

Actuarial Report as at 31 December 2020 Europ Assistance Holdings Limited Pension and Life Assurance Plan

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Introduction

This report is addressed to the Trustee of the Europ Assistance Holdings Limited Pension and Life Assurance Plan (the Plan) and is intended to provide an approximate update of the funding position of the Plan as at 31 December 2020.

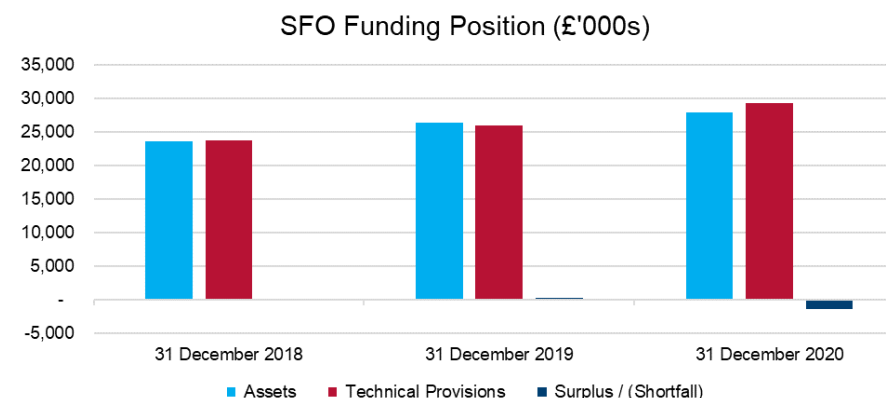
By law, you are required to forward a copy of this report to the Employer within 7 days of receipt.

Readers other than the Trustee of the Plan should note that this report cannot be relied upon as being actuarial advice to third parties and third parties should seek their own independent advice as appropriate.

Update on the funding position

The estimated SFO funding position as at 31 December 2020 is set out in the following table and chart below. For comparison purposes, the positions as at 31 December 2018 and 31 December 2019 are also shown.

SFO valuation	Actual position 31 Dec 2018 £'000s	Estimated position 31 Dec 2019 £'000s	Estimated position 31 Dec 2020 £'000s
Assets	23,725	26,450	27,951
Technical provisions	23,830	26,078	29,286
Surplus/ (Shortfall)	(105)	372	(1,335)
Funding level	100%	101%	95%



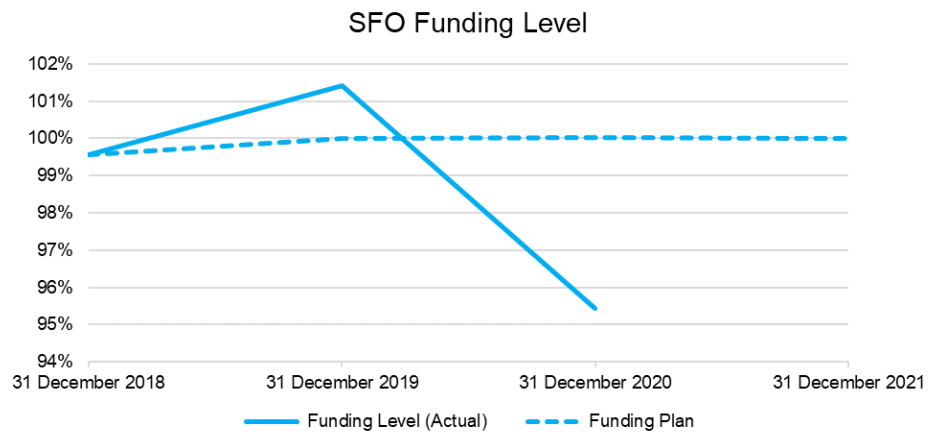
The funding position has deteriorated to reveal a larger shortfall as at 31 December 2020 compared to the small shortfall at the last actuarial valuation as at 31 December 2018.

The reasons for this deterioration are set out on page 4.

