency Capital Requirement.

4) The model does not include standard formula integration techniques. Integration techniques are not required as the firms are required to use Method 2 (Deduction & Aggregation) to incorporate the contributions from entities within the group that are not included in the scope of the partial internal model into the aggregated Group SCR.

5) Subject to 2) and 4) above, the model is approved to calculate part of the Group SCR at the level of Phoenix Group Holdings and the individual SCR for each entity indicated in respect of all material quantifiable risks as at the date of this notice.

Table 2

Legal Entity	FRN	Group SCR ('the undertakings included in the scope of the internal model for the calculation of the group SCR')	Solo SCR
Phoenix Group Holdings Limited	507114	Yes	N/A
Phoenix Life Limited (PLL)	110418	Yes	Yes
Phoenix Life Assurance Limited (PLAL)	117667	Yes	Yes
Abbey Life Assurance Limited	117645	Yes	Yes
PA (GI) Limited (PAGI)	117668	Yes	Yes