



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

**On the proposed Part 26 Scheme of Arrangement between The Royal London Mutual
Insurance Society Limited and certain holders of policies in the United Friendly Ordinary
Branch Sub-fund**

16 November 2021

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1 INTRODUCTION

1.1 Purpose of report

I prepared a previous report dated 1 July 2021 (the **“Report”**) in my capacity as Chief Actuary of The Royal London Mutual Insurance Society Limited (**“RLMIS”**) in which I considered the impact of the proposed scheme of arrangement under the terms of Part 26 of the Companies Act 2006 (the **“Scheme”**).

The Report, alongside other key documents associated with the Scheme, was presented to the High Court of Justice of England and Wales (the **“Court”**) at a **“Convening Hearing”** on 15-16 July 2021. At the Convening Hearing, the Court approved the convening of a meeting (the **“Scheme Meeting”**) at which certain holders policies in the UFOB Sub-fund were able to vote for or against the Scheme (either in person at the Scheme Meeting or by proxy, including votes cast by post or online).

This report (the **“Supplementary Report”**) has been prepared to supplement the Report and is to be presented to the Court at the **“Sanction Hearing”**. The purpose of this Supplementary Report is to provide an updated assessment of the likely effect of the proposed Scheme on policyholders of RLMIS and to consider whether or not the conclusions reached in the Report remain unchanged after taking account of updated RLMIS financial information and any other significant relevant developments since the Report was issued, including the outcome of the Scheme Meeting and any objections received from policyholders in relation to the proposed Scheme.

This Supplementary Report is written for the Board of RLMIS in my capacity as Chief Actuary for RLMIS. This Supplementary Report may also be used by the Independent Expert, the With-Profits Actuary, the Scottish Life Supervisory Committee, the Court and the regulators.

This Supplementary Report should be read in conjunction with the Report. For the avoidance of doubt, any capitalised terms used in this Supplementary Report have the same meanings and definitions as those in the Report unless otherwise defined in this Supplementary Report.

1.2 Credentials and declaration of interest

I have been a Fellow of the Institute and Faculty of Actuaries since 2000 and have been Chief Actuary of RLMIS since April 2021. I have worked for RLMIS since July 2013 and, for the last five years, operated in the role of Head of Actuarial Reporting deputising for the Chief Actuary in his regulatory duties as Chief Actuary.

I have maintained a close awareness of the proposed Scheme and RLMIS’s wider Legacy Simplification Programme (of which the Scheme forms a part) since their inception through my attendance at RLMIS governance forums and regular communication with the project team regarding the proposals. In the period leading up to me assuming my current role, I also had regular correspondence regarding the proposals with my predecessor who, at the time of my appointment as Chief Actuary, considered that the Scheme will not adversely affect, to any material extent, the security of the benefits or the benefit expectations of RLMIS’s policyholders.

Given the nature of the proposed Scheme, I am content that it is appropriate for me to report as Chief Actuary on the likely impact of the Scheme on all RLMIS policyholders in a single document.

My role in RLMIS is unaffected by the Scheme. I have two policies with RLMIS – one in the RL Open Fund and one in the RLCIS Fund, both issued on normal terms and not subject to the proposed Scheme. I confirm that I have taken no account of my 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 (Principles for Technical Actuarial Work) and 200 (Insurance). This report complies with those standards.

The report has also been subject to peer review in line with the Actuarial Profession Standards document APS X2: Review of Actuarial Work.

2 EXECUTIVE SUMMARY

2.1 Background to the Scheme

In connection with the Scheme, the holders of certain with-profits policies in the United Friendly Ordinary Branch Sub-fund (the **"UFOB Sub-fund"**) (the **"Eligible Policies"**) were made an offer to give up a portion of the **"Estate"** of the UFOB Sub-fund, via payment of the **"Scheme Contribution"**, in exchange for the immediate distribution of the remainder of the Estate to the **"Included Policies"**. RLMIS would implement this distribution by making an immediate uniform percentage increase (**"Uplift"**) to the asset shares of Included Policies.

Under the Scheme, for an Included Policy into which contractual premiums are paid after the Implementation Date, RLMIS would also 'top up' the asset share of the policy by applying the Uplift in respect of the part of any such premiums that would have shared in the distribution of the Estate of the UFOB Sub-fund in the absence of the Scheme as and when they are paid.

Under the Scheme, RLMIS fixed and then guaranteed the value of the Scheme Contribution £17.8m and the value of the Uplift at 6.4% (shown rounded to the nearest 0.1%) as at 31 March 2021 (the **"Calculation Date"**).

The Scheme itself will not affect the terms and conditions of any of the policies in RLMIS, including the Included Policies.

At the Convening Hearing which took place on 15-16 July 2021, the Court approved the convening of the Scheme Meeting at which Eligible Policyholders were able to vote for or against the Scheme (either in person at the Scheme Meeting or by proxy, including votes cast by post or online).

I attended the Scheme Meeting which took place on 4 November 2021 alongside the With-Profits Actuary and the Independent Expert to answer policyholder queries. At the meeting, as set out in section 3.2, the required majority of policyholders under the **"Act"** (namely a majority by number representing at least 75% by value of those voting) voted in favour of the Scheme.

The Scheme will now proceed to implementation if sanctioned by the Court. A **"Sanction Hearing"** has been scheduled for 25-26 November 2021.

If the Scheme is sanctioned by the Court, RLMIS will implement the Scheme on the **"Implementation Date"**, which RLMIS expects to be 31 December 2021 but which, under the terms of the Scheme, could be delayed until 31 March 2022 but no later.

2.2 Communications with Policyholders

The Scheme Meeting was held on 4 November 2021. Of the Eligible Policyholders voting in person or by proxy at the Scheme Meeting, 13,289 voted in favour of the Scheme, representing 92.4% of the 14,377 Eligible Policyholders that voted by count and 92.3% by value. Therefore, the voting criteria for the Scheme to proceed have been met.

In addition, there have been 1,808 calls made to the dedicated helpline provided by RLMIS by Eligible Policyholders with general queries on the Scheme.

In total, there was 1 objection and no further complaints raised by Eligible Policyholders in relation to the Scheme since the Convening Hearing. This objection has been responded to by RLMIS.

The objection raised has been reviewed and will be submitted to the Court along with the response issued by RLMIS as part of RLMIS's Court submissions. I am satisfied that the objection raised does not indicate the presence of any material issues with the Scheme.

2.3 Financial update

As set out in my Report, the offer made to policyholders was calculated based on the financial information as at 31 March 2021 and the percentage increase to be applied in respect of the Uplifts as well as the Scheme Contribution were guaranteed from that point until the Implementation Date with the RL Open Fund agreeing to accept the risk of the UFOB Sub-fund estate at that point being insufficient (or more than sufficient) to meet the cost of this guaranteed uplift.

