



**The proposed transfer of the protection business of Scottish Equitable plc
to The Royal London Mutual Insurance Society Limited**

**Report by the Group Chief Actuary
of The Royal London Mutual Insurance Society Limited**

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1. INTRODUCTION

1.1 Purpose

The Royal London Mutual Insurance Society (“Royal London”) and Scottish Equitable plc (“Scottish Equitable”) are making an application to The High Court of Justice of England and Wales (“the Court”) for the sanction of a scheme (the “Scheme”) made pursuant to Part VII of the Financial Services & Markets Act 2000 for the transfer of the UK individual protection business (the “Transferring Business”) which includes a defined block of protection policies (the “Transferring Policies”) from Scottish Equitable to Royal London (collectively, the “Transfer”). The proposed date of the Transfer is 1 July 2024 (the “Effective Date”).

SUP 18.2.57E (2) of the Financial Conduct Authority (“FCA”) handbook states that the set of documents provided to the Court in relation to any business transfer would usually include reports by the actuarial function holder (Chief Actuary) of both firms. The scope of this report and the role of the Chief Actuary in such a transfer is not defined in statute or regulation. I have therefore considered the likely effect of the proposed Transfer in the light of the requirements of the Independent Expert under SUP 18.

Accordingly, the purpose of this report is to set out the likely effect of the proposed Transfer for:

- a) the existing policyholders of Royal London at the time of transfer (the “Existing Policies”); and
- b) the holders of the policies proposed to be transferred (the “Transferring Policies”),

in each case with reference to all relevant factors including their benefit security, benefit expectations, and administration and service standards. The regulatory test to be applied under SUP 18 is that the proposed Transfer should have ‘no material adverse effect’ on the interests of these groups of policyholders. I will also pay regard to the general requirement to treat customers fairly and to ensure good customer outcomes consistent with the new Consumer Duty regulations due to come into force for closed books of business on 31 July 2024.

This report has been prepared for the Directors of Royal London to assist them in deciding whether to proceed with the Transfer. The report will also be made available to the Independent Expert, the Prudential Regulation Authority (“PRA”), the FCA and the Court as part of the Scheme sanction application.

This report does not consider the likely impact on Scottish Equitable policyholders remaining within Scottish Equitable following the proposed Transfer. This is considered in the separate report of the Chief Actuary of Scottish Equitable. This report should also be read in conjunction with the reports on the Transfer by Royal London’s With Profits Actuary, the Scottish Equitable With Profits Actuary and the Independent Expert. In forming my own opinion, I have considered the contents of, and conclusions made, in all of these reports.

1.2 Independent Expert

Stephen Makin of Hymans Robertson LLP has been jointly appointed by Royal London and Scottish Equitable to act as the Independent Expert for the Scheme and Transfer. His appointment has been approved by the PRA, in consultation with the FCA.

1.3 Reliances and limitations

In considering the implications of the proposed Transfer on the relevant policyholders, I have taken account of:

- The Framework Agreement (as defined below)
- The Transaction Reinsurance Agreement (as defined below)
- The Transitional Services Agreement (as defined below)
- Royal London's capital management framework
- Royal London's Solvency II capital balance sheets (before and after the proposed Transfer)
- The report of the Royal London With Profits Actuary
- The report of the Independent Expert
- The report of the Scottish Equitable Chief Actuary
- The report of the Scottish Equitable With Profits Actuary

This report will be provided to the Court in evidence for the Directions hearing on 28 February 2024. It includes financial information dated as at 30 June 2023 (unless otherwise specified). I will prepare a further supplementary report for the sanctions hearing which is expected to take place on 14 June 2024 which will comment on any significant changes that have occurred in the interim period.

In preparing my report, I have used and relied on data provided by Scottish Equitable concerning the expected future emergence of cashflows on the specified policies. This information has been subject to due diligence by Royal London, including discussions with the relevant Scottish Equitable personnel.

1.4 Credentials and declarations of interest

I have been a Fellow of the Institute and Faculty of Actuaries since 2000 and the Group Chief Actuary of Royal London since April 2021. I have worked for Royal London since July 2013.

My role in Royal London is unaffected by the proposed Transfer. I have one policy with Royal London in the Royal London Main Fund which is in scope of the Existing Policies. I confirm that I have taken no account of any personal interests in reaching any of the conclusions detailed in this report.

1.5 Compliance with actuarial standards

The actuarial elements of this report fall under the definition of technical actuarial work as defined by the Financial Reporting Council, and as such would be required to comply with Technical Actuarial Standards 100 (General Actuarial Standards) and 200 (Insurance). This report complies with these standards.

The report has also been subject to peer review in line with the Actuarial Profession Standards document 'APS X2: Review of Actuarial Work' by an experienced actuary within Royal London.

1.6 Structure of this report

This report is structured as follows:

- Section 2 provides an Executive Summary of the report.
- Section 3 provides background on Royal London, Scottish Equitable, the Transferring Business, the Scheme and the proposed Transfer, and sets out the estimated financial position of Royal London before and after the proposed Transfer.
- Section 4 sets out the likely effect of the proposed Transfer on the Existing Policies.
- Section 5 sets out the likely effect of the proposed Transfer on the Transferring Policies.
- Section 6 sets out other considerations relevant to the proposed Transfer.
- Section 7 sets out my conclusions.

2. EXECUTIVE SUMMARY

2.1 Background

Royal London is a mutual insurance company that is the parent entity of the Royal London Group and was established in the UK in 1861 as a friendly society. It was incorporated as a company limited by guarantee in 1908 and is governed by its own Memorandum and Articles of Association. It is registered in England and Wales and is authorised by the PRA and regulated in the UK by the PRA and FCA. It has an established track record of writing new business and of acquiring the businesses of other insurers, in both cases including protection business similar to that included under the proposed Transfer.

Scottish Equitable originated in 1831 with the formation of the Scottish Equitable Life Assurance Society (“SELAS”). Scottish Equitable plc was incorporated on 14 May 1993. SELAS demutualised on 31 December 1993, its assets and liabilities being transferred into Scottish Equitable plc under a scheme pursuant to Section 49 of the Insurance Companies Act 1982. Upon demutualisation, Aegon Ltd (previously Aegon N.V.) took a 40% stake in Scottish Equitable, increasing this stake to 100% and taking full ownership in 1998. Aegon UK was incorporated in 1999 and set-up as a holding company for Scottish Equitable. Scottish Equitable is now a wholly owned subsidiary of Aegon UK, which is itself a wholly owned subsidiary of Aegon Ltd. Scottish Equitable is the only regulated insurance entity in Aegon UK and it writes pensions and insurance business in the UK. Scottish Equitable is registered in Scotland and is regulated in the UK by the PRA and the FCA.

