PRINCIPLES AND PRACTICES OF FINANCIAL MANAGEMENT (PPFM)

The PLAL With-Profits Sub-Fund

December 2016

Principles and Practices of Financial Management

The PLAL With-Profits Sub-fund

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1 INTRODUCTION

1.1 About Royal London

Royal London consists of The Royal London Mutual Insurance Society Limited and its subsidiaries. **Royal London** acquired the business of Phoenix Life Assurance Limited on 1 August 2008 and since 29 December 2008 has maintained a separate fund, the **PLAL With-Profits Sub-fund**, within the Royal London Long Term Fund (**RL LTF**).

Royal London is the UK's largest mutual life insurer. The Group has around six million policyholdersand its businesses offer pensions, life assurance, savings and investment products and provide investment management. Products are distributed direct to policyholdersand through independent financial advisers.

1.2 What does this document include?

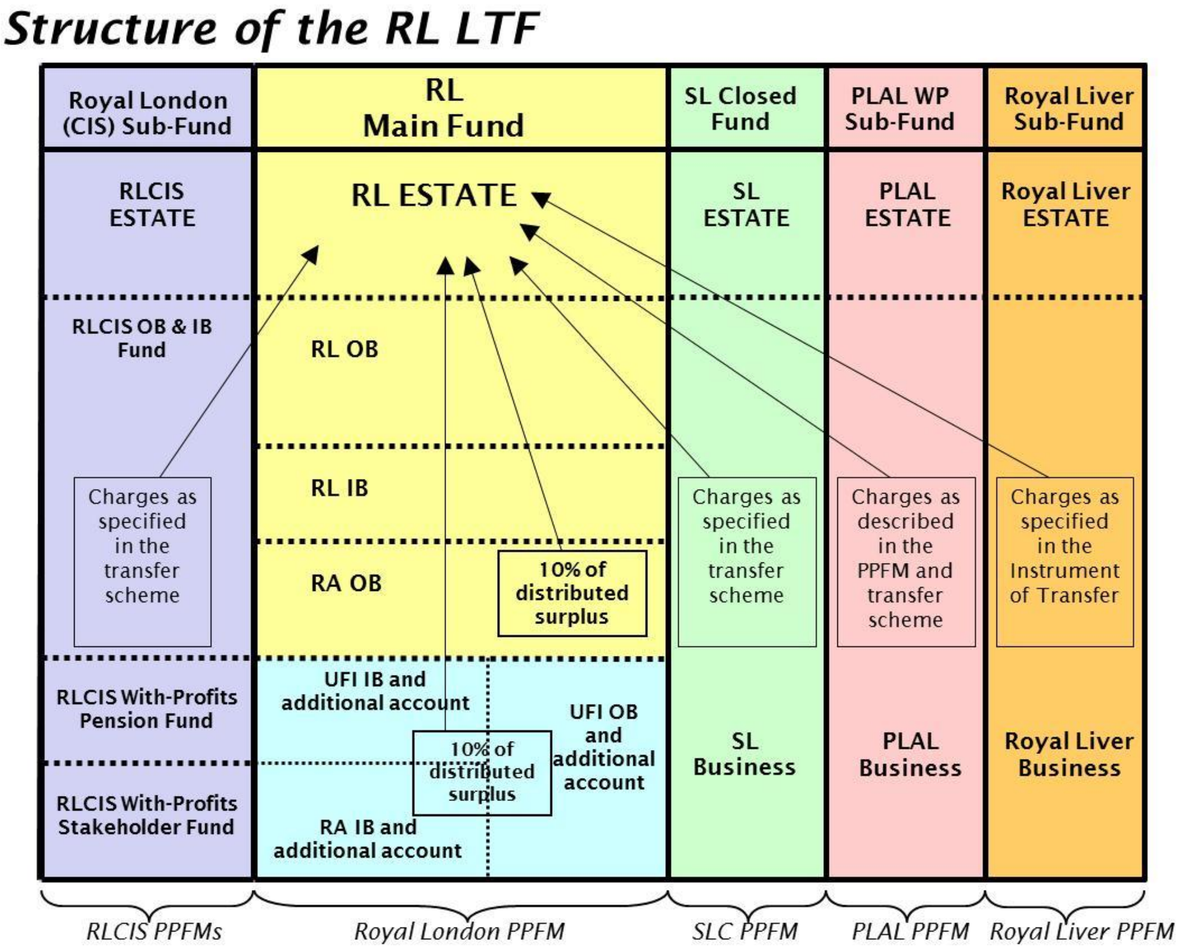
This document sets out the Principles and Practices by which **Royal London** will manage the **PLAL With-Profits Sub-fund**. Although this document has been written in straightforward language it contains some technical language and terms. These have been included in a glossary and these defined terms can be identified by a **bold typeface**. The aim of this document is to explain and promote understanding of how the **PLAL With-Profits Sub-fund** is managed and of the potential risks and rewards from holding a with profits policy in this **fund** with **Royal London**. It covers those issues which **Royal London** reasonably foresees may have a significant impact on the management of the **PLAL With-Profits Sub-fund**. These issues include for example the mutual status of **Royal London**, the management of the **PLAL Estate**, the exposure to various types of business risk, the investment strategy of the **fund**, how we set the amount payable under a with profits policy and the **fair** treatment of with profits policyholders.

The **PLAL With-Profits Sub-fund** is part of the **RL LTF**. This document covers the operation of the **PLAL With-Profits Sub-fund** only. The operations of the **RL Main Fund,** the **Scottish Life Closed Fund,** the **Royal Liver Sub-Fund** and the **Royal London (CIS) Sub-Fund** are described in separate documents. The term '**fund**' in this document means the **PLAL With-Profits Sub-fund**.

The **estate** associated with the **RL Main Fund** is available in extreme circumstances to provide capital support to the **PLAL With-Profits Sub-fund** up to a maximum amount should this be required. If any such payment is made then it will be refunded to this **estate** once the support is no longer required. The **PLAL With-Profits Sub-fund** will be managed as a standalone fund without taking into account this potential capital support. More information on the potential support is provided in section 2.3 Management of the PLAL Estate.

1.3 Structure of the Royal London Long Term Fund

The structure of the **RL LTF** is shown in outline below. Appendix 1 contains further information on the acquisitions made by **Royal London**.



1.4 With profits contracts included in the PPFM

1.4.1 General description

This section provides a general description of with profits policies and how they are structured. For any individual contract the policy terms and conditions and any schedules attaching will determine the operation of that contract.

All **PLAL** with profits policies are **unitised** with profits policies. These are contracts under which premiums paid purchase notional units in a with profits fund. Units are allocated to policies as premiums are paid, and depending on the policy type, units may be cancelled to meet expense charges, the cost of life cover or other benefits. Some of the premium may be used to pay expenses and costs before the remainder of the premium is allocated to buy units. The policy may receive annual bonuses (by increases in the price of units) and when the time comes for the policyholder to claim the benefit of the policy we may add a final bonus and/or charge an **MVR**.