Based on the latest financial data at 30 June 2021, there has been no material change in the financial position of either the UFOB Sub-fund or the RL Open Fund and therefore:

- the proposals under the Scheme made remain appropriate relative to the value of the UFOB Sub-fund Estate;
- the CFC being charged to the UFOB Sub-fund Estate (i.e. nil amount) remains appropriate for the level of risk being passed across to and taken on by the RL Open Fund; and
- the RL Open Fund remains sufficiently capitalised to support the risks of the UFOB Sub-fund without compromising the security of benefits for policies within that fund or policyholders in other funds who could call on the support of the RL Open Fund in future.

This is as expected given the short period of time that has elapsed since the offer was calculated and the relatively benign economic conditions over the period. Market conditions have remained relatively stable over the period since 30 June 2021, up to the end of 30 September. At the time of writing, there is nothing to suggest the 30 June 2021 financial data within this report has become unreliable for considering the impact of the Scheme.

2.4 Assessment of the Fairness of the Scheme

RLMIS has developed a set of internal fairness criteria against which the Scheme can be assessed (the "**Fairness Criteria**"). The purpose of the Fairness Criteria is to ensure that the outcome of the Scheme is fair to all policyholders and that the mechanics of the Scheme processes are supportive of these fair outcomes. The Fairness Criteria were developed principally to assist RLMIS in designing the Scheme. The IE has also developed his own fairness criteria to assess the Scheme against as part of his duty to the Court.

In my earlier Report I assessed the outcomes of the Scheme against the Fairness Criteria from the perspective of the UFOB Sub-fund policyholders, RL Open Fund policyholders and also holders of policies in the other closed funds. In summary, all Fairness Criteria were met which supported my view that the Scheme was one which could be considered fair to the affected policyholders.

I have now reassessed the outcomes of the Scheme relative to these Fairness Criteria in this Supplementary Report based on the latest financial information available at 30 June 2021 and any other changes since the time of the previous Report. This assessment is discussed in more detail in Section 5. However, in summary, there have been no material changes that affect my original conclusions and I continue to be satisfied that the Scheme is fair.

In my previous Report I also considered the impact of the COVID-19 pandemic on policyholders' ability to engage with the materials provided, the volatility of markets and financial information forming the basis of the offer and key external stakeholders' ability to perform their roles in relation to the Scheme. There are no material changes since the date of my previous Report that impact on the fairness of the Scheme.

2.5 Conclusions

Having reassessed the impact of the Scheme on the holders of the benefits invested in the UFOB Sub-fund (Section 5.1), the holders of the benefits invested in the RL Open Fund (Section 5.2) and the holders of the policies in the Other Closed Funds (Section 5.3), I am of the opinion that:

- The Scheme will not adversely affect, to any material extent, the security of the benefits or the benefit expectations of the holders of the benefits invested in the UFOB Sub-fund, including the holders of the Eligible Policies and Non-Eligible Policies;
- The Scheme will not adversely affect, to any material extent, the security of the benefits or the benefit expectations of the holders of the benefits invested in the RL Open Fund; and
- The Scheme will not adversely affect, to any material extent, the security of the benefits or the benefit expectations of the holders of the policies in the Other Closed Funds.

These conclusions also apply if both or either of the UFIB Sub-fund Consolidation and SL Fund Consolidation are effected in close proximity to the Scheme.

The wider societal and economic impacts of the COVID-19 pandemic have not materially impacted policyholders' ability to engage with the Scheme, on markets more generally and the financial information underpinning the calculation of the offer nor the ability of key external stakeholders to fulfil their roles in relation to the Scheme.

In addition, I note that RLMIS's With-Profits Actuary is supportive of the Scheme being put forward to Eligible Policyholders.

3 COMMUNICATIONS WITH POLICYHOLDERS

3.1 Introduction

As described in Section 4.7 of my Report, RLMIS has carried out a communication exercise to support the voting process. As well as direct mailings explaining the offer being made to policyholders, RLMIS has provided a customer helpline for customers to ask questions on the proposals.

Dispatch of the mailing commenced on 19 July 2021 and was spread over the 8 weeks to 10 September 2021. This ensured that call volumes to the customer helpline could be managed within the dedicated customer service team and not impact the level of service provided to policyholders while also allowing at least 6 weeks for the final policyholders mailed to consider the Scheme ahead of the Scheme Meeting. Where customers were traced the initial mailing list was produced on 25 June 2021 or otherwise became eligible to vote on the Scheme packs continued to be issued until 25 October 2021.

In total 85,451 packs were issued to Eligible policyholders out of a total of 104,702 as at 2 November 2021. As noted in my Report, RLMIS was unable to validate an address for some Eligible policyholders. Additionally, further Gone-Aways were identified through returned voting packs over the course of the mailing which RLMIS then attempted to trace and issue voting packs where tracing was successful. In total, 19,251 policyholders remained uncontactable representing 18% of the total Eligible Policyholders.

A Reminder Mailing was issued to policyholders who had not registered a vote 4 weeks after their pack was dispatched.

3.2 Voting

As at the date of the Scheme Meeting, 85,451 Eligible Policyholders were mailed of which 14,377 voted on the Scheme, representing 16.8% of the mailed population by number and 16.8% by value.

The responses were split as follows:

Table 3.1: Result of the Scheme Meeting

	By count	By value
Votes in favour of the Scheme	13,289	£301,552,730
Votes against the Scheme	1,088	£24,998,277
Total votes	14,377	£326,551,007
Percentage of votes in favour of the Scheme	92.4%	92.3%

The results in Table 3.1 indicate that 92.4% of the Eligible Policyholders (by count) who voted on the Scheme voted in favour of it, with these policyholders representing 92.3% of the value of the voting population.

This outcome is substantially in excess of the requirements of the Act and as such the voting thresholds Act have been met.

3.3 Voting Values

RLMIS has monitored the potential impact on voting values of movements in factors that affect the policy values between the date of the calculation of those voting values and the Scheme Meeting. I am satisfied that the impact of these movements was not significant enough as to cause the calculated voting values to be inappropriate. I am satisfied that recalculating the voting values would not have any material impact on the outcome of the vote.

3.4 Use of the customer helpline

RLMIS provided a dedicated customer helpline throughout the voting period. The customer helpline has remained open to receive customer calls even after the date of the Scheme meeting. In total, 1,808 calls were received over the voting period representing 2.1% of policyholders mailed and 12.6% of those who voted.

3.5 Feedback from policyholders

Since the Convening Hearing, RLMIS has received 1 objection in relation to the Scheme and no further complaints as part of the communications received in response of the offer mailing. This represents 0.001% of the Eligible Policyholders mailed.

The objection was received from a policyholder who struggled to understand the offer and was concerned about the security of the benefits under their policy. The reminder mailing issued had caused the policyholder to feel they were being pressured into a decision. The dedicated customer service team has been in direct contact with the customer to talk them through responses to the questions they have raised. A written response was also issued to the customer regarding their objection to the Scheme.

Based on my review of the objection, I am satisfied it does not give me any reason to revise my conclusions on the fairness of the Scheme.