Following a strategic review, Scottish Equitable decided in 2022 that its UK individual protection business was no longer core to its operations and therefore decided to dispose of the book. On 4 April 2023, Royal London entered into an agreement with Scottish Equitable (the “Framework Agreement”) to acquire the Transferring Business by means of the proposed Transfer with a proposed effective date of 1 July 2024. The portfolio was also closed to new business on 4 April 2023. Following the proposed Transfer, all of the assets, liabilities, rights and obligations under the Transferring Policies will move from Scottish Equitable to Royal London and the Transferring Policies will become directly written business of Royal London.

The Transferring Policies comprise approximately 417,000 mainly life and critical illness policies (as at 30 June 2023). The portfolio is similar to Royal London’s existing book of protection business in terms of age, composition and risk profile and increases the number of protection policies within Royal London to over 1.5 million. Therefore, from Royal London’s perspective the acquisition provides an opportunity to achieve economies of scale with the existing book and to generate an attractive return for its members.

On 4 April 2023, Scottish Equitable and Royal London entered into a temporary reinsurance agreement to transfer, from Scottish Equitable to Royal London, the economic exposure arising in respect of the Transferring Policies with effect from 1 July 2022 until the Effective Date (the “Transaction Reinsurance Agreement”).

As at 30 June 2023, the impact of this on Royal London is to reduce the overall Best Estimate Liabilities (“BEL”) of the RL Main Fund by £125m (0.2% of the £82.8bn total); reduce Own Funds by £18m (0.4% of the £5.0bn total); and increase Solvency Capital Requirements (“SCR”) by £43m (1.9% of the £2.3bn total). The net effect of this is to reduce the RL Main Fund capital cover ratio by 4.7%, from 217% to 212%.

Pending completion of the proposed Transfer, Scottish Equitable will continue to administer the Transferring Policies under the existing outsourcing agreement with Atos BPS Limited. Following the Transfer, administration services for the Transferring Policies will continue to be provided by Atos BPS Limited under a new contract entered into between Royal London and Atos BPS Limited on terms that are consistent with the existing contract in all material respects.

Scottish Equitable will provide certain transitional services which give Royal London access to the Scottish Equitable group’s IT systems (which are relevant to the administration of the Transferring Policies) and to certain corporate functions (“Transitional Services”) pursuant to the transitional services agreement dated 4 April 2024 (the “Transitional Services Agreement”). These Transitional Services will be provided to Royal London from the Effective Date until Royal London can administer the Transferring Policies on a standalone basis with no reliance upon Scottish Equitable, the Scottish Equitable group or the Transitional Services.

2.2 Key features of the proposed Transfer

I have considered the likely effect of the proposed Transfer on the Existing Policies and Transferring Policies and in my view, the key features to note are:

- The Transferring Policies are similar in nature and risk profile to Royal London’s existing protection book and smaller in size. In the context of Royal London’s Main Fund, the Transferring Policies represent a relatively small addition and hence result in only a small initial strain on the capital position. In particular, the Solvency II capital position will continue to be robust and be within Royal London’s defined ‘acceptable range’ (as at 30 June 2023). Therefore, the proposed Transfer is not expected to have any material adverse effect on the benefit security of the Existing Policies or the Transferring Policies.
- The proposed Transfer will not result in any changes to the terms and conditions of the Transferring Policies, nor will there be any material change in practice in relation to claims underwriting or the pricing of the small number of policies with renewal and other policy options. Therefore, the proposed Transfer is not expected to have any material adverse effect on the benefit expectations of the Transferring Policies. Similarly, the proposed Transfer will not result in any changes to the terms and conditions of the Existing Policies and there is no material adverse effect generally on their benefit expectations.
- In relation to policy administration, the existing outsourcing arrangement will continue following the Transfer and on terms that consistent with the existing arrangement in all material respects, ensuring no material adverse effect on the Transferring Policies.

- A proportionate approach has been taken in relation to policyholder communications relating to the Scheme and Transfer. The holders of the Transferring Policies, save for a small number for which a mailing dispensation is being sought, will be informed of the proposed Transfer by Scottish Equitable via a direct mailing and will have the opportunity to raise any objections to the Court. An application is to be made to the Court for a waiver to omit direct mailing of the holders of Existing Policies on the grounds that the proposed Transfer will not materially impact them, including ProfitShare payments, and the cost of doing so would be disproportionate given the limited utility; however, information on the proposed Transfer will be made available online with notification made in the national press advising of such.

2.3 Overall conclusions

I have considered the likely impact of the proposed Transfer on the Existing Policies and Transferring Policies. Based on my considerations, and taking into account the key features of the proposed Transfer and the discussion of these and other matters contained in this report, it is my view that:

- The proposed Transfer will have no material adverse effect on the benefit security or benefit expectations of the Existing Policies.
- The proposed Transfer will have no material adverse effect on the benefit security or benefit expectations of the Transferring Policies.
- Policy administration and service standards will not be materially adversely affected by the proposed Transfer.
- The proposed communications approach is appropriate, proportionate and pays due regard to the information needs of policyholders and the need to treat them fairly.

3. BACKGROUND

3.1 Background to Royal London

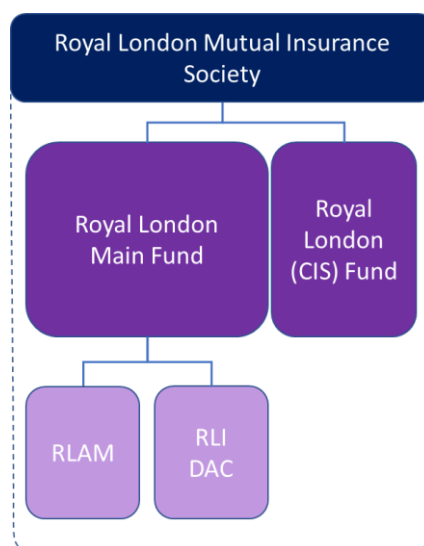
Royal London is a mutual insurance company that is the parent entity of the Royal London Group and was established in the UK in 1861 as a friendly society. It was incorporated as a company limited by guarantee in 1908 and is governed by its own Memorandum and Articles of Association. It is registered in England and Wales and is authorised by the PRA and regulated in the UK by the PRA and FCA.