1.4.2 Annual bonuses

For **unitised** with profits policies, annual bonuses are declared in the form of increases in the price of units held in the **fund**. Annual bonus additions increase the face value of the units, which is generally the guaranteed minimum amount payable on specified events such as death, maturity, or retirement. Rates of annual bonus were zero on most policy types between 2003 and 2011. In 2012, non-zero annual bonus was declared, although at a modest level. We expect low or zero rates to be declared for the foreseeable future.

1.4.3 Final bonuses

Final bonuses may be added to the benefits when a claim is paid, depending on the policy type. Any final bonus payable will be determined at the date the claim arises. Final bonus rates for **unitised** with profits policies are usually expressed as a percentage of the unit value.

1.4.4 Amounts payable

The amount payable at maturity or at the contractual pension date in respect of **unitised** with profits policies will generally be the value of the units at the quoted bid price together with any final bonus added at the date of claim.

Some with profits policies do not have a maturity date and the benefits are payable only on death or surrender. Amounts payable on death depend on the policy type but will generally be the face value of with profits units and may also include final bonus; some policies include a guaranteed minimum amount which may be different from the face value of with profits units.

Amounts payable on surrender are not generally guaranteed in advance of an application to surrender. For with profits policies a market value reduction (**MVR)** may be applied to reduce the value of benefits available to policyholders who choose to surrender their benefits. An **MVR** would apply only where allowable, according to the policy terms and conditions.

An MVR reduces the face value of the with profits units and effectively acts like a negative final bonus. An MVR is only applied if the value of the investments underlying a policy has fallen below the value of the guaranteed benefits cashed. This ensures fairness between those policyholders who cash in benefits and those who remain. An MVR will not usually be applied on death or on certain pre-defined circumstances as laid out in the policy conditions.

This document covers the PPFM for the policies which have with profits benefits held within the **PLAL With-Profits Sub-fund**. The complete list of products and policy types covered by this document is given in Appendix 2.

1.5 What are Principles and Practices?

The Principles are high level statements of the standards **Royal London** will follow in the management of the **PLAL With-Profits Sub-fund**. These set out how **Royal London** intends to manage the **fund** over the longer term and how **Royal London** expects to respond to longer term changes in the business, regulatory and economic environment. Changes may be made to the Principles and three months' advance written notice will usually be given to affected with profits policyholders unless otherwise agreed with the **Regulator**. The advance notice of changes to the Principles may be contained in annual statements we send to policyholders and may in addition be published on the Royal London group website. The Principles are identified in the text by ***this typeface***

The Practices describe **Royal London**'s approach to managing the **PLAL With-Profits Sub-fund** and to responding to shorter term changes in the business, regulatory and economic environment. In other words, the Practices describe how **Royal London** intends to follow the Principles in the day-to-day management of the **fund**. Changes may be made to the Practices and any changes will be notified to affected policyholders within a reasonable timescale unless otherwise agreed with the **Regulator**. Such notice may be contained in annual statements we send to policyholders and may in addition be published on the Royal London group website. The Practices are identified in the text by *this typeface*.

In order to enable a reader to understand this document it is necessary to include certain background material which forms part of neither the Principles nor the Practices. This text is shown by the same typeface as in this paragraph.

The **Directors** are ultimately responsible for all aspects of the management of the with profits business. The **Directors** have established a With Profits Committee to provide independent advice on the way the fund is managed, to provide an independent view when they are considering the interests of with profits policyholders and to monitor compliance with the PPFM. Before making any changes to the Principles or the Practices the **Directors** will obtain **Actuarial Advice.**

The Principles and the Practices will evolve over time in response to changing circumstances and changes in the business environment.

Management of the business is not a mechanistic process carried out strictly on the basis of compliance with a detailed set of pre-determined criteria. Rather, many judgements need to be made about the actions to take in aiming to meet the objectives which are described in the Principles and Practices set out in the PPFM. Those judgements are made with a view to achieving what the **Directors** believe is a fair balance between the different interests of individual policyholders and groups of policyholders, and furthering the interests of policyholders as a whole.

A report to policyholders from the **Directors** on compliance with the PPFM is published each year on the Royal London group website. The report for any year is usually available at the end of June in the following year.

As the Principles and Practices of Financial Management is a technical document a customer friendly Guide to how we manage our with profits fund is available on the Royal London group website.

2 PRINCIPLES AND PRACTICES OF FINANCIAL MANAGEMENT

2.1 Equity between the PLAL With-Profits Sub-fund and the RL Main Fund

The profits arising within the **PLAL With-Profits Sub-fund** are retained in the **fund** for the benefit of the policyholders. The **RL Main Fund** receives charges taken from policies in the **PLAL With-Profits Sub-fund** and bears the expenses in respect of maintaining those policies and therefore makes profits or bears losses on the difference between the charges and the expenses.

2.2 Guiding Principles

Royal London applies some overall guiding principles when managing the **fund** under the Principles and Practices set out in this document. Where there is conflict between one or more Principles or Practices or between any of these and the overall guiding principles the **fund** will be managed so that the guiding principles are applied.

GUIDING PRINCIPLES

Royal London ***will manage the*** **fund** ***in accordance with the legal and regulatory requirements that apply to it from time to time. This will include maintaining sufficient assets to satisfy ongoing*** **regulatory capital resource requirements** ***applicable from time to time.***

Royal London ***will conduct its business in a sound and prudent manner with due regard to the interests of its policyholders and with a view to treating policyholders*** **fairly.**

Royal London ***will aim to manage the*** **fund** ***in order to ensure that all guaranteed benefits can be paid as they fall due. This will include observing all contractual terms set out in policy terms and conditions.***

Royal London ***will manage the*** **fund** ***in compliance with the provisions of the*** **PLAL Transfer Scheme.** ***If a conflict with a principle or practice in this document arises then the provisions of the*** **PLAL Transfer Scheme** ***will take precedence.***

2.3 Management of the PLAL Estate

The term '**PLAL Estate**' in this document means the excess of the market value of assets and value of in force business attributed to the **PLAL With-Profits Sub-fund** over the value of the total of technical provisions for with profits business of the **fund**. Technical provisions comprise **aggregate asset shares** and additional costs in respect of contractual guarantees, options and smoothing policies. This approach is consistent with the **Regulator**'s methodology for determining Capital Resources within the **Regulatory Returns**.

It is the **PLAL Estate** that provides the capital required to meet guarantees and the cost of smoothing in the **PLAL With-Profits Sub-fund**, to the extent that these exceed those included in the **Regulatory Returns**. The **PLAL Estate** is small which influences for example the degree of smoothing which can be applied. This position is not expected to change significantly in the future.

When the size of the **PLAL With-Profits Sub-fund** falls below a preset amount the **PLAL Transfer Scheme** permits the policies, assets and liabilities within the **fund** at that time to be transferred as a whole to the **RL Main Fund**. At the point of closure any residual **PLAL Estate** will be allocated to the **asset shares** of remaining **PLAL** with profits policyholders in a **fair** manner.

