



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

**Supplementary Report of 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”).

The purpose of this report (the “Supplementary Report”) is to provide an update to my initial report (the “Main Report”) dated 22 February 2024 which reviewed the likely effect of the proposed Transfer on the existing policyholders of Royal London at the time of transfer (the “Existing Policies”) and the holders of the policies proposed to be transferred (the “Transferring Policies”). In particular, this report considers whether the conclusions in the Main Report remain appropriate in light of developments since the date of that report, including:

- Updated financial information
- Policyholder responses to the Scheme
- Other relevant developments

The Main Report was provided to the Prudential Regulation Authority (“PRA”), the Financial Conduct Authority (“FCA”), the Independent Expert (“IE”) and presented to the Court at the Directions Hearing which took place on 28 February 2024. The Main Report was also made available to policyholders via the Royal London website.

This Supplementary Report should be read in conjunction with the Main Report and with the main and supplementary reports prepared by the IE, the Chief Actuary of Scottish Equitable and the With Profits Actuaries of Royal London and Scottish Equitable. In forming my own opinion, I have considered the contents of, and conclusions made, in all of these reports.

As was the case with the Main Report, this Supplementary Report has been prepared for the Directors of Royal London to assist them in deciding whether to continue with the Transfer. The report will also be made available to the IE, PRA and FCA. This report will be provided to the Court in evidence for the sanction hearing for the Scheme on 14 June 2024 (the “Sanction Hearing”). It includes financial information dated as at 31 December 2023 (unless otherwise specified). This report will also be made available to policyholders via the Royal London website.

1.2 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.

1.3 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.

1.4 Structure of this report

This report is structured as follows:

- Section 2 considers the financial impact of the Scheme based on updated financial information.
- Section 3 considers policyholder responses to the Scheme.
- Section 4 provides an update on other relevant developments.
- Section 5 sets out my conclusions.

2. UPDATED FINANCIAL INFORMATION

The conclusions in my Main Report were based on financial data as at 30 June 2023. The table below shows an updated view, using financial data as at 31 December 2023.

30 June 2023

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

31 December 2023

Royal London Main Fund	Pre-Transfer	Post-Transfer	Impact of Transfer
Own Funds £m	5,327	5,330	+3
SCR £m	2,408	2,450	+42
Cover Ratio	221%	218%	-3.7%

The solvency position of Royal London improved slightly over the second half of 2023, with the Royal London Main Fund cover ratio increasing from 217% to 221%. The improvement was driven by a reduction in the risk margin (including the recalculation of the Transitional Measure on Technical Provisions (TMTP)) arising from Solvency II reforms, profits on existing business, and positive market equity returns. This was partially offset by payment of ProfitShare, buying-back of some subordinated debt, and changes to the level of equity hedging within our normal capital management frameworks.

Overall, the impact of the Transfer on the Royal London Main Fund has not changed significantly. The impact on the Royal London Main Fund cover ratio has reduced slightly from 4.7% to 3.7%. This continues to be modest in the context of the overall Royal London Main Fund, reflecting the relatively small size of the Transferring Business. The reduced impact on the cover ratio at 31 December 2023 is driven primarily by the reduction in the value of the risk margin, which has dampened the impact on Own Funds of the Transfer from -£18m to £3m. In the longer term, it remains Royal London's intention to bring the administration of the Transferring Policies in-house, and at this point reflect any expense synergies associated with the acquisition, further increasing the contribution to Own Funds from the Transfer.

There have been some further developments in Royal London's capital position since 31 December 2023:

- In January 2024, the trustees of Royal London's staff pension scheme (RLGPS) transacted a bulk annuity buy-in policy with Royal London. This is estimated to have reduced the cover ratio by c1%.
- In February 2024, the PRA published further details relating to Solvency II reforms, namely Policy Statements PS2/24 and PS3/24. These changes relate to reporting processes and are not expected to have any material impact on the cover ratio.
- Royal London reviews its investment hedging on a continuous basis and in line with the normal capital management framework, decided to reduce the level of

equity hedging in March 2024. This is estimated to have reduced the cover ratio by c8%.

- In April 2024, the PRA published additional details relating to Solvency II reforms, namely Consultation Paper CP5/24. The proposals are largely procedural in nature, transferring remaining EU regulations, not already covered by other parts of the reforms, into PRA rules. The changes are not expected to have any material impact on the cover ratio.