3.6 Vulnerable customers

Through the voting period RLMIS identified 75 Eligible Policyholders who could be considered vulnerable customers. These customers were provided with additional support through the telephone helpline and in certain circumstances they also given the opportunity to register their vote by telephone where this supported their individual needs. In total 3 vulnerable customers cast their vote by telephone.

I am satisfied that the process for identifying and supporting vulnerable customers was effective and provided the necessary support to enable them to engage with the Scheme.

4 FINANCIAL IMPACTS AS AT 30 JUNE 2021

4.1 Introduction

This section updates on the key capital figures relating to the Pillar 2 calculations as at 30 June 2021 that have been carried out for RLMIS, both before and after the Scheme, assuming that the Scheme (and consequent immediate consolidation of the UFOB Sub-fund into the RL Open Fund) took place as at that date. Pillar 2 figures have been used as that is the basis underpinning the RLMIS internal capital management framework and the basis on which RLMIS manages its business day to day.

It is a key feature of the Scheme that the Scheme Contribution and the Uplift provided to policyholders has been guaranteed from the Calculation Date through to the Implementation Date. This is designed to support policyholders by giving them certainty over the terms on which they are being asked to vote. The financial impacts quoted below reflect this position, showing the impact of the guaranteed Uplift being applied to UFOB Sub-fund asset shares upon consolidation, with the RL Fund assuming any shortfall or surplus arising from providing the guarantee.

4.2 Pre Scheme

Table 4.1 shows the position of each of the UFOB Sub-fund and RL Open Fund as at 30 June 2021. The final column represents the sum of the UFOB Sub-fund and RL Open Fund and therefore does not allow for the Uplift being applied to UFOB Sub-fund Asset Shares, nor the diversification benefits arising from consolidating the UFOB Sub-fund into the RL Open Fund. The application of the Uplift is demonstrated in Table 4.2 while both the application of the Uplift and the diversification benefits are allowed for in Table 4.3.

Table 4.1: Pre Scheme

As at 30 June 2021	Pre Scheme		
£m	UFOB Sub-fund	RL Open Fund	UFOB Sub-fund + RL Open Fund
Assets (A)	2,931	76,390	79,321
Liabilities (B)	2,741	72,552	75,293
<i>Of which Cost of Bonus Transfers (C)</i>	109	-167	-58
Available capital before adjustments (D = A - B)	190	3,838	4,028
Risk margin (E)	0	1,017	1,017
TMTP (F)	0	664	664
Sub-debt (G)	0	1,612	1,612
Internal Own Funds (H = D - E + F + G)	190	5,098	5,287
Internal SCR (I)	45	2,496	2,542
Excess capital (J = H - I)	144	2,601	2,746
ICC Ratio (K= H / I)	421%	204%	208%

(1) The Cost of Bonus Transfers post Scheme represent the value of the transfers from the UFIB Sub-fund to the RL Open Fund which are unaffected by the Scheme.

Since 31 March 2021 financial conditions have been relatively benign and hence not much change is expected. The main change in the period is that the RL Open Fund Coverage Ratio has increased to 204% from 191% as a result of additional hedging activity to reduce exposure to equity risk in the RL Open Fund. This was a decision made independent from the proposals under the Scheme.

The coverage ratio of the UFOB Sub-fund has reduced from the position at 31 March 2021 due to an increase in the EBR of asset shares over the period such that the EBR in the fund is more closely aligned to the EBR of RL Open Fund Asset Shares. This has increased the SCR required to be held.

Table 4.2 sets out the deductions made from the Estate and the cost of applying the Uplift of 6.4% as at 30 June 2021.

Table 4.2: Asset Share Uplifts

£m	
Estate Value at 30 June 2021 ⁽¹⁾	190
Adjustment to guarantee and smoothing costs ⁽²⁾	1
Adjusted Estate	191
Less CFC	0
Less project costs (net of tax) ⁽³⁾	-19
Less Premium Uplift Contribution	-1
Estate Available for Distribution as at 30 June 2021	171
Uplift to be Applied	6.4%
Asset Shares at 30 June 2021	2,640
Cost of Uplift at 30 June 2021	169
Surplus/Deficit at 30 June 2021	2

(1) The Estate value shown is the Internal Own Funds before allowance for the Risk Margin and any Transitional Measures on Technical Provisions ("TMTP"). The Estate value that RLMIS would distribute under the Scheme does not include any allowance for transitional measures that RLMIS is permitted to take credit for in its UK Solvency II financial results. Any transitional measures that RLMIS takes credit for in its UK Solvency II financial results will run off over time as transitional measures are permitted to last no longer than sixteen years. It would therefore be inappropriate to consider them to be distributable assets for the purpose of the Scheme.

(2) Adjustment to allow for a decrease to the pre-Scheme guarantee costs due to the Uplift.

(3) This amount is comprised of the Project Costs Allowance payable by the UFOB Sub-fund (as described in section 3.5 of my previous Report) and other costs pertaining to the wider Legacy Simplification Project which are allocated to the UFOB Sub-fund outside of the Scheme and expected to be incurred before the Implementation Date.

Based on the latest information as at 30 September 2021 the surplus accruing to the RL Open Fund at 31 December 2021 is expected to be £0.4m after allowing for expected claims in the period 30 September 2021 to 31 December 2021 which reduce the value of eligible asset shares. This has been driven by a small reduction in the value of the Estate since 30 June 2021.

This level of expected surplus would not be viewed as excessive and will accrue to the RL Open Fund under the terms of the uplift guarantee. Should a surplus that is deemed excessive emerge then the excess profit accruing to the RL Open Fund would be used to increase the value of the Uplift.

4.3

Post Scheme

Table 4.3 provides a step-through from the pre UFOB Sub-fund Consolidation position of the RL Open Fund (based on simply summing the UFOB Sub-fund and RL Open Fund positions) to the post UFOB Sub-fund Consolidation position of the RL Open Fund (all amounts as at 30 June 2021).

Table 4.3 Impact of the UFOB Sub-fund Consolidation

As at 30 June 2021	Pre UFOB Sub-fund Consolidation	Impact of UFOB Sub-fund Consolidation			Post UFOB Sub-fund Consolidation	
£m	UFOB Sub-fund + RL Open Fund	Project costs ⁽¹⁾	Asset Share Uplifts ⁽²⁾	Premium Uplift Contribution	Diversification benefits and release of management actions ⁽³⁾	RL Open Fund
Assets (A)	79,321	-19				79,302
Liabilities (B) ⁽⁴⁾	75,293		168	1		75,462
<i>Of which Cost of Bonus Transfers (C)</i>	-58					-58 ⁽⁵⁾
Available capital before adjustments (D = A - B)	4,028	-19	-168	-1	0	3,840
Risk margin (E)	1,017				-39	978
TMTP (F)	664				-39	626
Sub-debt (G)	1,612					1,612
Internal Own Funds (H = D - E + F + G)	5,287	-19	-168	-1	0	5,100
Internal SCR (I)	2,542				-58	2,483
Excess capital (J = H - I)	2,746	-19	-168	-1	58	2,617
ICC Ratio (K= H / I)	208%					205%

(1) This amount is comprised of the Project Costs attributable to the UFOB Sub-fund under the Scheme, excluding the indemnity loading.