PRINCIPLES - Management of the PLAL Estate

***The* fund *will be managed with no expectation of capital support from the* RL Estate. *It will be managed in accordance with the* PLAL Transfer Scheme, *which sets out the division of the* fund *from the other assets within the* RL LTF.**

***The* fund *will be managed with the aim of maintaining the* PLAL Estate *at an appropriate level in relation to the with profits liabilities calculated on a realistic basis and having regard to the* fair *treatment of with profits policyholders. The appropriate level of the* PLAL Estate *will be determined by the* Directors *upon receiving* Actuarial Advice.**

If the* PLAL Estate *falls below the target level determined by the* Directors, *the amounts which may be distributed (if any) from* the PLAL Estate *to policyholders may be reduced and appropriate charges to* asset shares *may be introduced or increased from time to time.

If, in the view of the* Directors, *the* PLAL Estate *is sufficiently in excess of its target level, then it may be reduced by distribution to appropriate

***policyholders, subject to approval from the* Directors *upon receiving* Actuarial Advice.**

The* PLAL Estate *will be distributed to with profits policies within the* fund *over the period these with profits policies remain in force.

The* RL Estate *may, in extreme circumstances, be required to support the* fund *if the* PLAL Estate *should go into deficit. Any payment from the* RL Estate *into the* fund *to cover a shortfall will be refunded to the* RL Estate *as soon as possible.

PRACTICES - Management of the PLAL Estate

Currently the **PLAL Estate** *is meeting or being credited with the differences between*

- *the cost of risk benefits and the charges for risk benefits passed on to with profits policies*
- *the cost of guarantees on with profits policies and the charges made for those guarantees*
- *the cost of smoothing for with profits policies and charges made to with profits policies for the smoothing*

The size of the **PLAL Estate** *is assessed regularly and managed appropriately with the aim, where possible, of maintaining it within agreed limits either side of the target level determined by the* **Directors***. As the* **PLAL Estate** *is small it is currently being managed to minimise the risk that it becomes negative.*

If an investigation into the financial condition of the **fund** *reveals the level of the* **PLAL Estate** *is below the target level by more than the agreed limit, the* **Directors** *will obtain a report containing recommendations for management actions to restore the financial position. Conversely, if an investigation reveals the level of the* **PLAL Estate** *is above the target level by more than the agreed limit, the* **Directors** *will obtain a report containing recommendations for management actions to reduce the excess.*

If the **PLAL Estate** *becomes negative the* **Directors** *upon receiving* **Actuarial Advice** *would consider the appropriate actions required to restore the* **PLAL Estate** *so that it is positive, taking into account all the circumstances giving rise to the deficit. These could include for example the size and causes of the deficit, whether that deficit was considered to be temporary or permanent and the outlook for the future. Examples of actions which the*

Directors *could take include reducing policyholder benefits and reducing the proportion of the* **fund** *invested in equities.*

If the **Directors** *consider that policyholder benefits should be reduced the order in which actions will be taken is as follows:*

1) *removal of planned future enhancements to* **asset shares***;*
2) *removal from asset shares of past enhancements which had been made to* ***asset shares****;*
3) *reducing asset shares or applying charges to* **asset shares** *up to a cap of 5% overall, with a limit in any one calendar year of 2.5% for years up to 2009, or 1% for years after 2009;*

If after these actions the **PLAL Estate** *remains negative then the* **Directors** *upon receiving* **Actuarial Advice** *may make further charges to* **asset shares** *to cover 35% of the remaining deficit. The* **RL Estate** *would be required to provide the remaining 65% subject to a maximum capital support of £14m***.** *If this limit is reached the* **Directors** *upon receiving* **Actuarial Advice** *would discuss the appropriate course of action with the* **regulator**.

In some situations a regulatory deficit, where the value of assets in the **fund** *is less than the mathematical reserves held, may arise whether or not the* **PLAL Estate** *has become negative***.**

If a regulatory deficit arises in the **fund** *and the* **PLAL Estate** *is not negative then the* **Directors** *upon receiving* **Actuarial Advice** *may follow the actions 1) and 2) above to remove the regulatory deficit and/or reduce the proportion of the* **fund** *invested in equities.*

If a regulatory deficit arises in the **fund** *and the* **PLAL Estate** *is negative then the* **Directors** *upon receiving* **Actuarial Advice** *will first take the above actions to restore the* **PLAL Estate** *to a non negative position. If a regulatory deficit still remains then the* **Directors** *may take the actions 1) and 2) listed above to remove the regulatory deficit and/or reduce the proportion of the* **fund** *invested in equities.*

The target level of the **PLAL Estate** *is determined as a multiple of the* **Regulatory Capital Resource Requirements**.

Regular reports are provided to the **Capital Management Committee** *to enable it to monitor the level of the* **PLAL Estate.** *Examples of the reports provided include estimates of the level of free assets and half yearly results of investigations into the robustness of the* **PLAL Estate** *to different economic and investment scenarios. As a result of the information provided in the reports, the* **Capital Management Committee** *makes recommendations to the* **Directors***, with the agreement of the Group Chief Executive Officer, on any investment-related actions required.*

At the date of this PPFM, other than the hedging arrangements in place to reduce exposure to guarantee costs, the investment strategy of the **PLAL Estate** *is not expected to be different from that of the rest of the fund but this may not always be the case.*

The **PLAL With-Profits Sub-fund** *as a whole may be transferred to the* **RL Main Fund** *after the assets in the* **fund** *fall below £50m (increased annually from 29 December 2008 in line with increases in the Retail Prices Index) or such other amount as the* **Directors** *decide, upon* **Actuarial Advice***, that its maintenance as a separate* **fund** *is no longer administratively feasible. On transfer any residual* **PLAL Estate** *will be allocated to the remaining* **PLAL** *with profits policyholders in the* **fund** *in a fair manner.*

2.4 Business Activities

The **PLAL With-Profits Sub-fund** has a limited exposure to business risks.

PRINCIPLES - Business Activities

The business risks within the* fund *are limited to those resulting from maintaining with profits policies.

PRACTICES - Business Activities

The business risks mainly arise from the cost of guarantees on certain classes of policy that MVRs will not be applied in certain circumstances or on certain dates. Although hedging arrangements may be put in place from time to time to reduce the exposure of the **fund** *to these risks, these arrangements may not cover all guarantee costs.*

The rewards or losses from business risks are credited or charged to the **PLAL Estate** *and there is no specific limit on the amount which is credited or charged. There is normally no direct impact on policy benefits payable other than as a result of a distribution from the*

PLAL Estate, *the need to increase the level of the* **PLAL Estate**, *or if there would be a deficit in the* **fund**.