Collectively, these changes are estimated to have reduced the post-Transfer cover ratio by c9% since 31 December 2023 from 218% to 209%. At this level, the capital position remains robust and continues to be comfortably above the lower bound of Royal London's defined 'acceptable range' of 165%.

It remains the case that, given the strength of the post-Transfer capital position, the ability to continue paying ProfitShare distributions at current levels is not expected to be affected, noting that ProfitShare is discretionary and so does not form part of policyholders' benefit expectations.

Overall, I remain satisfied that the proposed Transfer will have no material adverse effect on the benefit security or benefit expectations of the Existing Policies or Transferring Policies.

3. POLICYHOLDER RESPONSES TO THE SCHEME

3.1 Overview

Shortly following the Directions Hearing on 28 February 2024, Scottish Equitable sent communication packs to the holders of the Transferring Policies in accordance with the order granted by the Court. Approximately 390,000 packs were issued in total. In addition, Scottish Equitable published notices of the Scheme in each of the London, Edinburgh and Belfast Gazettes, as well as in three national newspapers in the UK (The Times, The Daily Mail and The Sun) and in the international edition of the Financial Times. Information relating to the Transfer was also made available on the websites of Royal London and Scottish Equitable. Both parties established dedicated telephone support lines and a facility to receive mail and email queries, with trained staff in place to respond to any queries that their respective policyholders had in relation to the Scheme.

3.2 Policyholder Objections

I have considered all objections received by policyholders in relation to the Scheme up to a cut-off date, to allow for finalisation of this report, of 22 May 2024. Any objections received after this date will be reported separately to the Court sanctions hearing on 14 June 2024.

As at this cut-off date, no objections had been raised by existing policyholders of Royal London in relation to the Scheme.

As at this cut-off date, 47 holders of Transferring Policies had raised objections in relation to the Scheme, all via Scottish Equitable. These policyholders represent approximately 0.01% of the approximately 390,000 total population mailed. I have reviewed the objections received by Scottish Equitable. Below, I set out the objections, grouped by theme, and my analysis of each. Note that where a single policyholder has referenced more than one theme in their objection, each one is counted separately for the purposes of this analysis.

3.2.1 Objections relating to benefit expectations or benefit security (referenced in 11 of 47 objections)

Six holders of Transferring Policies objected because they were concerned that their benefit payments might change as a result of the proposed Transfer. As noted in Section 5.2 of my Main Report, there will be no changes to the terms and conditions of the Transferring Policies and therefore contractual benefits and premiums payable, as set out in these terms and conditions, will not change as a result of the Scheme. To the extent that benefit or premium amounts are subject to the application of discretion, e.g. in relation to the claims underwriting standards applied and the calculation of renewal premiums and other policy options, 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 areas does Royal London intend to materially deviate from the existing practices applied by Scottish Equitable. Overall, as noted in my Main Report, I am satisfied

that the proposed Transfer has no material adverse effect on the benefit expectations of the Transferring Policies. I note that the Independent Expert reaches a consistent set of conclusions in his Main Report at paragraphs 7.28 to 7.31 and 7.37.

Three holders of Transferring Policies objected to the Scheme on the grounds that they already had a protection policy with Royal London and were concerned that having multiple policies with Royal London following the Transfer might adversely affect the benefits payable on their policies or the security of those benefit payments. A response was provided to these policyholders, which I am comfortable with, reassuring them that this was not the case: that the terms and conditions of their policies would remain unchanged, the proposed Transfer would not impact on the benefits payable on any of their policies and any claim under any of these policies would continue to be assessed in the same way as it would have been prior to the proposed Transfer. As noted in Section 5.1 of my Main Report, I am satisfied that the proposed Transfer has no material adverse effect on the benefit security of the Transferring Policies. I note that the Independent Expert reaches a consistent conclusion in his Main Report at paragraph 7.27.

One holder of a Transferring Policy objected to the Scheme on the grounds that they already hold a pension policy with Royal London and were concerned that having multiple policies with Royal London following the Transfer might adversely affect their level of FSCS cover. A response was provided to the policyholder, which I am comfortable with, clarifying that their transferring protection policy is an insurance contract and therefore benefits from 100% FSCS coverage in the event of any claim without any monetary limit applying. My Main Report confirmed, in Section 5.1, that 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. The point is also noted in the Independent Expert's Main Report at paragraph 7.57.

