



# POLICYHOLDER BOOKLET

for Non-Transferring Royal Liver  
Sub-Fund Policyholders

# THE BOOKLET TELLS YOU ABOUT THE TRANSFER OF CERTAIN BUSINESS OF THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED (ROYAL LONDON) TO ROYAL LONDON DAC, A NEW SUBSIDIARY OF ROYAL LONDON REGISTERED IN IRELAND

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When we say 'we' in this booklet we mean 'The Royal London Mutual Insurance Society Limited', (referred to in this booklet as *Royal London*).

*Royal London DAC* means a new subsidiary of *Royal London* registered in Ireland. This will be called Royal London Financial Services DAC until authorisation is received from the *Central Bank of Ireland*, when it will be called Royal London Insurance DAC.

We've used certain terms in this booklet that need a more detailed explanation than we can give in the text. We have highlighted these *like this* and explain them in Section 9.

## IF YOU NEED TO CONTACT US

If you have any questions after reading this booklet, please contact us. These contact details can also be found in your covering letter.



Royal London  
Royal London House  
Alderley Road  
Wilmslow  
SK9 1PF



0345 850 1004  
Calls are charged at local rate.



[royallondon.com/transfer](https://royallondon.com/transfer)

## 1. INTRODUCTION

On 7 February 2019, we intend to transfer certain policies from The Royal London Mutual Insurance Society Limited (*Royal London*) to a new subsidiary of *Royal London* registered in Ireland. The subsidiary is referred to in this booklet as *Royal London DAC*.

From the date on which the UK leaves the European Union, it may not legally be possible for *Royal London* to continue to administer policies sold outside the UK. We intend to transfer around 460,000 policies which were originally sold in Ireland or Germany. We are doing this so that we can continue to administer these policies after the UK leaves the European Union.

The purpose of this booklet is to:

- provide you with information about the *Transfer*
- explain what the *Transfer* means for you and your policy
- explain the legal process that we are required to follow to gain approval for the *Transfer*
- explain what action you can take if you think that you would be adversely affected by the *Transfer*.

The *Transfer* will affect policyholders differently depending on the type of policy they have. We have produced six versions of the Policyholder Booklet each covering the points that are relevant to the different policyholder groups.

**This version is for policyholders, such as you, who have a policy originally sold in the UK, held in *Royal London's Royal Liver Sub-Fund* which will not transfer to *Royal London DAC*. This booklet contains key information about the *Transfer* that is relevant to you and your policy.**

Your policy may originally have been sold under a different brand and insurer, namely:

- ***Royal Liver*** (including policies sold under the **Progress** brand); or
- ***Friends Provident, London & Manchester*** or the ***Civil Servants Annuities Assurance Society***

but has since been transferred to *Royal London*.

This and the other versions of the Policyholder Booklet are available on our website.

We are only writing to policyholders who may be affected in some way by the *Transfer*. If you hold a type of policy with *Royal London* that will not be affected by the *Transfer* we will not be writing to you about it.

### **What do I need to do?**

To carry out the *Transfer*, we are required to follow a legal process that involves obtaining approval from the *High Court* in the UK.

**If, after reading this booklet, you are content with the *Transfer* you don't need to do anything.** However, you may need to tell someone else about the *Transfer*, as explained below.

**If you think that you would be adversely affected by the *Transfer* you have a right to attend the *High Court* hearing and raise your concerns.** You can attend the *High Court* hearing in person or a legal representative can represent you. It would be helpful if you would inform our solicitors in writing at the address below before the *Hearing Date*, but preferably as soon as possible, if you wish to attend the *High Court* hearing setting out the reasons why you believe you would be adversely affected by the *Transfer*.