In exceptional situations such as very large profits or losses these may be allowed for as a specific adjustment to the **net investment return** *for the year.*

2.5 New Business Volumes

PRINCIPLES - New Business Volumes

***The* fund *is closed to new business. The Directors may permit limited amounts of new business to be written within the* fund.**

PRACTICES - New Business Volumes

No new policies will normally be written in the **fund**. *However incremental contributions may be allowed to certain existing policies, and new members may be permitted to group policies for certain pension schemes. Where permitted, certain policies may switch part or all of their investments into with profits units invested in the* **fund**.

There is no current plan to reopen the **fund** *to new business although* **Directors** *may do so in the future, as permitted by the* **PLAL Transfer Scheme**, *and upon receiving* **Actuarial Advice**.

2.6 Investment Strategy

PRINCIPLES - Investment Strategy

The aim of the investment strategy is to achieve security for the* fund *to meet its guaranteed liabilities and commitments. Subject to these constraints the aim is also to maximise the long term return on investments for with profits policyholders.

The* Directors *upon receiving* Actuarial Advice *may group the liabilities of the* fund *into separate pools and the investment strategy for such pools may be determined separately.

***The* fund *invests in a wide range of assets. In determining the mix of assets between different asset classes, the investment strategy will take into account the size of the* PLAL Estate, *the* fund*'s ability to meet its ongoing* regulatory**

capital resource requirements *in all reasonably foreseeable circumstances, the long term expected return available from each asset category and the observed and expected market volatility of each asset class.*

Royal London *does not take into account any potential financial support from the* RL Main Fund *in setting and maintaining this investment strategy.*

A portion of the* fund *is invested in equities and the* fund *may from time to time invest in property. The proportions held in fixed interest and deposits will be varied to maintain adequate protection for the guaranteed benefits and the* PLAL Estate. *A close match is maintained between the size and nature of the liabilities and the assets used to match them. Where appropriate, derivative instruments are used to assist in this overall matching process.

In considering the range of assets in which to invest, derivatives and other financial instruments may be used within the limits determined from time to time by the* Directors *for efficient portfolio management or for hedging purposes to protect the* PLAL Estate. *In order to reduce the risk of loss resulting from the failure of a third party the* Directors *set limits for exposure to various counterparties, taking into account their credit rating and any other contracts* Royal London *has with them.

PRACTICES - Investment Strategy

Currently the **fund** *is managed as one pool of assets and is invested in a mix of assets designed to protect the security of the guaranteed benefits and maximise the returns to the* **fund** *whilst aiming to maintain the* ***PLAL Estate*** *at the target size. In achieving the appropriate balance between security of benefits and maximising returns to the* **fund,** *any potential capital support which may be provided by the* **RL Main Fund** *will not be taken into account.*

The **fund** *is managed by a wholly owned subsidiary,* **RLAM**, *which invests the assets within guidelines set out in an investment management agreement.*

The **Directors** *will aim to give policyholders participation in the asset classes and with the overall risk profile in the* **fund** *they have been led to expect by statements and communication updates from time to time relating for example to changes in the investment and economic outlook, and the financial condition of the* **fund**.

The investment policy of the **fund** *is determined by the* **Directors** *after having received* **Actuarial Advice**. *The* **Directors** *set benchmarks for the asset allocations of the* **fund**. *Currently the strategy and the asset mix are reviewed quarterly by the* **Directors** *but these may be changed more frequently or at any time in order to reflect changes in circumstances. The investment mix is monitored by the* **Capital Management Committee**, *which normally meets every two months or more frequently if market conditions dictate. Changes to the benchmark asset allocations are recommended to the Group Chief Executive Officer by the* **Capital Management Committee** *upon receiving* **Actuarial Advice**. *Significant changes to the benchmark allocations require approval by the* **Directors** *upon receiving* **Actuarial Advice.**
The **Directors** *set guidelines for the proportion of assets that may be invested in particular asset classes or in individual securities or companies. Investment may be made only in permitted asset classes. Details of permitted counterparties and limitations on exposure and minimum credit quality for investments are maintained.*

Investment in any new asset class is only permitted after following the approval processes in force. The investment management agreement is revised as appropriate to include such new investments.

The **fund** *may hold derivative instruments, including options and interest rate swaps and swaptions, to provide a close match with the cost of guarantees within the* **fund**, *to provide backing for other guaranteed benefits and for efficient portfolio management.*

At the date of this PPFM a hedging arrangement is in place with the intention of reducing substantially the exposure of the **fund** *to certain guarantee costs. These arrangements may be altered, replaced or terminated in the future by the* **Directors** *upon receiving* **Actuarial Advice**.

The **fund** *may contain certain quoted investments which are regarded by the* **Directors** *as strategic and may not be traded by* **RLAM** *without obtaining the consent of the Group Chief Executive Officer. At the date of this PPFM no such investments were held.*

The ***fund*** *may invest in commodities, infrastructure financing or insurance related investments to provide credit diversification within the* ***fund***. *Investment in any of these classes is only permitted after following the approval process in force.*

*There are no material holdings of assets in the **fund** that would not normally be traded because of their importance, and there are not expected to be any such holdings in the future.*

The **Directors** *set performance benchmarks against which the returns achieved on the individual asset categories are measured. The* **Directors** *meet quarterly to monitor the compliance by* **RLAM** *with the agreed asset allocation benchmarks, to monitor the performance achieved by* **RLAM** *of the investments in each asset category against agreed performance benchmarks and to monitor adherence to the investment management agreement.*

Royal London *publishes the asset mix at 31 December in respect of the* **fund** *each year. Such information may be provided in the annual report and accounts or it may be published on the website. Such information may also be provided to policyholders by other means, for example in literature accompanying annual statements or bonus notices.*

2.7 Policy Benefits Payable

This section describes how **Royal London** determines the benefits payable to with profits policyholders. Section 2.7.1 describes the general Principles and Practices **Royal London** uses to determine the policy benefits payable and section 2.7.2 explains in detail the calculation of **specimen asset shares** in this process. Section 2.7.3 describes the smoothing policy adopted by the **fund** and section 2.7.4 describes how final bonus and market value reduction (**MVR**) scales are determined. Section 2.7.5 describes how annual bonuses are determined.

2.7.1 General Principles and Practices

PRINCIPLES - Policy Benefits Payable

***When determining the amount payable to an exiting policy* Royal London *will aim to meet the reasonable benefit expectations of all policyholders, treating different classes and generations of policyholders* fairly.**

One aspect of* fairness *is the need to ensure that the interests of remaining policyholders are safeguarded against the impact of policyholders voluntarily exiting the* fund. *Voluntary exits are those arising where policyholders do not complete the full terms of their policies. This might be for example by ceasing to pay premiums, altering the policy or by surrendering early.

Royal London aims to ensure that on average over the longer term the amount paid on maturity and death claims is the asset share of the policy subject to smoothing. Maturity payouts and death claims will be calculated by adding a final bonus, which may be zero or positive, to the face value of units.