It has grown in recent years as a result of writing new business – predominantly pensions and protection business sold through independent financial advisers. In addition, since 2000 the company has established a track record of successfully acquiring and completing the transfer of the long-term business of a number of life companies:

- In 2000, the United Assurance Group comprising Refuge Assurance plc, United Friendly Insurance plc, United Friendly Life Assurance Limited, Refuge Investments Limited and Canterbury Life Assurance Company Limited;
- In 2001, the Scottish Life Assurance Company;
- In 2008, the business of Phoenix Life Assurance Limited, certain protection business of Scottish Mutual Assurance Limited and Scottish Provident Limited;
- In 2011, Royal Liver Assurance Limited;
- In 2013, Co-operative Banking Group's life and asset management businesses;
- In 2020, the Police Mutual Assurance Society.

As at 30 June 2023, Royal London had £153bn of assets under administration, 8.6 million policies in force and £99.8bn of Technical Provisions. This includes a broad range of policy types, including around 1,100,000 intermediated protection policies similar in nature to the Transferring Policies.

In terms of its structure, Royal London consists of the Royal London Main Fund and one other closed, ring-fenced, with-profits fund – the Royal London (CIS) Fund – which is not impacted by the proposed Transfer. The Royal London Main Fund has two major subsidiary investments – Royal London Asset Management (“RLAM”) and Royal London’s Irish business, Royal London Insurance DAC (“RLI DAC”) – neither of which are impacted by the proposed Transfer. The Royal London Main Fund is the largest fund within Royal London, and all new policies issued by Royal London are written into it (other than some small volumes of increments or options on existing Royal London (CIS) Fund policies).



The estate of the Royal London Main Fund provides capital to support the business activities of Royal London, including writing new business and funding any acquisitions. In return, the estate receives profits (or incurs losses) from these business activities. The Royal London Main Fund has a capital cover ratio of 212% (as at 30 June 2023), meaning the capital position is robust and within Royal London’s defined ‘acceptable range’.

As a mutual, Royal London is owned by its members as defined in its Articles of Association. It has no shareholders and instead distributes a share of its profits each year to certain eligible policyholders through a scheme known as ‘ProfitShare’. The award of ProfitShare in any given year is not guaranteed and is at the discretion of Royal London’s Board, taking into account the ongoing profitability of the business and capital strength of the Royal London Main Fund. ProfitShare is allocated predominantly to with-profits policies in the Royal London Main Fund and unit-linked pension policies written by Royal London since 1 July 2001.

3.2 Background to Scottish Equitable

Scottish Equitable originated in 1831 with the formation of the Scottish Equitable Life Assurance Society (“SELAS”). Scottish Equitable plc was incorporated on 14 May 1993. SELAS demutualised on 31 December 1993, its assets and liabilities being transferred into Scottish Equitable plc under the Scheme pursuant to Section 49 of the Insurance Companies Act 1982.

Upon demutualisation, Aegon Ltd (previously Aegon N.V.) took a 40% stake in Scottish Equitable, increasing this stake to 100% and taking full ownership in 1998. Aegon UK was incorporated in 1999 and set-up as a holding company for Scottish Equitable at the same point as acquiring the life assurance business of Guardian Royal Exchange from Sun Life and Provincial Holdings. Aegon UK sold Guardian Royal Exchange in 2011.

Scottish Equitable is now a wholly owned subsidiary of Aegon UK, which is itself a wholly owned subsidiary of Aegon Ltd. Scottish Equitable is the only regulated insurance entity in the Aegon UK Group and writes pensions and insurance business in the UK. Scottish Equitable is registered in Scotland and is regulated in the UK by the PRA and the FCA.

The business of Scottish Equitable consists of unit-linked individual and group pension policies sold mainly through Workplace and Retail intermediary sales channels; individual protection policies providing cover against death, critical illness and sickness; a small book of group protection claims-in-payment policies; traditional with-profits policies; unit-linked whole of life policies; and conventional pension annuity policies in payment.

Scottish Equitable consists of a long-term fund comprising a Non-Profit Sub-Fund (“NPSF”), a With-Profits Sub-Fund (“WPSF”), and a Shareholder fund (“SHF”):

- the WPSF comprises conventional with-profits policies, the investment element of unitised with-profits policies, and is liable to meet the cost of certain annuity guarantees attached to NPSF unit-linked policies;
- the NPSF comprises all other insurance policies (including unit-linked business, individual protection policies, group protection claims-in-payment, and post-demutualisation annuities);
- profits (and losses) on assets and liabilities notionally allocated to the WPSF are for the benefit of with-profits policyholders;
- profits (and losses) on assets and liabilities notionally allocated to the NPSF are for the benefit of the shareholder;
- assets in the NPSF and SHF are available to support the solvency of the WPSF should there be insufficient assets within the WPSF to meet its liabilities.

The WPSF has effectively been in run-off since 2002 when the fund closed to new business with investment guarantees. New investments into New Generation With-Profits (ring-fenced sub-funds within the WPSF with no investment guarantees) continued to be permitted until 2013 when the WPSF was fully closed to all new business. Some unit-linked pensions and whole of life policies invest either partly or entirely in the WPSF and thereby participate in the profits and losses of the WPSF. This is known as ‘unitised with-profits’ business.

Scottish Equitable currently writes significant volumes of new unit-linked, individual and group pensions business through intermediary channels.

As at 30 June 2023 the capital coverage ratio of Scottish Equitable was 166%.

3.3 The transferring portfolio

The Transferring Policies comprise approximately 417,000 policies (as at 30 June 2023). Sold from 1999 onwards, originally under the Scottish Equitable brand, they consist predominantly of life and critical illness insurance policies with a small volume of other products including income protection and whole of life, as summarised in the table below.

Product Type	Benefit	Number of Policies
Level Life Term Insurance	Constant death benefit	205,000
Reducing Life Term Insurance	Death benefit reducing over time	62,000
Critical Illness Insurance and Life Insurance with Critical Illness	Constant or reducing benefit payable on death or diagnosis of critical illness	73,000
Other Products	Various, including <ul style="list-style-type: none">• Income Protection,• Family Income Benefit,• Whole of Life and• Gift Inter Vivos• Multi-benefit policies	77,000
Total		417,000

A range of additional policy features can also be added to some of the products including waiver of premium benefits, house purchase cover and renewal and indexation options.

Scottish Equitable closed the book to new business on 4 April 2023. The Transferring Policies are therefore a closed book of business.