If you do not wish to attend the *High Court* hearing, you can still raise your concerns about the *Transfer* before the *Hearing Date* but preferably as soon as possible by:

- calling us on the number in your letter
- writing to us at the address in your letter
- using the contact details provided on Page 3 of this booklet or in the *Legal Notice*
- writing to our solicitors at the address below

to tell us about the reasons why you believe you would be adversely affected by the *Transfer*. If you raise any concerns with us, we'll share these with the *Financial Conduct Authority*, *Prudential Regulation Authority*, the *Independent Expert* and with the *High Court*.

Our solicitors' address is:

Pinsent Masons LLP,  
30 Crown Place,  
Earl Street, London,  
EC2A 4ES

Please quote Ref: HA06/MB60 if you write to them.

If you decide to raise your concerns with the *High Court*, please first read the copy of the *Legal Notice* in Section 8 carefully.

You may also need to tell someone else about the *Transfer*, as set out in the table below.

<b>If you are the trustee of a policy ...</b>	Please read this booklet to make sure you understand the <i>Transfer</i> and inform the policy beneficiaries and any other trustees associated with the policy.
<b>If you are the parent or guardian of a policyholder ...</b>	Please read this booklet to make sure you understand the <i>Transfer</i> to enable you to act in the best interests of the policyholder.
<b>If you hold a Power of Attorney, Court of Protection Order or are acting on behalf of a Ward of Court ...</b>	Please read this booklet to make sure you understand the <i>Transfer</i> to enable you to act in the best interests of the policyholder.
<b>If you are bankrupt or about to be declared bankrupt ...</b>	You should show this booklet and your accompanying letter to your: <ul style="list-style-type: none"> <li>• Trustee-in-Bankruptcy or Official Assignee in Bankruptcy (the person appointed by the Court to administer your affairs)</li> <li>• Receiver; or</li> <li>• Administrative Receiver.</li> </ul>
<b>If you have assigned your policy...</b>	If you have assigned your policy to another person or a company, you should show your letter and this booklet to the party you have assigned your policy to.
<b>If your policy is a joint policy...</b>	We have written separately to joint policyholders where our records show separate addresses. If you share an address with a joint policyholder, please show your letter and this booklet to the joint policyholder.

### How are my interests protected?

Royal London has designed the *Scheme* (summarised in Section 6) to minimise the effect of the *Transfer* on policyholders. We explain this and what the *Transfer* will mean for you in Section 3.

Your interests and the interests of other policyholders are protected by a rigorous approval process that includes:

- consideration by an *Independent Expert* of the likely effect of the *Transfer* on *Royal London* and *Royal London DAC* policyholders
- consideration by the *Chief Actuary of Royal London* and the *With-Profits Actuary of Royal London*

- a review by the *Prudential Regulation Authority* and *Financial Conduct Authority* in the UK
- approval from the *High Court* in the UK. This approval follows a defined legal process, described in Section 5.

The *Independent Expert*, *Chief Actuary of Royal London* and *With-Profits Actuary of Royal London* have separately produced reports on the *Transfer* with the following conclusions:

- In the *Independent Expert's* opinion, implementing the *Transfer* will not have any material adverse effect on the security of benefits or the future benefit expectations of the policyholders of *Royal London* or *Royal London DAC*
- The *Chief Actuary of Royal London's* conclusion is that the *Transfer* will not adversely affect, to any material extent, the interests and, more particularly, the security of the benefits of the transferring policyholders and the benefit expectations of transferring with-profits policyholders. He also holds the opinion that the security of benefits and the benefit prospects of the non-transferring *Royal London* policyholders will not be adversely affected, to any material extent, by the *Transfer*
- The *With-Profits Actuary of Royal London's* conclusion is that the *Transfer* will not adversely affect, to any material extent, the security of benefits or benefit expectations of the transferring with-profits policyholders or the non-transferring with-profits policyholders remaining in *Royal London* and that carrying out the *Transfer* is not inconsistent with the requirement to treat customers fairly.