The overall aim is to give each group of maturing policies its fair share of the available funds, basing payouts on specimen asset shares, *subject to a minimum payout based on the guaranteed benefits of any particular policy.*

Payments on voluntary exit may reflect a charge for any un-recouped expenses and other charges. In addition, payments on surrender or part surrender may reflect the application of an MVR *as appropriate.*

The method of determining payouts may be changed in the future but in the event of any such change a formal process will be followed requiring the approval of the Directors *after receiving* Actuarial Advice.

The fees charged explicitly to with profits policies in the calculation of benefits are agreed annually. The overall aim is to levy charges at the levels disclosed at the point of sale of each policy, but these charges can be changed by the Directors *upon receiving* Actuarial Advice.

Documentation setting out the methods, procedures and assumptions used in the calculation of policy values is maintained.

The calculation of asset shares *requires some approximations and the exercise of judgement and discretion which is subject to the approval of the* Directors.

Historical assumptions or parameters may not normally be changed unless the Directors *upon receiving* Actuarial Advice *consider changes are required to correct errors, to reflect new information or to maintain* fairness *between policyholders and the effect of the change on* asset shares *would be material.*

Some approximations in calculating payouts are made, including adoption of a common bonus series for altered and unaltered policies and for policies of different sizes. The methods used, assumptions made and parameters used

lead to approximations in calculating payouts as a result of pooling of experience.

PRACTICES - Policy Benefits Payable

The amounts payable under a policy are currently determined by the use of **asset shares** *as a guide to setting payout levels. We do not calculate* **asset shares** *individually for each policy but use* **specimen asset shares** *based on* **specimen policies** *that represent groups of policies with the same material characteristics.*

The target payout is normally 100% of **specimen asset share**, *subject to any minimum guaranteed benefits. A different percentage may apply for different purposes or for different policy classes.*

We aim to set bonus rates and surrender bases so that the vast majority of payouts on maturity or on earlier voluntary exit fall between 80% and 120% of **specimen asset share**. *This range will be reviewed periodically, usually annually. The range is a target and it is not guaranteed that all (or the vast majority of) payments will fall within the specified range.*

The methods for calculating the **specimen asset shares** *and the parameters that are used in the calculations are documented and any material changes are approved by the* **Directors**, *upon receiving* **Actuarial Advice**. *Historical assumptions or parameters derived from experience or actions may be changed, upon receiving* **Actuarial Advice**. *For example we may change previously applied* **net investment returns** *charges or other parameters. We normally only do this if more accurate information becomes available or to correct an error and where the effect on the* **specimen asset share** *calculation is significant.*

2.7.2 Calculation of Asset Shares

PRACTICES - Calculation of Asset Shares

The following section describes the method used to calculate **specimen asset shares**. These are based on that part of the premiums which is invested into the with profits fund ie after allowing for policy charges as specified in policy terms and conditions.

CALCULATION

***Specimen asset shares** are calculated by accumulating a specimen allocation of investment premium at the **net investment return.** The **net investment return** is the rate of return earned on the assets backing the policies after allowing for investment management expenses, tax, where appropriate, and relevant charges. In some circumstances other charges may be deducted from the **net investment return**. Some of these are described in more detail below.*

*Separate calculations of **specimen asset shares** are maintained for different classes of policy or series of units and for different modes of premium payment.*

INVESTMENT RETURNS AND TAX

*The overall investment performance of the assets backing **asset shares** in any year is credited to **specimen asset shares** after adjustment for investment management expenses, charges and tax. The investment return allocated to **asset shares** is the actual return for each calendar year on the pool of assets deemed to back the with profits asset shares. or an estimate where it is not yet available.*

*The investment returns after tax are currently calculated by applying the appropriate tax rates to the components of the return. For example different assumed tax rates might be used for income and gains, and for equities and other investments. This broad approach seeks to give an appropriate allowance for tax within the **asset share** calculation. The aim is to set parameters at levels that would, if applied across the whole **fund**, result in a tax charge broadly similar to that actually paid by the **fund** as though it were standalone. Actual tax paid by the **fund** is calculated separately using a much more detailed approach and the difference between the actual tax paid and the notional tax assumed in the **asset share** calculation is charged/credited to the **PLAL Estate**.*

*The **net investment return** used in the calculation of the **specimen asset shares** for different classes of policy may be different. In particular the return from any assets bought specifically to cover guarantees may be reserved to meet the costs of those guarantees.*

ENHANCEMENTS

***Specimen asset shares** may be increased by way of enhancements from time to time. Any such enhancements will normally be applied by an addition to the **net investment return**. The enhancements may be temporary or permanent additions to **specimen asset shares** and form part of the **specimen asset shares** on which payouts are targeted.*

EXPENSES

The charges applied directly to the policies depend on the type and nature of the policy but would normally include a bid/offer spread, a policy fee and an annual management charge.

The actual charges are related to the level of charges disclosed at the point of sale, increased as appropriate from time to time. Charges such as policy fees are normally uprated annually in line with increases in Retail Prices or Average Weekly Earnings as appropriate for the class of policy. Increases in the annual management charge or other charges may be made by the **Directors** *upon receiving* **Actuarial Advice**.

Expense charges levied on the policies are credited to and the actual expenses of the **fund** *are charged to the* **RL Main Fund**. *Any profits or losses arising from the difference between the charges and expenses therefore arise in the* **RL Estate**.

In calculating the **specimen asset shares** *no explicit allowance for expenses is made other than an annual management charge, the size of which depends on the class of policy.*

COST OF RISK BENEFITS

The charge for life cover and other risk benefits in the calculation of **asset shares** *is approximated by using standard mortality tables, morbidity tables or other appropriate tables, adjusted to reflect the likely experience for this business.*

OTHER CHARGES

If a shortfall occurs in the **PLAL Estate**, *at the discretion of the* **Directors** *upon receiving* **Actuarial Advice**, **specimen asset shares** *may be reduced by an explicit charge up to a maximum level as described in more detail in section 2.3 Management of the PLAL Estate.*

GUARANTEES

Currently no charges are made to **specimen asset shares** *for guarantees. At the discretion of the* **Directors** *upon receiving* **Actuarial Advice** *and having discussed the proposal with the* **regulator** *the* **specimen asset shares** *may be reduced by an explicit guarantee charge to cover the average expected cost in the medium term of guaranteed benefits within the* **fund,** *if that is deemed appropriate. This cost arises when the guaranteed benefits exceed the* **asset share** *on a claim.*

TRANSFER TO THE RL ESTATE

No transfer from distributed surplus is made to the **RL Estate**.

2.7.3 Smoothing and the setting of Final Bonus, MVR and Surrender Bases

Smoothing is an important feature of with profits investment and is the means by which the impact on policyholders of fluctuations in the value of the underlying assets is reduced. Smoothing can be seen in the way in which the payout levels change from time to time for policyholders, where the changes may be different from the movements in the underlying assets. Changes are controlled carefully to ensure that policyholders are treated **fairly**.

For with profits business a final bonus may be payable in addition to any guaranteed benefits when the policy benefits are taken. Payment of any final bonus is not guaranteed however and **Royal London** aims, subject to smoothing, to pay out the accumulated value, if any, of policy benefits above the face value of units. In so doing **Royal London** has regard to the past practices within **PLAL** prior to the transfer of business.