One holder of a Transferring Policy objected to the proposed Scheme on the grounds that they wanted to increase their cover level but Scottish Equitable had advised that this was not possible. Historically, Scottish Equitable offered a facility to increase cover levels on policies through the issuance of a new policy, subject to underwriting, but this was withdrawn in April 2023 following the decision to close to new protection business more generally. Since this time, only those policyholders with a contractual right to increase cover by way of a 'Guaranteed Insurability Option' on their policy have been able to increase their level of cover. Policyholders have otherwise been advised that they can take out cover with an alternative provider (including Royal London). The Scheme itself has no impact on the ability of individual policyholders to change the level of cover on their existing policy.

3.2.2 Objections relating to service standards (referenced in 4 of 47 objections)

Four holders of Transferring Policies objected because they were concerned that servicing standards might change as a result of the proposed Transfer. As noted in Section 5.3 of my Main Report, 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 and standards that are consistent with the existing contract in all material respects. There will be slight increases to two of the target metrics Atos BPS Limited will work to under the new contract: the time it takes to answer calls and the proportion of policyholders who abandon their call before it is answered. However, as noted in my Main Report, 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. I note that the Independent Expert reaches a consistent conclusion in his Main Report at paragraphs 7.38 to 7.42.

3.2.3 Objections relating to views of the Transferee (referenced in 20 of 47 objections)

Some holders of Transferring Policies expressed concern about Royal London as a Transferee to the Scheme given either direct past experience as a customer (12 references) or indirectly through word of mouth or having read online reviews of the company (8 references). In response I would note the following points:

- Royal London is sorry for any instances of poor customer service that holders of Transferring Policies may have experienced in the past with Royal London, which are not commonplace. Royal London is the largest mutual life, pensions and investment company in the UK and has significant experience and expertise in managing individual protection business. It has done so for over 20 years and has attracted and retained approximately 1.1 million protection policyholders.
- The number of objections raised on this basis are relatively few in number in comparison to the overall population mailed of approximately 390,000 holders of Transferring Policies.
- As noted in the Main Report, policy administration for this particular block of business will continue to be provided by the same provider, Atos BPS Limited, following the proposed Transfer under consistent terms and standards. I am satisfied that there is no material adverse effect on servicing standards as a result of the proposed Transfer. I note that the Independent Expert reaches the same conclusion in his Main Report.
- As also noted in the Main Report, I am satisfied that the proposed Transfer will have no material adverse effect on the benefit security or benefit expectations of the Transferring Policies. I note that the Independent Expert reaches the same conclusion in his Main Report.

3.2.4 Objections relating to the strategic rationale for sale or its effects (referenced in 3 of 47 objections)

One holder of a Transferring Policy objected to the proposed Transfer, noting that they had been quite happy with the service provided by Scottish Equitable and questioned whether it was really to the company's advantage to simplify the business through the sale of the protection book. In response, Scottish Equitable explained that, following a review of its business, it had decided that its individual protection business was no longer part of its core strategy and had therefore decided to sell the business. The point is noted in Section 2.1 of my Main Report and at paragraph 1.2 of the Independent Expert's Main

Report. Whilst the decision to sell was ultimately one for Scottish Equitable to make, I note that disposals of non-core books of business are not uncommon in the UK insurance industry. The same policyholder also asked what would happen to the proceeds of the sale and whether this would be distributed to policyholders. Scottish Equitable also responded to this point clarifying that as a company they are owned by their shareholders and any proceeds from the sale would therefore accrue to those shareholders.

One holder of a Transferring Policy objected to the proposed Transfer on the grounds that it was being done only to deliver financial gain to Scottish Equitable rather than benefitting policyholders. In response, Scottish Equitable explained the rationale for sale, as noted above, and that the decision and choice of Transferee had followed a thorough process. The expertise that Royal London has in managing protection policies over many years was also noted in the response and also that the Independent Expert had concluded in his Main Report that there was not expected to be any material adverse effect on transferring policyholders in relation to benefit expectations or service standards following the proposed Transfer. It was further noted that the proposed Transfer was subject to approval by the Court and the Court would take into account objections received from policyholders. I am comfortable with this response, noting that the Part VII framework entitles companies to transfer business for commercial reasons provided policyholders are not materially adversely affected, which I consider to be the case under this proposed Transfer.