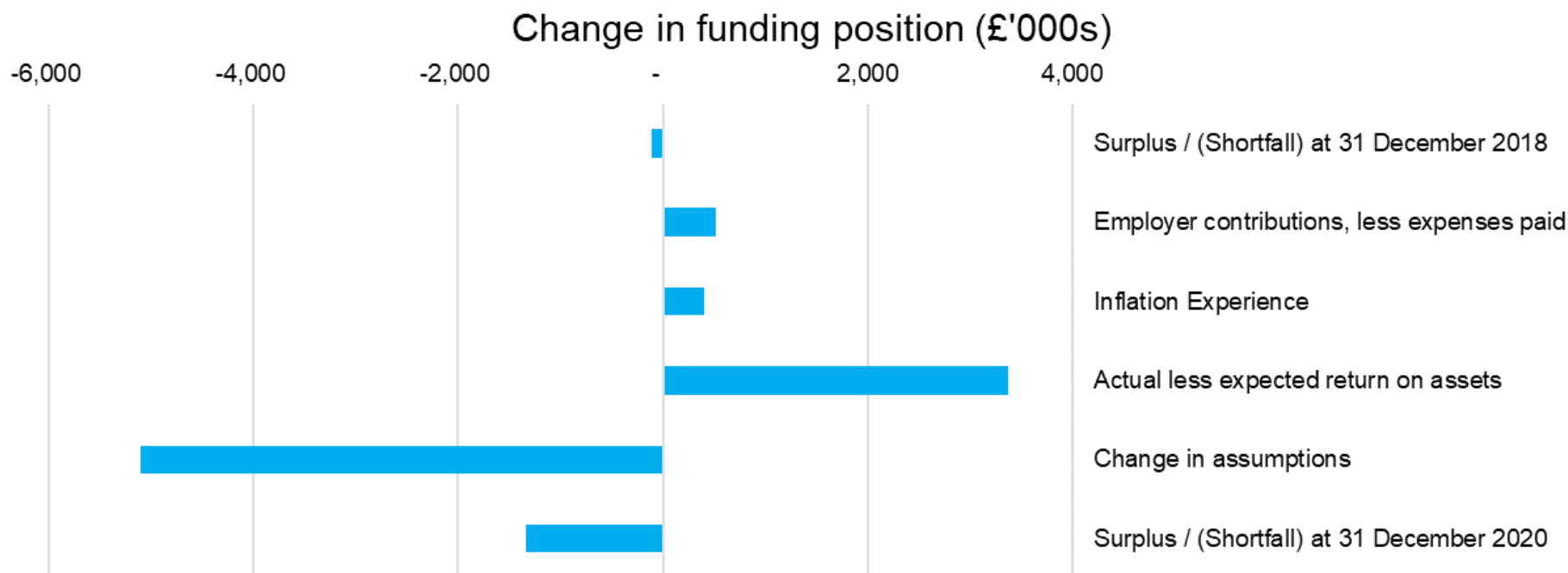
Expected funding position

Given the small shortfall at the last valuation, a Recovery Plan was put in place, with the aim of being fully funded by 31 March 2020.

As at 31 December 2020 the funding plan is behind schedule.



Reasons for the change in funding position



If the assumptions made in the 31 December 2018 valuation had been borne out in practice, I would expect the funding position to remain broadly stable. In practice, the funding position has worsened.

This is mainly due to changes in assumptions which resulted in a higher value being placed on the technical provisions. However, this has been partially offset by investment returns achieved over the year being higher than allowed for in the discount rate.

Assumptions

Financial assumptions have been updated to reflect the market conditions at 31 December 2020. All demographic assumptions are the same as used for the last actuarial valuation. The derivation of these assumptions are set out in the Statement of Funding Principles dated 18 February 2020.

Key assumptions	31 December 2018	31 December 2019	31 December 2020
Discount rate	4.9% pa	4.3% pa	3.6% pa
Revaluation in deferment	2.4% pa	2.2% pa	2.2% pa
Pension increases in payment:			
3% pa or CPI if less	2.1% pa	2.0% pa	2.0% pa
5% pa or CPI if less, minimum 3%	3.2% pa	3.1% pa	3.1% pa
5% pa or CPI if less	2.3% pa	2.1% pa	2.1% pa
3% pa or RPI if more	3.7% pa	3.6% pa	3.6% pa
Mortality	85% S3PMA / 95% S3PFA CMI 2018 long term improvement of 1.50%		
Commutation	Members are assumed to take 75% of the maximum cash lump sum available based on factors in force at the valuation date		
Proportion married	85% for males / 75% for female at retirement or earlier death		
GMP equalisation reserve	0.85% of the liabilities		

Appendix A: Background

The last full actuarial valuation of the Europ Assistance Holdings Limited Pension and Life Assurance Plan was carried out as at 31 December 2018. In accordance with the Statement of Funding Principles (SFP) dated 18 February 2020, the Trustee has commissioned this Actuarial Report for the year ending 31 December 2020.

COVID-19

This actuarial update is based on the Statement of Funding Principles (SFP) dated 18 February 2020.

Since then, COVID-19 has had an unprecedented impact on market conditions and as a result some of the principles that applied at the start of 2020 may no longer be appropriate to setting financial assumptions at 31 December 2020.

Furthermore, by using those principles, it is assumed that there has been no change in the Trustee's assessment of the strength of the Employer's covenant since the previous valuation. Again, COVID-19 may have altered the Trustee's view.

The update process

I have estimated the technical provisions as at 31 December 2020 by adjusting the results of the valuation as at 31 December 2018 (please see report dated 24 February 2020 for more details), allowing for:

- Interest accrued on the technical provisions;
- benefits paid out to members over the year, but with no allowance for differences between the amounts paid and technical provisions previously held;
- actual inflationary increases to benefits.

All other experience over the period is assumed to be in line with that assumed for the valuation as at 31 December 2018. The figures have then been updated to reflect market conditions as at 31 December 2020 using the methodology set out in the SFP.

Details of the changes to scheme membership and benefit payments have been provided by the Plan administrators, First Actuarial LLP.

Asset values have been supplied by Mobius Life Limited, together with details of the Trustee's bank account and net current assets from First Actuarial LLP, the Plan administrator, and are unaudited.

A number of approximations have been used and the results cannot be expected to be as accurate as if a full valuation with full member data had been carried out.

However, I believe the approach taken to be adequate for the purposes of assessing whether the current funding plans are still appropriate.

Appendix B: Compliance

Actuarial standards

The following Technical Actuarial Standards (TAS) apply to this work:

- TAS 100: Principles for Technical Actuarial Work
- TAS 300: Pensions

I confirm I have complied with their requirements.

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