The principal risks to which the Transferring Policies are exposed are that:

- Claims on life cover are greater than expected (mortality risk)
- Claims on critical illness and income protection covers are greater than expected (morbidity risk)
- Policyholders lapse their policies before the end of the term and premium income is therefore less than expected (persistence risk)
- The costs of administering the book are greater than expected (expense risk)

To mitigate the impact of mortality and morbidity risk, Scottish Equitable have in place a number of mortality and morbidity reinsurance treaties with respect to the Transferring Policies which generally cede between 80-100% of the risk. It is proposed that these reinsurance treaties will be transferred under the Scheme as part of the Transferring Business.

3.4 Outline of the Scheme and the proposed Transfer

The Scheme will result in the transfer of the Transferring Policies from Scottish Equitable to Royal London. All assets, liabilities, rights and obligations under the Transferring Policies, to the extent they are to be performed on or after the Effective Date, will transfer

to Royal London. The Transferring Policies will subsequently become directly written business of Royal London.

The proposed Transfer is expected to take effect on 1 July 2024.

The Transferring Policies are to be placed into the Royal London Main Fund.

The proposed Transfer will not result in any changes to the terms and conditions of the Transferring Policies.

The holders of Transferring Policies will not become members of Royal London, consistent with Royal London's membership rules under its Articles of Association, nor will they be eligible for ProfitShare distributions.

The existing mortality and morbidity reinsurance treaties that Scottish Equitable have in place with respect to the Transferring Policies will transfer to Royal London as part of the proposed Transfer with no change in terms, other than that they will become contracts of Royal London.

The costs associated with the implementation of the Scheme will be met on a shared basis by Royal London and Scottish Equitable in accordance with terms set out in the Framework Agreement. The Transferring Policies will not bear any of these costs.

Holders of Transferring Policies, save for a small number of exceptions for which a dispensation will be sought in accordance with the Scottish Equitable Communications Strategy, will be informed of the proposed Transfer via a direct mailing and will have the opportunity to raise any objections to the Court. An application is to be made to the Court for a waiver to omit direct mailing of the Existing Policies on the grounds that the proposed Transfer is not expected to materially adversely affect them in that there will be no changes to terms and conditions and no material adverse impact to benefit expectations, ProfitShare, benefit security or service standards. Therefore, Royal London considers there to be limited utility in notifying holders of Existing Policies of the proposed Transfer and the cost of doing so (estimated at £4.9m) would be disproportionate. However, information on the proposed Transfer will be made available online with notification made in the national press advising of such.

Pending completion of the proposed Transfer, Scottish Equitable will continue to administer the Transferring Policies under the existing outsourcing agreement with Atos BPS Limited. Following the Transfer, administration services for the Transferring Policies will continue to be provided by Atos BPS Limited under a new contract entered into between Royal London and Atos BPS Limited on terms that are consistent with the existing contract in all material respects.

Scottish Equitable will provide certain transitional services which give Royal London access to the Scottish Equitable group's IT systems (which are relevant to the administration of the Transferring Policies) and to certain corporate functions ("Transitional Services") pursuant to the transitional services agreement dated 4 April 2023 (the "Transitional Services Agreement"). These Transitional Services will be provided to Royal London from the Effective Date until Royal London can administer the Transferring Policies on a standalone basis with no reliance upon Scottish Equitable, the Scottish Equitable group or the Transitional Services.

Scottish Equitable process payments in respect of the Transferring Policies using a bank account provided by Barclays. The contract for the operation of this bank account will transfer to Royal London as part of the proposed Transfer.

The Transferring Policies have access to “Policy Plus” – a range of support services to help with claims and bereavement. These services are provided under contract with three outsource partners - Health Assured (for health and wellbeing services including counselling), Red Arc (providing second medical opinions) and FPSG (where businesses need help with the replacement of a key person). The contracts to provide these services will transfer to Royal London as part of the proposed Transfer.

As part of the application for court approval of the proposed Part VII transfer, Stephen Makin of Hymans Robertson LLP has been jointly appointed by Royal London and Scottish Equitable to act as Independent Expert. His report will accompany my report, that of the Royal London With Profits Actuary and those of the Scottish Equitable Chief Actuary and Scottish Equitable With Profits Actuary in the documents submitted to the Court.

The PRA has been engaged ahead of the Part VII transfer going to the Court. The PRA has approved the appointment of the Independent Expert, in consultation with the FCA, and there are no outstanding concerns following engagement. The FCA has also been consulted throughout the Part VII process with no outstanding concerns identified.

3.5 Solvency assessments in the United Kingdom

The current solvency regime, Solvency II, has applied to insurance business across Europe since its implementation in 2016 and continues to apply to insurance business in the United Kingdom. Under Solvency II, insurers are required to have sufficient assets to cover a Best Estimate Liability (“BEL”), a Risk Margin and capital requirements.

The BEL is the present value of the future cashflows expected to emerge on the insurance business, calculated using best estimate assumptions with no explicit margin for prudence. The Risk Margin reflects the cost of holding additional regulatory capital against the BEL. Together, the BEL and Risk Margin are referred to as the Technical Provisions, which are intended to equal the amount that another insurer would require to take over the insurance obligations. ‘Own Funds’ refers to the excess of assets that the insurer has over and above the Technical Provisions.

Insurers are permitted to apply for an adjustment to their balance sheet to delay the full effect of Solvency II and instead introduce it gradually over a 16-year period from its implementation in 2016. This adjustment is the Transitional Measure on Technical Provisions (“TMTP”). Royal London has approval to include TMTP in the balance sheet, reducing overall Technical Provisions.

The Solvency Capital Requirement (“SCR”) is designed to ensure that insurers have sufficient capital to cover an adverse event at a level only expected to occur once in every 200 years. It can be calculated using a standard formula approach, prescribed in the

regulations, or using an internal model designed to more accurately reflect an insurer’s specific risk profile. Internal models can only be used with the approval of the PRA. Royal London has used an approved internal model since 31 December 2019.

In addition to holding sufficient capital to meet minimum regulatory obligations under the Solvency II regime, the Royal London Main Fund holds an additional amount under its capital management framework to ensure it can continue to meet the regulatory requirement (SCR) following adverse events at a defined level. Accordingly, the financial strength is measured in terms of a cover ratio, the ratio of Own Funds to SCR. This is compared to an ‘acceptable range’ which has a lower bound of 165% but in practice Royal London expects to operate at a higher level than this. As at 30 June 2023, the position of the Royal London Main Fund was as follows, noting that as a result of the Transaction Reinsurance Agreement, the impact of the proposed Transfer is already reflected in these figures:

- Own Funds of £5.0bn;
- SCR of £2.3bn; and
- Cover ratio of 212%.