One holder of a Transferring Policy objected to the proposed Transfer, noting that the sale of the book would reduce the number of participants in the UK protection market and therefore the competitiveness of the market. Here I would note that the impact of any acquisition process on the competitiveness of the market is a matter for the relevant competition authorities and they have not raised any concerns in relation to the proposed Transfer. In any event, Scottish Equitable elected to close to new business in April 2023.

3.2.5 Objections relating to existing administration issues (referenced in 5 of 47 objections)

One holder of a Transferring Policy is currently in dispute with Scottish Equitable in relation to a decision by Scottish Equitable not to accept a claim on their policy on the basis that it does not meet the qualifying criteria under the policy terms and conditions. The policyholder has objected to the Scheme as they believe the claim has been refused in order to maximise the value of the book for sale and that the change in ownership under the Scheme will negatively affect his claim. A response was provided, which I am comfortable with, confirming that the proposed Transfer had no bearing on the decision not to accept the claim and explaining that should the dispute not be resolved before the proposed Transfer, the claim would be assessed in a consistent manner by Royal London following the Transfer, noting that there are no changes in terms and conditions under the Scheme. The Scheme will therefore have no impact on the policyholder's claim.

Four other holders, or in one case a trustee, of Transferring Policies objected to the Scheme as they were unhappy about administration errors that had occurred on their policies in advance of the proposed Transfer, including in relation to changes in name and address details, removal of occupational loadings from premiums following changes in

employment circumstances and a mis-selling complaint. Scottish Equitable's standard complaints process has been applied in these cases and the administration errors resolved. Having reviewed these cases I am satisfied that they are isolated incidents and not representative of any systematic issue in relation to the administration of these policies, noting that policy administration will continue to be provided by the same outsourced provider following the proposed Transfer.

3.2.6 Objections relating to the Part VII legal process (referenced in 23 of 47 objections)

Fourteen holders of Transferring Policies objected to the ability to transfer their policy under the proposed Transfer without their express permission or that no opt out facility was provided. It was explained to these policyholders that the proposed Transfer was being carried out in accordance with all applicable laws and regulations, specifically Part VII of the Financial Services and Markets Act 2000 ("FSMA"). FSMA permits an insurance company to transfer all or part of its business to another insurance company without seeking the consent of each individual policyholder. FSMA does not provide for individual policyholders to opt out of the transfer. The High Court will determine whether the proposed Transfer should be sanctioned taking into account all relevant circumstances. In deciding whether to exercise its discretion to sanction the proposed Transfer, the Court will take into consideration the views of the Independent Expert along with those of the regulators, each of whom have reviewed the proposed Transfer in detail. The Court will also take into consideration objections raised by policyholders.

Four holders of Transferring Policies objected to the proposed Transfer on the basis that they felt they should have been informed about it at an earlier stage. These policyholders were provided with responses reiterating the legal process that is described in their communication packs, namely that the proposed Transfer can only be implemented if it is approved by the High Court at the sanctions hearing on 14 June 2024 and that the High Court will carefully consider all policyholder objections in reaching its decision. Adequate notice of the sanctions hearing was provided in the communications packs in accordance with all relevant legal requirements and regulatory guidelines.

One holder of a Transferring Policy objected to the proposed Transfer stating that the law in Scotland was different from England and that they believed the Part VII hearing should take place in Scotland. A response was provided to the policyholder: firstly, clarifying that as they were resident in England at the time their policy was taken out, it is governed by English law, and that this would continue to be the case following the proposed Transfer; and secondly, explaining that under FSMA, Part VII hearings may be held in either the High Court of England and Wales or the Court of Session in Scotland and that the parties had elected for the former option for this transfer. A Part VII transfer is legally effective in all territories of the United Kingdom.

One holder of a Transferring Policy objected to the proposed Transfer also noting that the law in Scotland was different from England. A response was provided, in this case clarifying that as the policy was taken out when the policyholder was resident in Scotland it is governed by Scottish law, and that this would continue to be the case following the proposed Transfer.

One holder of a Transferring Policy objected to the proposed Transfer because they felt the communication pack should have highlighted the planned changes in servicing standards more prominently. The ordering and prominence of information in the pack is a matter of judgement, however I would note that the content and layout was consistent with that typically seen on Part VII transfers. As noted in my Main Report, I am satisfied that the change in service standards does not represent a material adverse effect and that the associated disclosure in the communications pack provided to policyholders is at a level that is adequate. I would note that the communications pack was subject to extensive review, including by a representative panel of Scottish Equitable policyholders, the Independent Expert and the regulators.