The *Transfer* has also been considered by the *Liver Supervisory Committee*, which is a committee of the *Royal London* board with a majority of independent members. The *Liver Supervisory Committee* is responsible for monitoring how *Royal London* manages the *Royal Liver Sub-Fund*, in accordance with the *Royal Liver Instrument of Transfer*. The *Liver Supervisory Committee* has considered the *Transfer* and is supportive of it.

### **What information is available to me?**

This booklet contains relevant information about the *Transfer*, including:

- a **summary of the Scheme** in **Section 6**
- a **summary of the Independent Expert's report** in **Section 7**; and
- a copy of the **Legal Notice**, which we are required to publish in various newspapers to highlight our application to the *High Court* for approval of the *Transfer*, in **Section 8**.

If you would like more detailed information then **the full Scheme, full Independent Expert's report, the report of the Chief Actuary of Royal London and the report of the With-Profits Actuary of Royal London, are available on our website**, where you can read, download and print them. If you prefer, please contact us and we can send you copies by post. Our contact details are provided in your letter and on Page 3 of this booklet.

### **What are the timescales for the *Transfer*?**

The *Hearing Date* is scheduled for 31 January 2019. If the *High Court* approves the *Transfer*, we expect the *Transfer* to happen on the *Effective Date*. We expect the *Effective Date* to be 7 February 2019, except for the purposes of our accounting where it will be assumed that the *Transfer* happened on 1 January 2019. The use of a different date for accounting purposes will not impact your benefits or how your policy is treated. We will provide any further information and updates on our website, including the outcome of the *High Court* hearing, shortly after the *Hearing Date*.

### **How can I find out more?**

If you have any questions please get in touch with us. Our contact details are provided in the letter we sent with this booklet and can be found on Page 3 of this booklet.



## 2. KEY INFORMATION ABOUT THE TRANSFER

### 2.1 Which policies are being transferred?

The policies we are transferring to *Royal London DAC* are:

- around 400,000 policies sold in Ireland which are held in the *Royal Liver Sub-Fund*. This includes policies sold by:
  - *Royal Liver* (including those sold under the **Caledonian Life** brand), *Irish Life* and *Caledonian Insurance Company* that were transferred to *Royal London* on 1 July 2011, and
  - *GRE Life Ireland* that were transferred to *Royal London* on 1 July 2012.

In this booklet, we refer to these policies as the *Liver Ireland Transferring Policies*

- around 55,000 *Protection Policies* sold via financial brokers in Ireland since 1 July 2011 through *Royal London's* Irish branch. These were sold under the **Caledonian Life** or *Royal London* brands and are held in the *Royal London Main Fund*. In this booklet we refer to these policies as the *RL Ireland Protection Policies*
- around 1,500 bonds sold in Germany by *Royal London* under the **Scottish Life International** brand and held in the *Royal London Main Fund*. In this booklet we refer to these policies as the *German Bond Transferring Policies*.

If the *Transfer* takes effect, *Royal London DAC* will become the insurer of all *Transferring Policies* from the *Effective Date*.

### 2.2 Which policies are not transferring?

The following policies will be retained by *Royal London* and are not being transferred:

- approximately 1.1 million policies sold in the UK and held in the *Royal Liver Sub-Fund*. This includes policies that may originally have been sold by *Royal Liver*, *Royal Liver* under the **Progress** brand, or by *Friends Provident, London & Manchester* or the *Civil Servants Annuities Assurance Society* which later transferred to *Royal Liver*. All of these policies subsequently transferred to *Royal London* on 1 July 2011.

In this booklet, we refer to these policies as *Liver Non-Transferring Policies*

- all policies held in the *Royal London Main Fund*, other than the *German Bond Transferring Policies* and the *RL Ireland Protection Policies*
- all other policies held in the *Royal London Other Closed Funds*.

In this booklet we refer to these policies as *Non-Transferring Policies*.

### 2.3 Current fund structure

Royal London's current fund structure is made up of:

- the *Royal London Main Fund* which is an open fund where all of *Royal London's* new business is written
- the *Royal Liver Sub-Fund* and the *Royal London Other Closed Funds* which are all closed funds that contain business acquired by *Royal London* from other insurers.