3.6 Impacts of the proposed Transfer on solvency

The proposed Transfer is expected to have a relatively small initial impact on the Technical Provisions, and hence on the Own Funds of the Royal London Main Fund – in total a reduction of £18m (as at 30 June 2023) – including a £125m reduction in the overall BEL of the Royal London Main Fund, net of the expected amounts recoverable from reinsurers.

The proposed Transfer also means that Royal London has taken on extra risk which increases its SCR. As at 30 June 2023 I expect the Royal London SCR to increase by £43m as a result of the proposed Transfer. This SCR would be expected to reduce over time as the Transferring Policies run off and to the extent the risks associated with the Transferring Policies do not occur in practice.

Overall, the proposed Transfer is expected to lead to a small reduction in the Royal London Main Fund cover ratio of 4.7% when measured as at 30 June 2023 and the cover ratio remains within the defined ‘acceptable range’. Note that as a result of the Transaction Reinsurance Agreement, the impact of the proposed Transfer is already reflected in the reported position as at this date and the ‘Pre-Transfer’ figures show the position without the proposed Transfer.

Royal London Main Fund Balance Sheet (£m)	Pre-Transfer	Post-Transfer	Impact of Transfer
Own Funds	4,989	4,971	-18
SCR	2,304	2,347	+43
Cover Ratio	217%	212%	-4.7%

Royal London paid less for the Transferring Policies than the expected increase in Own Funds, allowing for the expected operational expense savings arising from the proposed

Transfer. However, because we defer the recognition of expected operational expense savings until they emerge, there is a small initial strain to the balance sheet.

The equivalent impact on the regulatory cover ratio, which additionally takes into account the closed RL(CIS) fund, is a 4.0% reduction in the ratio, from 204% to 200%.

These results do not include the impact of a recalculation of TMTP since this would require a separate application to the PRA.

Overall, the impact on the capital position of Royal London from the transfer is not material.

Whilst the impact on Own Funds is negative at 30 June 2023, it is expected to be positive from the point of transfer, as a result of:

- (1) the Risk Margin on this business falling under new proposals by HM Treasury for reforms to Solvency II. It is expected this would increase Own Funds by c£13m;
- (2) the business is expected to be included in future recalculations of TMTP going forwards (increasing Own Funds by £9m);

Together, these are expected to result in an impact on Own Funds of +£4m.

In the longer term, it is Royal London's intention to bring the administration of the Transferring Policies in-house, and at this point reflect the expense synergies associated with the acquisition, further increasing the contribution to Own Funds from the transfer.

In addition to expense synergies, Risk Margin and TMTP, capital requirements will also be released over time as the business runs off, further reducing the strain on cover ratio.

4. THE LIKELY EFFECT OF THE PROPOSED TRANSFER ON THE EXISTING POLICIES

The following factors have been considered in determining the likely effect of the proposed Transfer on the Existing Policies:

- Benefit security
- Benefit expectations
- Administration and service standards
- Policyholder communications
- Cost of transfer and expenses
- Investment strategy
- Governance
- Reinsurance
- Taxation

4.1 Benefit security

The proposed Transfer will result in additional risks and capital requirements being introduced to the Royal London Main Fund, which, depending on how material these are, could potentially compromise the ability to meet the payment of benefits to Existing Policies.

To examine this, firstly the likely impact of the Transferring Policies on the capital position of the Royal London Main Fund has been considered. The table below sets out the cover ratio before and after the proposed Transfer.

Royal London Main Fund	Pre-Transfer	Post-Transfer	Impact of Transfer
Own Funds	4,989	4,971	-18
SCR	2,304	2,347	+43
Cover Ratio	217%	212%	-4.7%

There is a 4.7% reduction in the cover ratio as a result of the proposed Transfer. This is modest in the context of the overall Royal London Main Fund and reflects the relatively small size of the Transferring Business. The fund retains its robust capital position within the defined 'acceptable range'.

Secondly, the likely impact of the Transferring Policies on the risk profile of the Royal London Main Fund has been considered.

Again, the immateriality of the Transferring Policies, in comparison to the RL Main Fund as a whole, means that the impact of the proposed Transfer on the risk profile is immaterial with only negligible changes in the proportions of longevity and mortality/morbidity risk expected.

I am therefore satisfied that the proposed Transfer will have no material adverse effect on the benefit security of the Existing Policies.

4.2 Benefit expectations

The proposed Transfer will not result in any changes to the terms and conditions of the Existing Policies. In particular, there is no change in the guaranteed benefits payable on non-profit policies nor on the payouts, linked to asset share, expected by with-profits policyholders on their policies.

ProfitShare is discretionary and so does not form part of policyholders' benefit expectations. However, for completeness I note that, following the proposed Transfer, the Royal London Main Fund cover ratio will remain within the defined 'acceptable range' and hence the proposed Transfer is not expected to have a material adverse impact on the capital strength of the Royal London Main Fund and therefore on the ability to continue paying ProfitShare distributions at current levels.

I am therefore satisfied that the proposed Transfer will have no material adverse effect on the benefit expectations of the Existing Policies.

4.3 Administration and service standards

Following the proposed Transfer, the administration of the Transferring Policies will continue to be carried out by Atos BPS. There is therefore no direct impact on Royal London's existing customer servicing areas. Similarly, the Transitional Services provided by Scottish Equitable following the proposed Transfer, such as IT provision, will ensure there is no direct impact on those services offered to Existing Policies.

I am therefore satisfied that the proposed Transfer will have no material adverse effect on the administration and service standards of the Existing Policies.

4.4 Policyholder communications

A detailed communication plan has been jointly agreed between Scottish Equitable and Royal London which aims to ensure that policyholders are appropriately informed of the proposed Transfer. An application is being made to the Court for a waiver to omit direct mailing to the Existing Policies on the grounds that the proposed Transfer is likely to have little to no relevance to, or impact on, them. The Transfer is not expected to materially affect the Existing Policies as there will be no changes to their terms and conditions and no material adverse impact on their benefit expectations, ProfitShare, benefit security or service standards.

Therefore, Royal London considers there to be limited utility in notifying holders of Existing Policies and the cost of doing so, estimated to be £4.9m to complete a mailing to approximately 8.6m policyholders, would be disproportionate. However, information on the Transfer will be made available online with notification made in the national press advising of such.

I am satisfied that the proposed communications approach is appropriate, proportionate and pays due regard to the information needs of the Existing Policies and the requirement to treat them fairly.

4.5 Cost of transfer and expenses

The costs associated with the implementation of the Scheme and the proposed Transfer will be met on a shared basis by Royal London and Scottish Equitable in accordance with the terms set out in the Framework Agreement. I have reviewed the expected costs and believe them to be reasonable and consistent with similar acquisitions of this scale.