(2) The impact of the asset share uplifts is shown inclusive of the impact on guarantee costs arising from the Uplift.

(3) This column captures the allowance for the value of additional management actions which can be taken into account in the enlarged RL Open Fund and the diversification benefits arising from consolidating the UFOB Sub-fund into the RL Open Fund.

(4) Includes liability for subordinated debt.

(5) The Cost of Bonus Transfers post Scheme represent the value of the transfers from the UFOB Sub-fund and UFIB Sub-fund to the RL Open Fund which are unaffected by the Scheme.

4.4

Estate Distribution

As described in my previous Report there is potential for a tontine to emerge in the UFOB Sub-fund in the absence of the Scheme such that later claimants may receive a significantly greater share of the Estate than shorter term claimants. The capital position of the UFOB Sub-fund has not materially changed since my previous Report and as such there remains the potential for a tontine emerging in the fund. It remains my view that policyholders should not expect to benefit from a tontine.

Given the level of risk in the fund, the distribution of the Estate over time, particularly for longer term claimants is more volatile. This position is unchanged from my previous Report. The Scheme therefore provides a trade-off for Eligible Policyholders between greater certainty as at the Implementation Date against a possibility of a higher distribution of the UFOB Sub-fund Estate later. Eligible Policyholders may be willing to accept a slightly lower distribution of the UFOB Sub-fund Estate under the Scheme in return for the extra certainty provided by the Scheme. The extent of this uncertainty has not materially changed since my previous Report.

FAIRNESS CRITERIA

RLMIS has developed a set of internal fairness criteria against which the Scheme can be assessed. The purpose of the Fairness Criteria is to ensure that the outcome of the Scheme is fair to all policyholders and that the mechanics of the Scheme processes are supportive of these fair outcomes.

In my previous Report I assessed the fairness of the Scheme to policyholders with benefits in the UFOB Sub-fund, RL Open Fund and the Other Closed Funds within RLMIS. The table below explains each of the Fairness Criteria.

Table 5.1: Mapping of the Fairness Criteria to the Fairness Principles

Fairness Principles	Fairness Criteria	Criteria Test
Financial Benefit Expectation: Quantitative Outcomes	Closed Fund Contribution	The Closed Fund Contribution amount should be calculated on a commercial, arms-length basis and be fair to policyholders invested in the relevant closed fund and to policyholders invested in the RL Open Fund, having due regard to the alternatives available to both parties.
	Project Costs Allowance	Project costs should be allocated between the relevant Consolidating Fund and the RL Open Fund on a basis which is fair to policyholders in the relevant Consolidating Fund and the RL Open Fund, having due regard to the alternatives available to both parties.
	Estate Distribution	<i>Target:</i> Estate distributions, including the uplift to the asset shares in respect of future contractual regular premiums, are more equitable between different generations of policyholders following the Scheme. <i>Hurdle:</i> Estate distributions, including the uplift to the asset shares in respect of future contractual regular premiums, are no less equitable between different generations of policyholders following the Scheme.
	Ordering of the Funds	The ordering of the fund consolidation should have a clear rationale and in relation to any sharing of diversification benefits none of the funds should be materially disadvantaged because of the order in which it is consolidated.
	RL Open Fund Capital Position	The projected capital position of the RL Open Fund should not be materially adversely affected by the Scheme such that there is any detrimental impact on policyholders.
	Fund Transfers	<i>Target:</i> The expected value of any fund transfers received by the RL Open Fund is maintained following the Scheme. <i>Hurdle:</i> Any reduction in the expected value of fund transfers received by the RL Open Fund is justified, for example, through a reduction in risk or acceleration of the transfer.

Fairness Principles	Fairness Criteria	Criteria Test
	Other Stakeholder Benefit Security	<p><i>Target:</i> The security of benefits for other stakeholders within RLMIS should not be adversely affected.</p> <p><i>Hurdle:</i> Where other stakeholders are adversely affected by the Scheme the magnitude of the impact is quantified and considered within the context of the Scheme. Progressing with the Scheme from the perspective of these stakeholders should be justified.</p>
	Tax Considerations	<p><i>Target:</i> The Scheme should not have any adverse effect on policyholders' UK tax liability.</p> <p><i>Hurdle:</i> Where there are tax impacts these should be mitigated to the extent possible with the risks appropriately communicated to affected policyholders so that they can make an informed decision and seek specialist advice where appropriate.</p>
	Investment Exposure	<p>Any changes to the assets hypothecated to the transferred policies as a result of the consolidation should not materially reduce either their:</p> <ul style="list-style-type: none"> (i) security of benefits; or (ii) investment potential.
Qualitative Outcomes	Service Standards and Administration	The Scheme should not result in an adverse impact on the level of service received by customers across RLMIS.
	Legal Rights	Any amendments made to policy conditions as part of the Scheme should be reasonable, justified, fair and have no material adverse effect.
Scheme Terms	Voting Values	The approach used for determining voting values should be appropriate and fair to stakeholders.
	Voting Classes	Voting Classes should be set in accordance with all applicable legal requirements.
	Voting Eligibility	All stakeholders whose benefit expectations are directly and materially affected by the Scheme should have the opportunity to vote on the Scheme. Any exclusions should be appropriately justified.
	Compulsion of Non-Voters and 'Against' Voters	The outcome of the Scheme on Eligible Policyholders who choose not to vote, or who vote against the proposals, should be fair in the round having due regard for the information and assistance provided.

Fairness Principles	Fairness Criteria	Criteria Test
Scheme Conduct	Customer Communication	All customer communication produced should be clear, fair and not misleading, enabling customers to make informed voting decisions within an appropriate timeframe or, for policyholders ineligible to vote, to understand the impact of the Scheme on their policies. With the support of specialist teams, particular care should be taken to target the above criteria in relation to vulnerable customers, including but not limited to: appropriate processes for the recognition and recording of vulnerable customers; appropriately adjusted communications; enhanced support from specially-trained staff; and escalation processes for the most serious cases.
	Tracing of Gone-Aways	All reasonable endeavours should be employed to trace and minimise the number of Gone-Away policyholders to maximise participation in the Scheme.

Below I reconsider the Fairness Criteria separately for each group of affected policyholders allowing for changes in financial conditions, the outcome of the policyholder vote and any other change since the initial assessment. In a number of cases there has been no new information and therefore my assessment is unchanged from my previous Report.

In summary, all Fairness Criteria continue to be met.

5.1 Assessment of the Fairness of the Scheme on the Holders of Benefits Invested in the UFOB Sub-fund

I have reassessed the position of the holders of the benefits invested in the UFOB Sub-fund relative to the Fairness Criteria below. In summary, all the criteria continue to be met.