One policyholder objected to the proposed Transfer on the grounds that their policy is due to expire in September 2024, very shortly after the scheduled effective date of the proposed Transfer, 1 July 2024. They therefore saw little point in it being transferred for the sake of Royal London taking on the policy for such a short period. A response was provided to the policyholder explaining that the Transfer would be fully effective from 1 July 2024 and would apply to all Transferring Policies at that date. Reassurance was provided to the policyholder that no action was required on their part in relation to the Transfer and that there would be no changes to their benefits as a result of the Transfer.

One holder of a Transferring Policy objected to the proposed Transfer because they believed that they would have to update their will to replace any references to Scottish Equitable to Royal London and there would be some legal cost incurred in making this change to the document. A response was provided to the policyholder explaining that their policy details would not change if the proposed Transfer is implemented and therefore, it should not be necessary to make any changes to the will as any references to Scottish Equitable would be read as Royal London as a result of the Court order. It was further suggested to the policyholder that they may wish to store the Transfer paperwork with their will for ease of reference.

3.2.7 Objections without a specific reason given (referenced in 2 of 47 objections)

Two holders of Transferring Policies objected to the proposed Transfer but, despite attempts to seek further clarification, did not provide a specific reason for their objection.

3.2.8 Conclusion

In summary, I have considered the objections raised by policyholders and the responses provided in each case. I am satisfied that none of the objections cause me to reconsider the conclusions reached in my Main Report, as set out in Section 5 of this report.

4. OTHER RELEVANT DEVELOPMENTS

4.1 Administrative arrangements

Atos BPS Limited currently provides 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.

In the Main Report I noted that, 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. The Main Report also noted that it was 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. It was noted that both Scottish Equitable and Royal London have contingency plans in place to cater for such an eventuality so as to ensure continuity of servicing is maintained.

Since the Main Report was produced, Royal London has been monitoring further announcements and media reports regarding the financial position of Atos SE and Atos BPS Limited. Discussions between Atos SE and its lending banks are ongoing. On 9 April, Atos SE announced that it had reached an agreement in principle with its lenders to provide interim financing sufficient to meet outgoings through to July 2024 at which point a long-term refinancing plan is expected to be agreed. In addition, on 5 April, Atos SE made a £50m capital injection to Atos BPS Limited which is expected to ensure its operations remain funded until well beyond the Effective Date of the proposed Transfer. In summary, as at the date of this Supplementary Report, I am not aware of any reports or announcements suggesting that the financial position of Atos SE and its subsidiaries has deteriorated to such an extent as to impact the ability of Atos BPS Limited to administer and service the Transferring Policies.

Royal London's contingency plan has been reviewed and further developed to ensure it is appropriate: scenario planning has been expanded based on further input from those people across Royal London who would be involved in its execution; roles and responsibilities of individuals have been more clearly defined; Atos BPS Limited's IT architecture has been mapped out in detail and plans developed for each application under the scenarios; and all third parties to Atos BPS Limited whose support would be required to implement the contingency plan have been identified. The plan has also been subject to detailed review by the Independent Expert. Overall, I am satisfied that the contingency plan is robust and appropriate should the position with Atos BPS Limited develop adversely.

On this basis, 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. The situation will continue to be closely monitored in the lead up to the Transfer.

4.2 Life Protection with Tax Relief (LPTR) Policies

In the Main Report, I noted that 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 which, 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.

On 6 February 2024, HMRC confirmed in writing that, on the basis the court order is approved, it appeared to HMRC that the LPTR policies would not lose protected status and that relief would continue to be available on contributions to those policies.

4.3 Sanctions

I understand that Scottish Equitable has continued to screen the Transferring Policies for any policyholders who may be subject to the UK sanctions envisaged by the Sanctions and Anti-Money Laundering Act 2018. Royal London has reviewed Scottish Equitable’s screening approach to ensure it is in line with its own screening approach and standards.

As of a cut-off date of 22 May 2024, to allow for finalisation of this report, there continue to be no holders of Transferring Policies that are subject to the above UK sanctions.