PRINCIPLES - Smoothing

Payouts on with profits policies will be smoothed in a manner which is consistent with the past practice of **PLAL** ***so as to avoid excessive differences in payouts on similar policies over short periods of time. A consistent approach will be applied between different classes and generations of policyholder. The smoothing applied will not vary with the type of claim and a common scale will apply to maturity, surrender and death claims***

Royal London ***aims to smooth payouts to limit the amount of change between payouts on similar policies of the same term from one period to another. The aim is to reduce the effect of volatility in the underlying assets but the amount of any smoothing may be varied to ensure that policyholders are treated*** **fairly** ***and to protect the remaining policyholders. A consistent approach will be applied between different classes and generations of policyholder.*** **Royal London** ***may vary its approach to smoothing upon receiving*** **Actuarial Advice.**

Any adjustments for smoothing may be positive or negative and any amounts withheld or advanced as a consequence of smoothing will be calculated so that so far as is practicable all policyholders are treated fairly. There is no explicit

maximum accumulated cost or excess from smoothing in the shorter term. The cumulative cost of smoothing over the shorter term is expected to be small in relation to the size of the* fund*. Overall the effect of smoothing is intended to be neutral over time.

PRACTICES - Smoothing

There is no explicit maximum accumulated cost or excess from smoothing. However a balance is struck between the reasonable benefit expectations of policyholders exiting the **fund** *and those who remain part of it. A consistent approach is applied between different classes and generations of policyholder. The size of the* **PLAL Estate** *is small which limits the amount of smoothing which can be applied.*

Changes in payouts between similar policies maturing in successive periods will normally be limited so that the overall change between two successive reviews will not exceed 15%. If investment returns are extreme, we may review payouts more than once a year however the overall change in a year will not exceed 25%.

We aim to keep the actual payout levels close to the **specimen asset shares** *by making changes to the final bonus or* **MVR** *scales as appropriate.*

2.7.4. Final Bonus, MVR and Surrender Bases

For payouts at maturity final bonus scales are set to increase the face value of the units up to the total benefit intended to be paid (set as described earlier). **MVR** scales are normally set to reflect broadly the amounts by which the value of guaranteed benefits are to be reduced towards **asset share** subject to smoothing. Adverse market conditions may reduce the **asset share** for a policy to a level below the face value of units. In such circumstances an **MVR** will be applied where permitted by the policy terms and conditions.

PRINCIPLES - Final Bonus, MVR and Surrender Bases

Final bonus,* MVR *scales and surrender bases will be set having regard to the principles for determining payouts and for smoothing. However changes may be made at any time in order to ensure policyholders are treated* fairly*. There are no explicit constraints on the size of change in final bonus rates,* MVR *scales or surrender bases from one declaration to the next.

MVRs will be applied following adverse market conditions to reduce the level of smoothing applied to voluntary exits and to bring payouts closer to underlying* specimen asset shares. *In addition final bonus rates may be reduced to zero in poor market conditions.

PRACTICES - Final Bonus, MVR and Surrender Bases

Final bonus scales are normally reviewed once a year, but may be reviewed more frequently or at any time to ensure **fairness** *is maintained. Final bonus scales may be reviewed following a material alteration in economic conditions.* **MVR** *scales are normally reviewed each month.*

Current practice is to calculate **specimen asset shares** *for* **specimen policies** *using the method set out in the section describing the policy benefits payable (above). The ratio of the* **specimen asset share** *to the bid value of with profits units for the* **specimen policies** *is calculated. Where the calculated ratio is greater than 1 a final bonus scale is determined based on the positive difference between the* **specimen asset share** *and the guaranteed benefits. These rates are then subject to a smoothing process.*

Separate final bonus scales are usually determined for single premium and regular premium contracts and for contracts subject to different tax regimes or different annual management charges.

Where the calculated ratio of the **specimen asset share** *to the bid value of with profits units is less than 1 an* **MVR** *scale would normally be determined using similar methods.*

The same series of final bonus rates is applied to all claims within a particular class irrespective of the type of claim. Similarly, for claims where the **MVR** *may be applied, the same* **MVR** *scale will be applied to all relevant claims within a particular class.*

Normally policies are not subject to both a final bonus and an **MVR**. *However if an* **MVR** *scale needs to be introduced in adverse conditions without a corresponding change to final bonus scales, it is possible that both a final bonus and an* **MVR** *could be applied to a policy on exit.*

When a new final bonus or **MVR** *scale is set the aim is to set the scale so that payouts are within a few percentage points of the theoretical result. The aim is to limit the change in payout at any one review to 10% but there is no limit on the frequency of reviews.*

The approach for surrender and transfer bases is to set final bonus and **MVR** *scales which are approximately within 5% of the* **specimen asset share** *at the time the scale is set. The scales will normally be reviewed when fluctuations in asset values indicate that divergence from the theoretical scale may be greater than 5%.*

The final value of a policy is calculated using the same methods and assumptions regardless of any partial payments made without **MVR** *during the policy term. That is, no additional charge is levied purely as a result of a prior* **MVR**-*free withdrawal.*

Changes to final bonus and **MVR** *scales are determined subject to the formal approval of the* **Directors** *upon receiving* **Actuarial Advice** *and may be made at any time***.** *Final bonus is only added to a claim if the* **Directors** *are satisfied that the* **fund** *will be able to continue to meet its r***egulatory capital resource requirements** *in all reasonably foreseeable circumstances***.**

2.7.5 Annual Bonus

An annual bonus increases the value of a policy gradually over time by increases in the price of the with profits units. However the face value of the units is guaranteed to be payable only in the circumstances defined in the contract, for example for an endowment policy this would be at the end of the policy term or on earlier death.

PRINCIPLES - Annual Bonus

In determining the bonus rates, the objective of the* Directors *is to meet the reasonable benefit expectations of policyholders, treating different classes and generations of with profits policyholders* fairly. *The aim in setting annual bonus rates is to increase guaranteed policy values over time at rates which it is expected can be maintained over the longer term, taking into account economic conditions and the economic outlook at the time.

Annual bonuses will be set at rates which are affordable and which will not prejudice the future distribution of the* PLAL Estate fairly *amongst different policyholders. If the economic outlook is poor or annual bonus is not

affordable within the* fund *the* Directors *may be constrained to declare no annual bonus.

Separate annual bonus rates may be set for different series of policies in order to treat policyholders* fairly. *Separate bonus rates may be set for life policies and pension policies or for policies which have different types or series of units.

***The bonus policy will be regularly reviewed by the* Directors *to ensure it remains appropriate. A new class of bonus will be introduced if this becomes necessary to preserve* fairness *between different policy classes and generations of policyholder or to maintain the* PLAL Estate *at the appropriate size determined by the* Directors.**

PRACTICES - Annual Bonus

Rates of annual bonus were zero on most policy types between 2003 and 2011. In 2012, non-zero annual bonus was declared, although at a modest level. We expect low or zero rates to be declared for the foreseeable future.