Royal London's share will be met from the estate of the Royal London Main Fund. The expected amounts have been allowed for within the acquisition pricing such that members are expected to achieve an acceptable return from the investment.

The expected costs are also reflected in the financial impacts of the proposed Transfer quoted throughout this report.

I am therefore satisfied that the expected costs of the proposed Transfer are reasonable and have been appropriately taken account of in the relevant calculations and will not lead to a material adverse effect on the Existing Policies.

4.6 Investment strategy

The Transferring Policies will be placed in the Royal London Main Fund and the associated assets and liabilities will be managed in accordance with the existing investment strategy of the fund. The proposed Transfer will not result in any change in the investment strategy of the fund and there will be no impact on the expected returns or expected volatility of returns on the Existing Policies.

I am therefore satisfied that the proposed Transfer will not have a material adverse effect on the investment strategy or investment outcomes of the Existing Policies.

4.7 Governance

Royal London has an established governance framework in place to ensure decisions are made with due regard to the risks that Royal London faces and taking into account the interests of members and policyholders. The Transferring Policies will become an extension of the existing protection business within Royal London and will be governed in the same way.

I am therefore satisfied that the proposed Transfer will not result in any changes to the governance structure and there is no material adverse effect on the interests of the Existing Policies.

4.8 Reinsurance

The Transferring Policies are reinsured in respect of mortality and morbidity risk with generally between 80% and 100% of the exposures ceded across seven reinsurers in total. These reinsurance treaties are expected to transfer to Royal London as part of the proposed Transfer with no change in terms save that Royal London will become the counterparty instead of Scottish Equitable.

Royal London has existing relationships with all of these reinsurers and cedes a similar proportion of risk on its current protection book to them. All of the reinsurers on the Transferring Policies have a Standard & Poor's credit rating of AA- or higher and therefore fall within Royal London's existing criteria for selecting and appointing reinsurer counterparties. The additional counterparty default risk exposure to Royal London is in proportion to the addition of the book itself and analysis has been undertaken to ensure that the counterparty default risk exposures remain within Royal London's existing defined limits.

I am therefore satisfied that there is no material adverse effect on the Existing Policies from the reinsurance agreements transferring to Royal London as part of the proposed Transfer.

4.9 Taxation

The Transferring Policies consist of business written:

- Pre 1 January 2013, which is taxed on a BLAGAB¹ basis with an associated tax liability of c£1m. This liability will pass to Royal London and was accounted for in the acquisition pricing and is reflected in the financial impacts of the proposed Transfer quoted throughout this report.
- Post 1 January 2013, which is taxed on the basis of trading profits at the corporation tax rate. As a mutual, Royal London is not liable for corporation tax on this element.

Separately, there is a small block of c 4,000 policies within the Transferring Policies which are life cover protection policies sold under the rules of the Scottish Equitable Personal Pension Scheme and, as a consequence, receive tax relief at source on the life policy premiums paid (the "Life Protection with Tax Relief" or "LPTR" policies). The value of the tax relief over the remaining run-off of these LPTR policies is estimated to be £2m. A court order is to be sought at the sanction hearing under s 112(1)(d) of FSMA to the effect that the LPTR policies can continue to be treated as "protected policies" for tax purposes after the transfer. If the Court were to decline to grant such an order and/or HMRC were to reject Royal London's claim for the relevant tax relief as a result of ceasing to recognise the continuation of the LPTR policies as protected policies, any liability for tax or other losses arising as a result shall transfer to Royal London, and Royal London will not pass on

¹ "Basic Life Assurance and General Annuity Business" which is taxed on the basis of investment return less management expenses rather than on trading profits.

any such liability for tax or losses to the policyholders under the LPTP policies. However, the expected cost (estimated at £2m) was accounted for within the acquisition pricing.

There are no other impacts of the proposed Transfer on Royal London's tax status or liabilities.

I am therefore satisfied that there is no material adverse effect on the Existing Policies in relation to tax.

5. THE LIKELY EFFECT OF THE PROPOSED TRANSFER ON THE TRANSFERRING POLICIES

The following factors have been considered in determining the likely effect of the proposed Transfer on the Transferring Policies:

- Benefit security
- Benefit expectations
- Administration and service standards
- Policyholder communications
- Cost of transfer and expenses
- Governance
- Taxation

5.1 Benefit security

Following the proposed Transfer, the obligation to meet claim payments on the Transferring Policies will pass from Scottish Equitable to Royal London. A material adverse effect could occur if Royal London's ability to meet these obligations as they fall due is materially less than that currently provided by Scottish Equitable.

The Transferring Policies will be placed into the Royal London Main Fund following the proposed Transfer and, as noted in Section 4.1, are a small block relative to that fund as a whole. The likely impact on the Royal London Main Fund cover ratio is therefore modest and the cover ratio is expected to remain within the defined 'acceptable range'. There is also no material adverse change in the risk profile of the fund.

In the highly unlikely event of insolvency, the Transferring Policies will continue to benefit from any protection they are currently eligible for under the Financial Services Compensation Scheme ("FSCS"). FSCS is an independent body in the UK set up under the Financial Services and Markets Act 2000 that is funded by a levy on authorised financial services firms and can pay compensation if a firm is unable, or likely to be unable, to pay claims against it. Policies held with a firm authorised by the PRA are currently eligible for the FSCS. Like Scottish Equitable, Royal London is an insurer authorised by the PRA, and therefore, the Transferring Policies will continue to benefit from FSCS protection following the proposed Transfer in an equivalent way to how they benefitted prior to the proposed Transfer.

I am therefore satisfied that the proposed Transfer will have no material adverse effect on the benefit security of the Transferring Policies.

5.2 Benefit expectations

Under their existing terms and conditions, the Transferring Policies are entitled to the payment of certain benefits on claim, e.g. life and critical illness cover. There is no change to these terms and conditions as a result of the proposed Transfer.

In addition to this, there are six areas of discretion where Royal London could, in theory, apply a different approach compared to Scottish Equitable which might then result in a change in the claims paid to policyholders or premiums payable by policyholders. These relate to claims underwriting and the management of certain policy options:

- Through changes to claims underwriting standards;
- Through changes to renewal premium pricing;
- Through changes to reviewable premium pricing;
- Through changes to the approach to accepting income benefit commutation requests;
- Through changes to the approach for approving increases in cover under the Guaranteed Insurability Option; and
- Through changes in the approach to changing a policyholder's smoker status during the term of their policy.