For completeness, I understand that a holder of one of the Transferring Policies (who is a UK resident) is subject to certain sanctions under Turkish law. I further understand that these sanctions do not impact assets held outside Turkey and, in particular, that they do not apply to the Transferring Policy held by the policyholder in the UK, which will continue to be administered as normal before and following the proposed Transfer.

Overall, I am satisfied that the Scheme should not present any concerns in relation to the UK’s sanctions regime.

4.4 Consumer Duty

In my Main Report, I noted that the FCA’s new Consumer Duty (the “Duty”) requirements will come into force for closed books of business on 31 July 2024. Given this deadline follows shortly after transfer, Royal London reviewed Scottish Equitable’s approach to the Duty and their detailed proposition review undertaken on the Transferring Policies. Based on this, Royal London was satisfied that Scottish Equitable’s interpretation of the Duty was in line with its own and therefore that the Transferring Policies were expected to be compliant with Royal London’s interpretation of the Duty ahead of the relevant deadline.

In relation to governance, both Royal London and Scottish Equitable have established Consumer Duty programmes within their organisations to consider and implement the Duty’s requirements, reportable to their respective Boards. Royal London’s programme

consists of a series of dedicated workstreams to consider each of the Duty outcomes. Royal London also mobilised a further workstream within their Duty programme to validate Scottish Equitable's approach to the Duty in relation to the Transferring Policies and a joint working group was also established with attendees from both organisations meeting regularly to discuss Duty related matters, provide oversight of Scottish Equitable's implementation of the Duty and assess and review all evidence.

In relation to the proposition review, Scottish Equitable completed a comprehensive review in July 2022 which did not identify any material concerns. A fair value assessment was completed and published online in 2022, and subsequently updated in 2023. This concluded that the protection product represented fair value to customers. Royal London then considered whether, for the in-scope products and on the evidence presented, including the fair value assessment, whether Scottish Equitable's review covered in appropriate depth the areas that Royal London would cover when reviewing a protection book. The assessment was performed against Royal London's ten customer outcomes for protection products, plus subdivisions of those outcomes and their underlying qualitative and quantitative measures with summary findings by outcome and product set out. The review concluded that there were no material concerns.

In relation to customer support, Royal London has performed a detailed comparison of the claims and servicing standards that will apply before and after the proposed Transfer, noting that 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. The review concluded that standards will be aligned in all material respects. It noted that there will be slight increases to two of the target metrics Atos BPS Limited will work to under the new contract: the time it takes to answer calls and the proportion of policyholders who abandon their call before it is answered. However, I and the Independent Expert do not consider the changes to have a material adverse effect on the Transferring Policies.

In relation to customer communications, Scottish Equitable has conducted a review of all documentation issued on a regular basis to holders of Transferring Policies to ensure it complies with their interpretation of the Duty. Royal London has reviewed Scottish Equitable's communication principles and standards to ensure these are aligned with its own. Royal London has also reviewed a sample of the key customer communications and is satisfied that these materially align to its interpretation of the Duty. A small number of improvements have been identified and priority items will be addressed ahead of the deadline. Royal London will also conduct a wholesale review of all communication documents over the remainder of 2024 as part of a broader rebranding exercise.

In summary, I continue to be satisfied that the Transferring Policies are expected to be compliant with Royal London's interpretation of the Duty by the relevant deadline.

4.5 Guernsey Policyholders

There are four holders of Transferring Policies who were resident in Guernsey at the time they took out their policies and therefore, based on legal advice obtained, cannot be

transferred via the Scheme. Instead, these policyholders have been asked to individually novate their policies to Royal London.

Scottish Equitable wrote to these policyholders shortly following the Directions Hearing. All four policyholders have since agreed to the novation of their Transferring Policy to Royal London, and this will take effect on the Effective Date of the Scheme.

4.6 Reinsurers

In my Main Report, I noted that the Transferring Policies are currently reinsured in respect of mortality and morbidity risk across seven separate reinsurers and that these treaties were expected to transfer from Scottish Equitable to Royal London under the Scheme.

Formal notification of the proposed Transfer was issued to each of the reinsurers on 5 April 2024 by Scottish Equitable. All of the reinsurers have since acknowledged receipt, and none have expressed any concern or objection to the proposed Transfer.

5. CONCLUSIONS

Based on the considerations set out in this report, it is my view that the conclusions set out in my Main Report remain valid. In particular:

- 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 communications approach was appropriate, proportionate and paid 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
31 May 2024