If positive returns are made on the **fund's** *investments the aim will be to direct the majority of* **net investment returns** *towards increasing final bonus levels or, where applicable, reducing* **MVRs**, *before declaring any annual bonuses. This approach provides fair treatment of all policyholders in the fund.*

Any annual bonus is included in the unit price. The annual bonus rates are normally set and declared once a year but may be set more often. Once declared, the annual bonus continues at the same rate until a change is declared, which may be at any time. The aim of setting annual bonus rates is to build up the guaranteed bonus gradually over the term of a policy whilst permitting sufficient surplus to emerge at maturity to support a final bonus.

The following paragraphs set out the methods we use to set annual bonuses. The starting point for setting the levels of annual bonus declared is the expectation of the average long term investment return on the fund less an appropriate allowance for tax, the appropriate annual management charge and an amount to allow for a build up of final bonus. Where higher guarantees apply a further deduction may be made.

In deciding the appropriate rates of annual bonus investigations are carried out. Examples of investigations which may be carried out include those to assess the future financial condition of the **fund***, the expected long term returns on the assets underlying the* **fund** *and the amounts by which the guaranteed benefits can be increased whilst leaving sufficient margin for a final bonus to emerge at maturity. The supportability of proposed annual bonus rates over the long term is assessed together with the ability of the* **fund** *to pay such bonuses. The results of other investigations to assess realistic solvency including scenario testing to assess the impact of variations in current and future economic and investment conditions are also taken into consideration when setting annual bonuses.*

Annual bonuses are only declared if the **Directors** *are satisfied that the ability to distribute the* **PLAL Estate fairly** *to* **with profit policies** *will not be adversely affected over the short or long term. Annual bonus is only added if the* **Directors** *are satisfied that immediately after the declaration of such annual bonuses, the* **fund** *will have sufficient assets to be able to meet its* **Regulatory Capital Resource Requirements** *and that the declaration of such annual bonuses is not expected to prejudice the ability to meet its* **Regulatory Capital Resource Requirements** *in the reasonably foreseeable future. Changes in the annual bonus rate are normally made gradually but there is no maximum to the level of change from one declaration to the next.*

GLOSSARY

'Actuarial Advice'	Advice provided by the Actuary responsible for advising the **Directors** on discretionary or technical aspects of the management of the with profits business. Under current regulatory rules this is the With Profits Actuary or the Head of Actuarial Function, according to the nature of the aspect being advised on.
'aggregate asset shares'	This term refers to the sum of all **asset shares** for a particular fund or class of business.
'asset share(s)'	The notional share in the assets of a with profits fund that a with profits policy is deemed to have. The **asset share** is calculated by accumulating the premiums paid at the **net investment return** less any charges and expenses not allowed for in the **net investment return**.
'Bright Grey'	A division of **Royal London,** manufacturing and distributing protection products under the brand name **Bright Grey**.
'Capital Management Committee'	A committee put in place by **Royal London** to manage the processes required to ensure that **Royal London**'s capital position is both maintained within its target range and is sufficient to enable fulfilment of stated core strategic objectives as determined by the **Directors** from time to time or such replacement committee as may carry out the same function.
'CIS'	Co-operative Insurance Society Limited
'Directors'	The **Directors** of The Royal London Mutual Insurance Society Limited from time to time. For practical purposes the Directors may agree to delegate certain decisions to a sub-set of their number.
'estate' or 'Estate'	General term used to describe the excess of the assets realistically required to meet the current expectations of policyholders and to settle other liabilities relating to each class of business to which it relates.
'fair', 'fairly', 'fairness'	References to and use of the concept of fair, fairness or treating policyholders fairly in this document relate to the obligation created by Principle 6 of the **Regulator**'s Principles for Businesses to, amongst other things, treat customers fairly.
'FCA'	Financial Conduct Authority
'fund'	Refers to the **PLAL With-Profits Sub-fund**.

'IB'	Industrial Branch Business.
'market consistent basis'	An approach to valuing the cost of guarantees, options and smoothing using an asset model which delivers prices for assets and liabilities that can be directly verified from the market.
'MVR'	A market value reduction which may be applied on claims under with profits policies in certain circumstances. An MVR reduces the face value of the with profits units and effectively acts like a negative final bonus. An MVR is only applied if the value of the investments underlying a policy has fallen below the face value of the units cashed. This ensures fairness between those policyholders who cash in benefits and those who remain. An MVR will not usually be applied on death or on certain pre-defined circumstances as laid out in the policy conditions. In some circumstances an MVR may be applied to the face value of the units plus final bonus cashed.
'net investment return'	The investment return earned in any year after deducting tax and all relevant costs, charges and expenses (including where appropriate the costs of guarantees and provision of capital).
'non-participating'	Refers to a policy which does not participate in profits, including a unit linked policy.
'OB'	Ordinary Branch Business.
'PLAL'	Phoenix Life Assurance Limited
'PLAL With-Profits Sub-fund'	The **fund** into which certain assets and liabilities of Phoenix Life Assurance Limited (PLAL) were transferred with effect from 29 December 2008, a separate closed sub-fund of the **RL LTF**.
'PLAL Estate'	That part of the **PLAL With-Profits Sub-fund** not required to satisfy reasonable expectations of policyholders i.e. the **estate** associated with **PLAL** business retained within the **PLAL With-Profits Sub-fund**.
'PLAL Transfer Scheme'	The scheme of transfer under which the assets, liabilities and policies of **PLAL** were transferred to the **RL LTF** with effect from 29 December 2008.
'PRA'	Prudential Regulation Authority
'RA'	Refuge Assurance plc
'Regulator'	The **FCA**, **PRA** or any other regulatory body as defined in accordance with the provisions of the UK Financial Services and Markets Act 2000 (or any such legislation that supersedes it).

'Regulatory Capital Resource Requirements'	The capital resources that **Royal London** must hold in order in accordance with regulatory requirements from time to time.
'Regulatory Returns'	The statutory returns detailing the company's solvency position that must be submitted to the **Regulator** on an annual basis (or at such times as the **Regulator** requires).
'Royal Liver'	The Royal Liver Assurance Limited.
'Royal Liver Estate'	That part of the **Royal Liver Sub-Fund** not required to satisfy the reasonable expectations of policyholders in that sub-fund.
'Royal Liver Instrument of Transfer'	Refers to the Instrument of Transfer under which the liabilities of **Royal Liver** were transferred to the **RL LTF** on 1 July 2011.
'Royal Liver Sub-Fund'	The fund into which certain assets and liabilities of **Royal Liver** (except certain infrastructure assets) were transferred with effect from 1 July 2011, a separate closed sub-fund of the **RL LTF**.
'RL'	The Royal London Mutual Insurance Society Limited.
'RL Estate'	The **estate** associated with the **RL Main Fund**.
'RL LTF'	The Royal London Long Term Fund which consists of the **RL Main Fund, the SL Closed Fund** and the **PLAL With-Profits Sub-fund**.
'RL Main Fund'	**Royal London** main fund which includes **OB** and **IB** business originally issued by **RL**, **UF** and **RA**. It also includes the **non participating** business of **PLAL**, **SMA** and **SP**
'RLAM'	Royal London Asset Management Limited.
'RLCIS'	Royal London (CIS) Limited – the name given to **CIS** following its acquisition by **Royal London**.
'Royal London'	We use the term '**Royal London**' in this document to refer to The Royal London Mutual Insurance Society Limited and (where the context so requires) its subsidiaries. **Royal London** is a brand name.
'Royal London (CIS) Sub-Fund'	The fund into which certain assets and liabilities of RLCIS were transferred with effect from 30 December 2014, a separate closed sub-fund of the RL LTF.
'Scottish Life'	A division of **Royal London** manufacturing and distributing products under the **Scottish Life** brand since 1 July 2001.