In summary, there is already close alignment with the approaches followed by Royal London in relation to these areas on its existing protection book, and in none of these cases does Royal London intend to materially deviate from the existing practices applied by Scottish Equitable for the remainder of the Transferring Policies' terms. Full detail in relation to each aspect is set out below.

Overall, I am satisfied that the proposed Transfer has no material adverse effect on the benefit expectations of the Transferring Policies.

5.2.1 Claims underwriting

The benefits on the Transferring Policies are those payable on death, or diagnosis of one of a specified range of illnesses, or when a benefit, such as income protection, is needed. As the monetary amounts payable on these policies are fixed, the main way in which customers' benefit expectations could potentially be materially adversely impacted by the proposed Transfer would be through the claims experience, i.e. the extent to which the likelihood of a claim being accepted or declined changes.

As part of due diligence conducted prior to the purchase of these policies, the claims underwriting practices of Scottish Equitable were reviewed including the results of its reinsurers' historical claim audits. All of this provided comfort that the claims philosophy and claims evidencing requirements were consistent between Scottish Equitable and Royal London. Indeed, this is the case more generally across the life insurance industry given the similarity in product claims definitions and in the underwriting manuals used, which are generally supplied by the same, relatively small, group of reinsurers.

This analysis has given me comfort that there should be no material difference in the claims underwriting standards as a result of the proposed Transfer. There will also be monitoring in place and further mitigating actions to ensure this continues to be the case:

- Monthly quality assurance checks on claims within Atos BPS Limited, which are to be reviewed by Royal London following the proposed Transfer;
- Claim payout ratios will be monitored to identify any material changes;

- Existing annual reviews of declined claims conducted by Royal London will be extended to include the Transferring Policies and seek to identify any change in treatment; and
- Claim audits by the associated reinsurers will also help to identify any change in payout patterns following the proposed Transfer.

I am therefore satisfied that the proposed Transfer has no material adverse effect on the Transferring Policies in relation to claims underwriting standards.

5.2.2 Renewal premium pricing

A small number of the life and critical illness policies in the Transferring Policies, 667 in total at 30 June 2023, give the holders the contractual right to renew their policy at the 5 or 10-year anniversary without additional medical underwriting being required. This is a common feature of protection policies across the industry and the premium is normally increased at this date to reflect the increased risk that the provider is exposed to as a result of the policyholder having aged since the last pricing point. Policyholders have the right to accept the renewal terms or else lapse the policy at this point (and take out cover elsewhere if desired). Historically, in Scottish Equitable's case, around 40% of policyholders have taken up the renewal terms.

Following the proposed Transfer, Royal London will continue to uphold the contract terms and provide renewal quotes, calculating the renewal premiums on a basis that is consistent with Scottish Equitable's existing approach. Policies will continue to have the right to either accept or decline the renewal.

I am therefore satisfied that the proposed Transfer has no material adverse effect on the Transferring Policies in relation to renewal option pricing.

5.2.3 Reviewable premiums

Some of the Transferring Policies are written on the basis that premiums are reviewable over time rather than guaranteed. Premiums are reviewed on the fifth policy anniversary and every five years thereafter. These reviews take into account changes in relevant pricing factors, as set out in policy terms and conditions, and do not include the personal circumstances of the policyholder. There were 11,234 policies with reviewable premiums as at 30 June 2023.

Following the proposed Transfer, Royal London will continue to uphold the contract terms and review premiums on a basis that is consistent with Scottish Equitable's existing approach.

I am therefore satisfied that the proposed Transfer has no material adverse effect on the Transferring Policies in relation to reviewable premiums.

5.2.4 Income benefit commutation

Some Family Income Benefit policies provide a level of income payable to beneficiaries on the death or serious illness of the policyholder. Beneficiaries can request to take this income as a lump sum. This is not a contractual entitlement and such requests are accepted at Scottish Equitable's discretion.

Royal London offers a similar commutation option on Family Income Benefit policies. Following the proposed Transfer, Royal London will continue to uphold the contract terms and review income benefit commutation requests on a basis that is consistent with Scottish Equitable's existing approach.

I am therefore satisfied that the proposed Transfer has no material adverse effect on the Transferring Policies in relation to the commutation of income benefits.

5.2.5 Guaranteed Insurability Options

Most of the Transferring Policies include the option to increase the level of benefit following any of a number of life-changing events, without further medical underwriting, with a consistent increase in the premium payable.

Following the proposed Transfer, Royal London will continue to uphold the contract terms and allow policyholders to increase the level of benefit on a basis that is consistent with Scottish Equitable's existing approach.

I am therefore satisfied that the proposed Transfer has no material adverse effect on the Transferring Policies in relation to the Guaranteed Insurability Option.

5.2.6 Changes in smoker status

During the term of their policy, holders of Transferring Policies can notify Scottish Equitable that they have not smoked for a period of at least 12 months. These policies would change from being priced on the basis of being a smoker to that of a non-smoker, with a reduction in premium.

Royal London already offers such an option in certain of its Existing Policies. Following the proposed Transfer, Royal London will continue to uphold the contract terms and allow policyholders to update their smoker status on a basis that is consistent with Scottish Equitable's existing approach.

I am therefore satisfied that the proposed Transfer has no material adverse effect on the Transferring Policies in relation to a change in smoker status during the term of their policy.

5.3 Administration and service standards

Atos BPS Limited currently provide administration services for the Transferring Policies on behalf of Scottish Equitable. Following the proposed Transfer, administration services for the Transferring Policies will continue to be provided by Atos BPS Limited under a new contract entered into between Royal London and Atos BPS Limited on terms that are consistent with the existing contract in all material respects.

Under the proposed terms of this new contract, there will be changes to two of the target metrics Atos BPS Limited will work to: the time it takes to answer calls and the proportion of policyholders who abandon their call before it is answered. Taking into account industry-wide call centre performance benchmarks, and Royal London's own service standards, I consider that these changes will not result in a material adverse effect on the Transferring Policies.

In the longer term, it is Royal London's intention to bring the administration of the Transferring Policies in-house. An assessment will be undertaken at this point to ensure there is no material adverse effect on service standards as a result of this change. At the time of writing, the service standards that Royal London currently applies on internally administered protection business, and which it would currently therefore expect to apply to the Transferring Policies following in-housing, are comparable to those that will apply under the new Atos BPS Limited agreement immediately following the proposed Transfer. I am therefore satisfied that any in-housing of the administration is not expected to result in a material adverse effect on the Transferring Policies.