Table 5.1: Assessment of the proposal against the Fairness Criteria for the Benefits Invested in the UFOB Sub-fund

Fairness Criteria	Criteria Assessment	Criteria Met?
Closed Fund Contribution	The Closed Fund Contribution (CFC) was calculated and assessed at 31 March 2021 and then fixed under the terms of the guaranteed Uplift. No new information has come to light to suggest the CFC, as determined at that date, should be amended in any way. I am therefore satisfied that the CFC continues to be fair to UFOB Sub-fund policyholders and the fairness test is met.	Yes
Project Costs	The Project Cost Allowance (PCA) was calculated and assessed at 31 March 2021 and then fixed under the terms of the guaranteed Uplift. No new information has come to light to suggest the PCA, as determined at that date, should be amended in any way. I am therefore satisfied that the PCA continues to be fair to UFOB Sub-fund policyholders and the fairness test is met.	Yes

Fairness Criteria	Criteria Assessment	Criteria Met?
Estate Distribution	<p>As discussed in section 4.4 there continues to be potential for a tontine to emerge in the UFOB Sub-fund over time. I continue to be of the opinion that the UFOB policyholders should not expect to benefit from a tontine emerging in the fund.</p> <p>There also remains significant downside risk of future distributions from the UFOB Sub-fund and I am satisfied that the method of distribution under the Scheme continues to improve equity amongst different generations of policyholders.</p> <p>I am satisfied that the Target continue to be met for this test.</p>	Yes
Ordering of the Funds	<p>There has been no change to the position reported within my previous Report and therefore I am satisfied that the target for this Fairness Criteria test continues to be met.</p>	Yes
RL Open Fund Capital Position	<p>As shown in Section 4.3 the RL Open Fund continues to be able to support the consolidation of UFOB Sub-fund risks. There is an immaterial impact on the RL Open Fund coverage ratio from the consolidation which is still within the target range defined under RLMIS's internal capital management framework. This is consistent with the assessment at 31 March 2021.</p> <p>Note the coverage ratio is also expected to remain in the target range regardless of whether the UFIB and/or SL consolidations occur alongside the UFOB Sub-fund consolidation.</p> <p>I am therefore satisfied that the consolidation of the UFOB Sub-fund will not have a detrimental impact on the holders of benefits invested in the UFOB Sub-fund and that this test continues to be met.</p>	Yes
Fund Transfers	<p>Not applicable as this Fairness Criteria test applies to the RL Open Fund only.</p>	N/A
Other Policyholder Benefit Security	<p>Not applicable as this Fairness Criteria test applies to the other RLMIS policyholders, excluding the holders of the benefits invested in the UFOB Sub-fund and the holders of the benefits invested in the RL Open Fund.</p>	N/A
Tax Considerations	<p>There has been no change to the position reported within my previous Report and therefore I am satisfied that the target for this Fairness Criteria test continues to be met.</p>	Yes
Investment Exposure	<p>There has been no change to the position reported within my previous Report and therefore I am satisfied that the target for this Fairness Criteria test continues to be met.</p>	Yes
Service Standards and Administration	<p>RLMIS recruited and trained a dedicated customer services team to answer customer calls and queries in relation to the Scheme as well as the UFIB and UFOB Schemes happening at the same time.</p> <p>Quality assurance testing was undertaken through the voting process to ensure required standards of customer service were maintained and that recurring themes could be identified and reacted to as more customer queries came in.</p>	Yes

Fairness Criteria	Criteria Assessment	Criteria Met?
	These reviews have demonstrated that standards were upheld through the voting process and I am therefore satisfied that this Fairness Criteria test has been met.	
Legal Rights	No changes to the terms and conditions of the policies invested in the UFOB Sub-fund are planned as part of the UFOB Sub-fund Consolidation itself.	N/A
Voting Values	RLMIS has monitored the potential impact on voting values of movements in factors that affect the policy values between the date of the calculation of those voting values and the Scheme Meeting. I am satisfied that the impact of these movements is immaterial and the calculated voting values continue to be appropriate.	Yes
Voting Classes	I remain satisfied that policyholders should be allowed to vote within a single class and that this Fairness Criteria test continues to be met. I also note that the court did not raise any concerns at the convening hearing in relation to policyholders voting under a single class.	Yes
Voting Eligibility	There has been no change to the position reported within my previous Report and therefore I am satisfied that the target for this Fairness Criteria test continues to be met.	Yes
Compulsion of Non-Voters and 'Against' Voters	There has been no change to the position reported within my previous Report and therefore I am satisfied that the target for this Fairness Criteria test continues to be met.	Yes
Customer Communication	There have been no changes to the written communications issued to Eligible Policyholders. Further communication has taken place through the voting period via a dedicated customer services team. This team has been ring fenced to provide dedicated service to policyholders seeking further information on the Scheme. This team has been given dedicated training, scripts to lead the customer through the written material and a question and answer bank of customer queries to support their response to customer queries. Quality Assurance has been conducted by RLMIS on calls to ensure the required standards of service were maintained and that the conversations with customers were clear and not misleading. I am satisfied with the findings of the Quality Assurance review and that the communications with customers, both written and verbal, have been clear and not misleading.	Yes
Tracing of Gone-Aways	I detailed in my previous Report the tracing which had been undertaken in respect of uncontactable policyholders prior to the Convening Hearing. Over the course of the voting period returned mailings resulted in a further 628 Gone-Aways. These policies were then processed under the BAU tracing process and packs issued where policyholders re-engaged. In total, 18% of Eligible Policyholders remained uncontactable as of 25 October 2021. I remain satisfied by the tracing efforts and treatment of Gone-Away policyholders and that all reasonable endeavours have been taken to	Yes

Fairness Criteria	Criteria Assessment	Criteria Met?
	trace Gone-Aways such that this Fairness Criteria test continues to be met.	

5.2 Assessment of the Fairness of the Scheme on the Holders of Benefits Invested in the RL Open Fund

I have reassessed the position of the holders of the policies in the RL Open Fund relative to the Fairness Criteria below. In summary, all the criteria continue to be met.

Table 5.2: Assessment of the proposal against the Fairness Criteria for the holders of the policies in the RL Open Fund

Fairness Criteria	Criteria Assessment	Criteria Met?
Closed Fund Contribution	<p>As above the Closed Fund Contribution was fixed at zero as at 31 March 2021 based on financial conditions at that date. This is a necessary part of providing certainty to UFOB Sub-fund policyholders in terms of the Uplift when casting their vote and there is no expectation of recalculating the CFC payable from the Closed Fund Estate.</p> <p>I am therefore satisfied that the CFC continues to be fair to RL Open Fund policyholders. Furthermore, financial conditions at the time of writing and ongoing monitoring of the capital position of the UFOB Sub-fund and the RL Open Fund indicate that there has been nothing to suggest the 30 June 2021 financial data has become unreliable.</p>	Yes
Project Costs	<p>As with the CFC, the fixing of Project Costs is a necessary part of guaranteeing the Uplift and providing certainty to Eligible Policyholders when casting their votes. The UFOB Sub-fund was allocated £16.1m of the total expected Project Cost of £38.1m (excluding the cost of the indemnity).</p> <p>At the time of writing the forecast cost of the project has increased to £40.4m. The RL Open Fund has been compensated for taking on the risk of variation through the indemnity loading.</p> <p>I am therefore satisfied that the Project Cost Allocation remains fair to RL Open Fund policyholders.</p>	Yes
Estate Distribution	Not applicable as the Scheme will not affect any policyholders' entitlement to a share of the RL Open Fund Estate.	N/A
Ordering of the Funds	<p>I am of the opinion that the order in which the Consolidating Funds could be consolidated into the RL Open Fund under the Legacy Simplification Project does not have a material impact on the RL Open Fund.</p> <p>I am therefore satisfied that the Fairness Criteria test is met.</p>	Yes