'Scottish Mutual'	Scottish Mutual Assurance Limited
'Scottish Provident'	A division of **Royal London** manufacturing and distributing products under the **Scottish Provident** brand
'SL'	The Scottish Life Assurance Company.
'SMA'	Scottish Mutual Assurance Limited
'SP'	Scottish Provident
'specimen asset share'	**Asset share** of a **specimen policy**
'specimen policy'	A theoretical policy used in calculations. Individual calculations are not performed for policies of the same type taken out at approximately the same time. Calculations are normally carried out for one such policy with other similar policies being treated proportionately.
'UAG'	United Assurance Group, which consisted of Refuge Assurance plc, United Friendly Insurance plc and other companies writing non profit business and/or other non life assurance business.
'UF'	United Friendly Insurance plc
'unitised'	Refers to a with profits policy where premiums have been used to purchase units.

APPENDIX 1

1. Acquisitions of Royal London

In April 2000, **Royal London** purchased **UAG**, which included United Friendly Insurance plc and Refuge Assurance plc, both of which wrote with profits business, other life companies which wrote **non-participating** business only and other non life companies. The assets backing the long term business of the **UAG** life companies and the associated liabilities were transferred into the **RL LTF** with effect from 1 January 2001.

On 1 July 2001 **Royal London** purchased **SL** and its subsidiaries, which included Scottish Life International and other companies. The assets backing the with profits policies (and certain other minor classes of policy) of **SL** and the associated liabilities were transferred into the **SL Closed Fund**, a separate sub-fund of the **RL LTF**. The assets backing the other policies and the associated liabilities were transferred to the **RL LTF** . The **SL Closed Fund** is closed to new business.

On 3 June 2008 **Royal London** purchased Scottish Provident International Life Assurance.

On 1 August 2008 **Royal London** purchased **PLAL**. On 29 December 2008 the assets backing the with profits policies of **PLAL** and the associated liabilities were transferred into the **PLAL With-Profits Sub-fund**, a separate sub-fund of the **RL LTF**. The assets backing the **non participating** policies and the associated liabilities were transferred to the **RL Main Fund**. The hybrid policies were allocated to the **RL Main Fund** with the assets and liabilities backing the with profits benefits being transferred to the **PLAL With-Profits Sub-fund** and the assets and liabilities related to the investment linked benefits being transferred to the **RL Main Fund**. The **PLAL With-Profits Sub-fund** is closed to new business other than increments or switches from investment linked funds.

Royal London purchased certain protection business written by Scottish Provident Limited and **Scottish Mutual** and on 29 December 2008 the assets backing these protection policies and the associated liabilities were transferred to the **RL Main Fund.**

On 1 July 2011 **Royal London** acquired **Royal Liver** and its subsidiaries. All of the assets and liabilities of **Royal Liver** (except some of the infrastructure assets) were transferred into the **Royal Liver Sub-Fund**, a separate sub-fund of the **RL LTF**. The **Royal Liver Sub-Fund Fund** is closed to new business.

On 31 July 2013, **Royal London** acquired Co-operative Insurance Society (**CIS**) and The Co-operative Asset Management business from the Co-operative Banking Group. **CIS** was originally held as a subsidiary of **Royal London** and renamed as **RLCIS**. On 30 December 2014 the business of **RLCIS** was transferred into the **Royal London (CIS) Sub-Fund**.

2. Mutuality

Royal London is a mutual insurance company. In common with other mutual organisations **Royal London** is owned by its members and has no shareholders. Because the members are customers of the business, there is often a greater common purpose between owners and customers than is found in other organisations.

For a mutual company the primary source of capital to operate and develop its business for the benefit of its members is the **estate**, although other sources are available. Other sources of capital used by **Royal London** include reassurance and subordinated debt.

This use of the **estate** by a mutual company to provide the capital requirements of the business means that all the undistributed profits and losses remain in the business for the benefit of policyholders and members rather than a share of the profits being paid out to shareholders in the form of dividends.

Royal London remains committed to mutuality, which has served the company and its policyholders well over the years. Only some policyholders are members however, and the rules determining membership are set out in **Royal London**'s Articles of Association as amended from time to time.

There are certain categories of with profits policy which do not confer membership and these include, among others;

- policies originally taken out with **PLAL**
- policies originally taken out with **RA**, **UF, SL, Royal Liver** or **CIS**.

APPENDIX 2

Policies included in this PPFM document

This document covers the PPFM for the with profits benefits of **PLAL** policies that are held within the **PLAL With-Profits Sub-fund**.

Description

Life
Endowment Mortgage Plan – Low Cost
Endowment Mortgage Plan – Low Start
Ten Year Regular Savings Plan
With Profit Investment Bond
With Profit Bond (Savings and Investment Direct)
Flexible Lifetime Plan
Critical Illness Contract

Pension
Group Pension
Personal Pension (Regular)
Personal Pension (Single)
Contracted Out Pension Plan
Top-Up Pension Plan
Flexible Pension Plan

ISA
Mortgage Plan
Savings Plan

APPENDIX 3

Background to the policies included in this PPFM

PLAL was originally owned by Abbey National and was called Abbey National Life plc. On 1 September 2006 Resolution Life Limited acquired Abbey National Life plc and changed the name of the company to Phoenix Life Assurance Limited (**PLAL**).

On 1 May 2008, the Resolution Group of companies, including **PLAL**, was acquired by the Pearl Group and parts of the businesses acquired, including **PLAL**, were sold on to Royal London.

On 1 August 2008 **PLAL** was acquired by **Royal London**.

The with profits units for **PLAL** were originally held in the with profits fund of **Scottish Mutual** and were managed by **Scottish Mutual**. At 30 September 2008 the with profits units together with the underlying assets and liabilities were transferred to **PLAL** and the link with **Scottish Mutual** was broken.

On 29 December 2008 the business of **PLAL** was transferred to **Royal London;** the with profits business was transferred to the **PLAL With-Profits Sub-fund** within **Royal London** and the **non participating** business was transferred to the **RL Main Fund**.