On 5 February 2024, the parent company of Atos BPS Limited, Atos SE, announced that it was in formal discussions with its lending banks with a view to agreeing a plan to refinance its financial debts. These discussions are ongoing and the outcome is not known at this stage. It is possible that the financial position of Atos SE, and therefore potentially also Atos BPS Limited, could deteriorate in such a way as to impact the ability of Atos BPS Limited to administer and service the Transferring Policies either before or following the proposed Transfer. Scottish Equitable and Royal London each have contingency plans in place to cater for such an eventuality so as to ensure continuity of servicing is maintained. On the basis of the current plans, I remain satisfied that there is not expected to be any material adverse effect on the servicing standards of the Transferring Policies as a result of the proposed Transfer. This is the case provided that the contingency plans of Scottish Equitable and Royal London are appropriate. I will continue to monitor the situation and review the plans and will provide an update in my supplementary report to the sanctions hearing. Call centre scripts and website FAQs have been updated to support customers who may have queries relating to the situation.

Scottish Equitable use a Barclays bank account to process payments in respect of the Transferring Policies. The contract to provide this bank account will transfer to Royal London as part of the proposed Transfer, ensuring no change in payment administration for Transferring Policies.

The Transferring Policies currently have access to "Policy Plus" – a range of additional support services available throughout the term of their policy, including health and

wellbeing support services, second medical opinions, business key person support and making advance payments to funeral homes where there is a delay in funds being released. These services are provided by third party providers on behalf of Scottish Equitable – Health Assured, Red Arc and FPSG. The contracts with these third-party providers will be novated to Royal London outside the operation of the Scheme but as part of the proposed Transfer. Therefore, Royal London will continue to offer these services following the proposed Transfer, ensuring no change in the full range of support offered to Transferring Policies.

Overall, I am satisfied that the proposed Transfer has no material adverse effect on the administration and service standards experienced by the Transferring Policies.

5.4 Policyholder communications

A detailed communication plan has been jointly agreed between Scottish Equitable and Royal London which aims to ensure that policyholders are appropriately informed of the Transfer.

Holders of Transferring Policies will be informed of the proposed Transfer via a direct mailing and will have the opportunity to raise any objections to the Court. I consider a mailed notification to be appropriate given the direct impact of the Transfer on these policyholders and in particular the change of legal ownership of their policies. This approach is consistent with that applied generally in Part VII transfers undertaken in the life insurance sector. A waiver will be sought from the Court in respect of a small number of holders of Transferring Policies where direct mailing is not possible, mainly in relation to ‘gone-away’ policies where Scottish Equitable does not hold the policyholder’s up-to-date address, as identified through their tracing processes.

In addition to this, holders of Transferring Policies will be sent a direct communication by Royal London following the Transfer, welcoming them to Royal London and reiterating the key points relating to the Transfer, in particular that their existing policy terms and conditions will be unchanged.

I have reviewed the draft policyholder mailing documents and consider them to be comprehensive and understandable by a typical policyholder.

I am satisfied that the proposed communications approach is appropriate, proportionate and pays due regard to the information needs of the holders of Transferring Policies and the requirement to treat them fairly.

5.5 Cost of transfer and expenses

The costs associated with the implementation of the Scheme and the proposed Transfer will be met on a shared basis by Royal London and Scottish Equitable in accordance with the terms set out in the Framework Agreement. The Transferring Policies will not bear any of these costs.

There is therefore no impact on the Transferring Policies in relation to the costs of proposed Transfer.

5.6 Governance

Royal London has an established governance framework to ensure decisions are made with due regard to the risks that Royal London faces and taking into account the interests of members and policyholders. The Transferring Policies will benefit from the same levels of oversight under this framework as are currently applied to Royal London's existing protection policies – a level that Royal London is satisfied is appropriate for protection business generally.

Royal London's governance framework, and the responsibilities of the component parts within it, is very similar to that of Scottish Equitable, so the Transferring Policies will benefit from a very similar level of oversight following the proposed Transfer.

I am therefore satisfied that the proposed Transfer will not result in any material adverse effect on the Transferring Policies in relation to governance arrangements.

5.7 Taxation

The proposed Transfer is not expected to have any impact on the tax position of the Transferring Policies.

Specifically in relation to the LPTR policies, a court order is to be sought at the sanction hearing to preserve the tax relief at source position. Should the order not be granted or should it otherwise not be possible for Royal London to claim this tax relief from HMRC then Royal London will fund the cost from its own reserves and continue to apply tax relief on the premiums paid by policyholders resulting in no impact on the premiums payable by policyholders or the premiums applied to the policy.

I am therefore satisfied that the proposed Transfer will not result in any material adverse effect on the Transferring Policies in relation to tax.

6. OTHER CONSIDERATIONS

6.1 Consumer Duty

In July 2022, the FCA published policy statement PS22/9, “A new Consumer Duty”, which set out new rules and guidance intended to improve the standard of care that firms provide to customers (the “Duty”). The Duty took effect for products open to new business from 31 July 2023 and will apply to products that are closed to new business from 31 July 2024.

Both Royal London and Scottish Equitable have established Consumer Duty programmes within their organisations to consider and implement the Duty’s requirements. Strictly speaking, the Transferring Policies are a closed book of business, however Scottish Equitable have applied the Duty’s requirements to the book as if it had remained open and subject to the earlier deadline of 31 July 2023.

Noting that the closed book deadline follows shortly after transfer, Royal London has reviewed Scottish Equitable’s approach to Consumer Duty and their detailed proposition review undertaken on the Transferring Policies. Based on this, Royal London is satisfied that Scottish Equitable’s interpretation of the Duty is in line with its own and that the Transferring Policies are expected to be compliant with Royal London’s interpretation of the Duty at the relevant deadline. The Transfer is also not expected to have any adverse impact on the implementation of the Duty in respect of Royal London’s existing book.

7. CONCLUSIONS

I have considered the likely effect of the proposed Transfer on the Existing Policies and Transferring Policies. Based on my considerations, and taking into account the key features of the proposed Transfer and the discussion of these and other matters contained in this report, it is my view that:

- The proposed Transfer will have no material adverse effect on the benefit security or benefit expectations of the Existing Policies.
- The proposed Transfer will have no material adverse effect on the benefit security or benefit expectations of the Transferring Policies.
- Policy administration and service standards will not be materially affected by the proposed Transfer.
- The proposed communications approach is appropriate, proportionate and pays due regard to the information needs of policyholders and the requirement to treat them fairly.



Anthony Lee
Group Chief Actuary
The Royal London Mutual Insurance Society Limited
22 February 2024