Fairness Criteria	Criteria Assessment	Criteria Met?
RL Open Fund Capital Position	<p>As shown in Section 4.3 the RL Open Fund continues to be able to support the consolidation of UFOB Sub-fund risks. There is a marginal impact on the RL Open Fund coverage ratio from the consolidation which is still within the target range defined under RLMIS's internal capital management framework. This is consistent with the assessment at 31 March 2021.</p> <p>Note the coverage ratio is also expected to remain in the target range regardless of whether the UFIB and SL consolidations occur alongside the UFOB Sub-fund consolidation.</p> <p>I am therefore satisfied that the consolidation of the UFOB Sub-fund will not have a detrimental impact on the holders of benefits invested in the RL Open Fund and that this test continues to be met.</p>	Yes
Fund Transfers	There has been no change to the position reported within my previous Report and therefore I am satisfied that the target for this Fairness Criteria test continues to be met.	Yes
Other Stakeholder Benefit Security	Not applicable as this Fairness Criteria test applies to the other RLMIS policyholders, excluding the holders of the benefits invested in the UFOB Sub-fund and the holders of the benefits invested in the RL Open Fund.	N/A
Tax Considerations	There has been no change to the position reported within my previous Report and therefore I am satisfied that the target for this Fairness Criteria test continues to be met.	Yes
Investment Exposure	There has been no change to the position reported within my previous Report and therefore I am satisfied that the target for this Fairness Criteria test continues to be met.	Yes
Service Standards and Administration	<p>Given RLMIS had recruited a dedicated team to handle queries in relation to the Scheme it was anticipated that there would not be any impact on customer service levels more widely. Now that the voting period has been completed I am satisfied that there has been no knock-on impact of undertaking the Schemes on customer service levels across RLMIS.</p> <p>I am therefore satisfied that this Fairness Criteria test is met.</p>	Yes
Legal Rights	The Scheme itself will not affect the terms and conditions of any benefits invested in the RL Open Fund.	N/A
Voting Values	Not applicable as only certain policies in the UFOB Sub-fund confer eligibility to vote on the Scheme.	N/A
Voting Classes	Not applicable as only certain policies in the UFOB Sub-fund confer eligibility to vote on the Scheme.	N/A
Voting Eligibility	There has been no change to the position reported within my previous Report and therefore I am satisfied that the target for this Fairness Criteria test continues to be met.	Yes
Compulsion of Non-Voters and 'Against' Voters	Not applicable as the benefits invested in the RL Open Fund do not confer eligibility to vote on the Scheme.	N/A

Fairness Criteria	Criteria Assessment	Criteria Met?
Customer Communication	There has been no change to the position reported within my previous Report and therefore I am satisfied that the target for this Fairness Criteria test continues to be met.	Yes
Tracing of Gone-Aways	Not applicable as the benefits invested in the RL Open Fund do not confer eligibility to vote on the Scheme.	N/A

5.3

Assessment of the Fairness of the Scheme on the Holders of Policies Invested in the Other Closed Funds

As described in my previous Report the UFOB Sub-fund Consolidation has no direct impact on the Other Closed Funds. I have reassessed the position of the holders of the policies in the Other Closed Funds relative to the Fairness Criteria below. In summary, all the criteria continue to be met.

Table 5.3: Assessment of the proposal against the Fairness Criteria for the holders of the policies in the Other Closed Funds

Fairness Criteria	Criteria Assessment	Criteria Met?
Closed Fund Contribution	Not applicable for the policies in the Other Closed Funds.	N/A
Project Costs	There has been no change to the position reported within my previous Report and therefore I am satisfied that the target for this Fairness Criteria test continues to be met.	Yes
Estate Distribution	There has been no change to the position reported within my previous Report and therefore I am satisfied that the target for this Fairness Criteria test continues to be met.	Yes
Ordering of the Funds	There has been no change to the position reported within my previous Report and therefore I am satisfied that the target for this Fairness Criteria test continues to be met.	Yes
RL Open Fund Capital Position	<p>The Other Closed Funds are reliant on the RL Open Fund Estate to meet any shortfall on their Estates that may arise. As described in Section 4.3 the consolidation of the UFOB Sub-fund as at 30 June 2021 would continue to have an immaterial impact on the RL Open Fund coverage ratio.</p> <p>I am therefore satisfied that this Fairness Criteria test continues to be met.</p>	Yes
Fund Transfers	Not applicable as this Fairness Criteria test applies to the RL Open Fund only.	N/A
Other Stakeholder Benefit Security	<p>As above, given there is an immaterial change in the RL Open Fund coverage ratio the benefit security of policies in other funds is not adversely affected. Similarly, this is the case if one or both the UFIB and UFOB consolidations are also implemented at the same time.</p> <p>I am therefore satisfied that this Fairness Criteria test continues to be met.</p>	Yes
Tax Considerations	There has been no change to the position reported within my previous Report and therefore I am satisfied that the target for this Fairness Criteria test continues to be met.	Yes

Fairness Criteria	Criteria Assessment	Criteria Met?
Investment Exposure	There has been no change to the position reported within my previous Report and therefore I am satisfied that the target for this Fairness Criteria test continues to be met.	Yes
Service Standards and Administration	<p>Given RLMIS had recruited a dedicated team to handle queries in relation to the Scheme it was anticipated that there would not be any impact on customer service levels more widely. Now that the voting period has completed I am satisfied that there has been no knock-on impact of undertaking the Schemes on customer service levels across RLMIS.</p> <p>I am therefore satisfied that this Fairness Criteria test is met.</p>	Yes
Legal Rights	There has been no change to the position reported within my previous Report and therefore I am satisfied that the target for this Fairness Criteria test continues to be met.	N/A
Voting Values	Not applicable for the holders of the policies in the Other Closed Funds.	N/A
Voting Classes	Not applicable for the holders of the policies in the Other Closed Funds.	N/A
Voting Eligibility	Not applicable for the holders of the policies in the Other Closed Funds.	N/A
Compulsion of Non-Voters and 'Against' Voters	Not applicable for the holders of the policies in the Other Closed Funds.	N/A
Customer Communication	Not applicable for Holders of Other Closed Fund policies.	N/A
Tracing of Gone-Aways	Not applicable for the holders of the policies in the Other Closed Funds.	N/A

CONCLUSION

Having reassessed the impact of the Scheme, in light of updated financial data and other recent developments, on the holders of the benefits invested in the UFOB Sub-fund (Section 5.1), the holders of the benefits invested in the RL Open Fund (Section 5.2) and the holders of the policies in the Other Closed Funds (Section 5.3), I continue to be of the opinion that:

- The Scheme will not adversely affect, to any material extent, the security of the benefits or the benefit expectations of the holders of the benefits invested in the UFOB Sub-fund, including the holders of the Eligible Policies and Non-Eligible Policies;
- The Scheme will not adversely affect, to any material extent, the security of the benefits or the benefit expectations of the holders of the benefits invested in the RL Open Fund; and
- The Scheme will not adversely affect, to any material extent, the security of the benefits or the benefit expectations of the holders of the policies in the Other Closed Funds.

These conclusions also apply whether or not the UFIB Sub-fund Consolidation and/or SL Fund Consolidation are effected in close proximity to the Scheme.

The wider societal and economic impacts of the COVID-19 pandemic have not materially impacted policyholders' ability to engage with the Scheme, on markets more generally and the financial information underpinning the calculation of the offer nor the ability of key external stakeholders to fulfil their roles in relation to the Scheme.

In addition, I note that RLMIS's With-Profits Actuary is supportive of the Scheme being put forward to Eligible Policyholders.



Anthony Lee

16 November 2021

Appendix A

GLOSSARY

Term	Description
Act	The Companies Act 2006 (as amended).
Address Unknowns	Policies where RLMIS does not currently hold a valid address.
BEL	Best Estimate Liabilities. The liabilities determined on a UK Solvency II basis using realistic assumptions.
Calculation Date	The date at which RLMIS calculated the Offer. This is 31 March 2021.
CFC	Closed Fund Contribution.
Closed Fund Contribution	Under the Legacy Simplification Project, RLMIS proposes that certain Consolidating Funds each pay an amount (a Closed Fund Contribution) to the RL Open Fund to compensate the RL Open Fund for taking on the responsibility for managing the risks within the Consolidating Fund and funding the capital requirements for the Consolidating Fund under the internal capital management framework. It is proposed that the UFOB Sub-fund does not pay a Closed Fund Contribution under the Scheme.
Consolidating Funds	The Consolidating Funds are the UFOB Sub-fund and the Other Closed Funds, including the RAIB Sub-fund but excluding the RLCIS Fund.
Convening Hearing	A Court hearing at which RLMIS seeks permission to convene the Scheme Meeting to allow Eligible Policyholders to vote on the Scheme.
Cost of Bonus Transfer	The UAG Scheme prescribes that, due to the previous 90:10 structure of the ex-UAG Sub-funds, the declaration of each bonus leads to a Cost of Bonus Transfer from the ex-UAG Sub-funds to the RL Open Fund. The Cost of Bonus Transfer is equal to one ninth of the amount of surplus distributed.
Court	The High Court of Justice in England and Wales.
CWP	Conventional with-profits.
EBR	Equity Backing Ratio - the ratio of the value of equity and property investments of a fund to the total value of the investments of that fund.
Eligible Policy	An Eligible Policy is a with-profits policy in the UFOB Sub-fund that is not a HITM Policy and: (a) which will not have reached its scheduled maturity or retirement date prior to 31 December 2021; (b) which has not been claimed in full (or come into payment in full) on maturity, retirement, surrender, transfer or death, in each case in accordance with the terms of the policy as at the Calculation Date or as at the date of the Scheme Meeting; and (c) in respect of which the Eligible Policyholder has not (in accordance with the terms of the policy) otherwise ceased to be entitled to receive benefits as at the Calculation Date or as at the date of the Scheme Meeting.
Eligible Policyholder	A person who is a creditor for the purposes of the Companies Act in respect of an Eligible Policy.
Estate	The excess of the assets over the liabilities of a given with-profits fund.
Ex-UAG Sub-funds	The RAIB Sub-fund (which no longer exists, having been consolidated into the RL Open Fund on 30 June 2021), UFIB Sub-fund and the UFOB Sub-fund.
Fairness Criteria	A set of internal fairness criteria developed by RLMIS against which the Scheme can be assessed, as laid out in section 5.
Fairness Principles	A set of principles based on consideration of the outcome of the Scheme on each affected policyholder group, as laid out in section 5. The target is an improvement in outcome but, at a minimum, that policyholders should not be adversely affected (or in some limited instances and with appropriate justification not materially adversely affected).
FCA	Financial Conduct Authority, the conduct regulator for financial services firms and financial markets in the United Kingdom.

Gone-Aways	Policies where RLMIS has had a letter returned undelivered.
Heavily-In-The-Money Policy	A with-profits policy allocated to the UFOB Sub-fund immediately prior to the Calculation Date is a Heavily-In-The-Money Policy if, based on RLMIS's best estimate assumptions applied as at the Calculation Date, the projected value of the benefits payable under the with-profits policy as at the expected date of claim is not expected to be increased by the application of the Uplifts to asset shares proposed under the Scheme.
HITM Policy	A Heavily-In-The-Money Policy.
ICC ratio	Internal Capital Cover ratio - Internal Own Funds / Internal SCR.
IE	The Independent Expert.
Implementation Date	The date on which the Scheme will be implemented. This is also the date on which RLMIS intends to implement the wider UFOB Sub-fund Consolidation.
Included Policy	An Eligible Policy: (a) which has not reached its scheduled maturity or retirement date; (b) which has not been claimed in full (or come into payment in full) on maturity, retirement, surrender, transfer or death, in each case in accordance with the terms of the policy; (c) in respect of which the Eligible Policyholder has not (in accordance with the terms of the policy) ceased to be entitled to receive benefits, in each case as at 31 December 2021.
Included Policyholder	Any person who is a creditor for the purposes of the Companies Act in respect of an Included Policy.
Independent Expert	The independent expert is Oliver Gillespie, a Principal in Milliman LLP. He has been appointed by RLMIS and approved by the Regulators to review the Scheme. His duty is to the Court rather than to RLMIS.
Legacy Simplification Project	A major legacy simplification project conducted by RLMIS to rationalise and simplify its fund structure, products and administration systems in order to generate operational efficiencies, reduce risk and improve outcomes for longstanding customers.
Liver	Royal Liver Assurance Limited. The Royal Liver Sub-fund is a closed ring-fenced fund of RLMIS which holds the portion of business transferred to RLMIS from Royal Liver Assurance Limited on 1 July 2011 and from GRE Life Ireland Limited on 1 July 2012 that was not subsequently transferred to Royal London Insurance DAC on 7 February 2019.
OB	Ordinary Branch.
Offer	The offer that RLMIS is making to Eligible Policyholders regarding the terms of the Scheme, as described in section 1.2.
Other Closed Funds	Collectively, the UFIB Sub-fund, the SL Fund, the Liver Fund, the PLAL Fund and the RLCIS Fund.
PLAL	PLAL With-Profits Fund, a closed ring-fenced fund of RLMIS which holds the investment element of the former PLAL unitised with-profits business which was transferred to RLMIS on 29 December 2008.
PRA	Prudential Regulation Authority, responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms in the United Kingdom.
Premium Uplift Contribution	The UK Solvency II best-estimate present value of the uplifts that will be made to the asset shares of the with-profits policies in the UFOB Sub-fund in respect of any future contractual premiums paid into these asset shares after the Implementation Date (assuming the Scheme is implemented).
Project Costs	The cost of implementing the consolidations (and the associated review of minor product changes to be made in respect of certain of the Consolidating Funds) under the Legacy Simplification Project.

Project Costs Allowance	The amount that RLMIS proposes to charge each Consolidating Fund in respect of the costs of implementing the consolidations (and the associated review of minor product changes to be made in respect of certain of the Consolidating Funds) that RLMIS intends to implement under the Legacy Simplification Project. This amount varies by Consolidating Fund.
RAIB	Refuge Assurance Industrial Branch.
Regulators	The PRA and FCA.
Regulatory Ratio	RLMIS's Regulatory Ratio is broadly the ICC ratio of the company as a whole, but with the contribution from RLMIS's closed funds restricted to reflect that the excess capital of the closed funds form the closed funds' estates and is largely unavailable to the wider company. The Regulatory Ratio is an important area of focus for the PRA, and as a consequence rating agencies.
Reminder Mailing	To promote customer engagement with the Voting Pack and in particular to encourage Eligible Policyholders to vote on the Scheme, a reminder mailing (postcard or brief letter referring to the Voting Pack) will be issued during the voting period to an Eligible Policyholder if RLMIS has not received their vote within four weeks of mailing their Voting Pack (the Reminder Mailing).
Risk Margin	The risk margin calculated in accordance with the relevant UK Solvency II regulations. It forms part of the technical provisions required by UK Solvency II and ensures that they equal the amount that another insurer would require in order to take over the insurance obligations.
RL Open Fund	The Royal London Industrial Branch and Ordinary Branch Fund, which holds the RLMIS's IB and OB business with the exception of that allocated to the Other Closed Funds. The fund remains open to new OB business.
RL Open Fund Estate	The Estate of the RL Open Fund.
RLAM	Royal London Asset Management Limited.
RLCIS	Royal London (CIS) Fund, a closed ring-fenced fund of RLMIS which holds the business transferred to RLMIS from Royal London (CIS) Limited on 30 December 2014.
RLMIS	The Royal London Mutual Insurance Society Limited, a company limited by guarantee and not having a share capital and incorporated in England and Wales with registered number 99064, whose registered office is at 55 Gracechurch Street, London EC3V 0RL.
Sanction Hearing	A Court hearing at which RLMIS requests that the Court sanctions the Scheme once the Scheme has been approved by the requisite majority of Eligible Policyholders.
Sanction Hearing Date	The date of the Sanction Hearing, which is 25-26 November 2021.
Scheme	The scheme of arrangement under Part 26 of the Act whereby RLMIS proposes to make a compromise or arrangement with the Eligible Policyholders to accelerate the distribution of the UFOB Sub-fund Estate, less certain deductions, to the Eligible Policies.
Scheme Contribution	A deduction made from the UFOB Sub-fund Estate under the Scheme. The Scheme Contribution comprises the Project Costs Allowance and the Premium Uplift Contribution.
Scheme Meeting	The meeting at which Eligible Policyholders can vote on the Scheme.
SCR	Solvency Capital Requirement, a capital requirement under UK Solvency II.
SL	Scottish Life.
SL Fund Consolidation	The consolidation of the SL Fund into the RL Open Fund.
Supplementary Report	The follow-up Chief Actuary report presented at the Sanction Hearing.
Target ICC Ratio	The target ICC ratio as defined in RLMIS's internal capital management framework, i.e. the level of the ICC ratio required to be able to withstand a 1 in 20 year event over the next year, and still have sufficient own funds to be able to meet the internal SCR.

TMTF	Transitional Measures on Technical Provisions. Insurers are permitted to apply to their regulator (the PRA in the UK) to make use of the TMTF, which allows firms to phase in the increase in Technical Provisions under UK Solvency II Pillar 1 (in relation to business written prior to 1 January 2016) over a sixteen year period.
UAG	United Assurance Group.
UAG Scheme	The scheme pursuant to Section 49 of, and Schedule 2C to, the Insurance Companies Act 1982, which was originally sanctioned by an order of the Court dated 12 December 2000 and with an effective date of 1 January 2001 pursuant to which, inter alia, the business of the UFOB Sub-fund was transferred to RLMIS, as amended by an order dated 10 December 2009.
UFIB	United Friendly Industrial Branch.
UFIB Sub-fund	The United Friendly IB Sub-fund, a closed ring-fenced fund of RLMIS which holds the UFIB business transferred on 1 January 2001.
UFIB Sub-fund Consolidation	The consolidation of the UFIB Sub-fund into the RL Open Fund.
UFOB	United Friendly Ordinary Branch.
UFOB Sub-fund	The United Friendly OB Sub-fund, a closed ring-fenced fund of RLMIS which holds the UFOB business transferred on 1 January 2001.
UFOB Sub-fund Consolidation	The consolidation of the UFOB Sub-fund into the RL Open Fund.
UFOB Sub-fund Estate	The Estate of the UFOB Sub-fund.
UK Solvency II	A set of prudential and supervisory requirements. Prior to the expiry of the Brexit transitional period on 31 December 2020, this regime resulted from an EU Directive that set out these requirements for almost all European insurance and reinsurance companies. Following the expiry of the Brexit transitional period, the UK has its own domestic implementation of these prudential and supervisory requirements. References in this report to UK Solvency II are to those UK domestic requirements.
United Assurance Group	RLMIS acquired the United Assurance Group plc on 18 April 2000. The long term businesses of the five insurance subsidiaries of UAG: Refuge Assurance plc; United Friendly Insurance plc; Refuge Investments Limited; United Friendly Life Assurance Limited and Canterbury Life Assurance Company Limited were transferred to RLMIS on 1 January 2001 under the UAG Scheme.
Uplift	The percentage increase that RLMIS will apply to the asset shares of the Included Policies under the Scheme. Separately from the Scheme, but contemporaneously with its implementation, RLMIS will also apply the Uplift to the asset shares of the other with-profits policies in the UFOB Sub-fund on the Implementation Date.
Voting Class	A sufficiently homogeneous class of creditors such that the rights of all creditors against RLMIS within a particular class are sufficiently similar: (i) compared with the rights of other creditors within the same class and (ii) in terms of the impact of the Scheme on such rights.
Voting Pack	After the court order is granted, Eligible Policyholders will be sent or otherwise provided with a letter, a booklet which sets out key aspects of the proposed Scheme, a personalised illustration and a decision form which allows the individual policyholder to vote on the Scheme (together the Voting Pack).
With-Profits Actuary Report	The With-Profits Actuary's Report on the Scheme.