The fund structure of *Royal London* is shown in the diagram below. This structure will remain unchanged after the *Transfer*.

The Royal London Mutual Insurance Society Limited					
Royal London (CIS) Sub-Fund	Royal London Main Fund		Scottish Life Closed Fund	PLAL With-Profits Sub-Fund	Royal Liver Sub-Fund
RLCIS ESTATE	Royal London ESTATE		Scottish Life ESTATE	PLAL ESTATE	Royal Liver ESTATE
RLCIS OB & IB Fund	Royal London OB		Scottish Life Business	PLAL Business	Royal Liver Business
	Royal London IB				
	Refuge Assurance OB				
RLCIS With-Profits Pension Fund	United Friendly IB and additional account	United Friendly OB and additional account	Scottish Life Business	PLAL Business	Royal Liver Business
RLCIS With-Profits Stakeholder Fund	Refuge Assurance IB and additional account				

There will be no impact from the *Transfer* on the policies that are held in the *Royal London Other Closed Funds*. Certain policies in the *Royal London Main Fund* and *Royal Liver Sub-Fund* will transfer to *Royal London DAC*, as described in Section 2.1.

Your policy is currently invested in the *Royal Liver Sub-Fund*. Section 3 sets out how the *Transfer* may affect you.

### 2.4 Royal London DAC fund structure

*Royal London DAC* will have:

- a fund called the *Royal London DAC Open Fund*. On the *Effective Date*, *Royal London* will transfer *RL Ireland Protection Policies* from the *Royal London Main Fund* into this fund. New policies sold by *Royal London DAC* will be written to this fund

- a fund called the **Liver Ireland Sub-Fund** which will be closed to new business. On the *Effective Date*, Royal London will transfer the *Liver Ireland Transferring Policies* from the *Royal Liver Sub-Fund* into this fund
- a fund called the **German Bond Sub-Fund** which will be closed to new business. On the *Effective Date*, Royal London will transfer *German Bond Transferring Policies* from the *Royal London Main Fund* to this fund.

### 2.5 Reinsuring the transferring policies

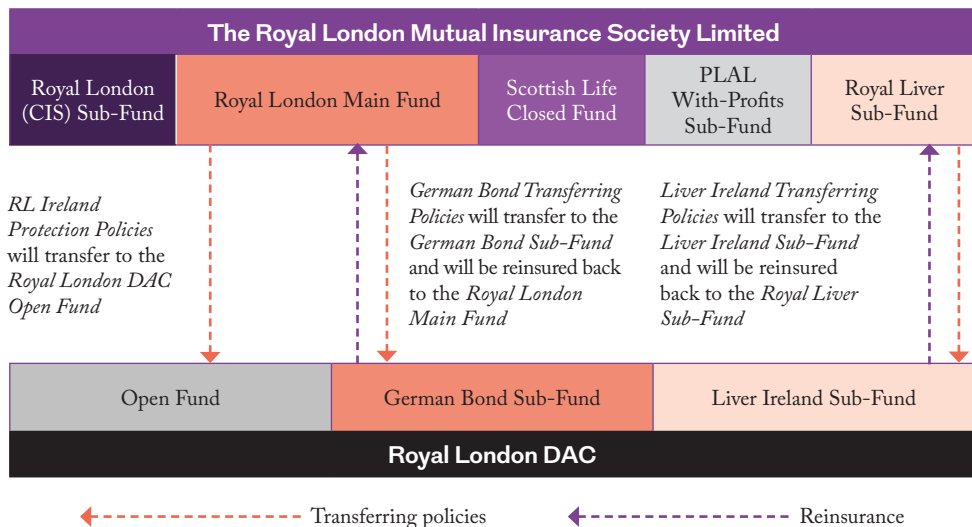
*Royal London DAC* will become the insurer of all *Transferring Policies* from the *Effective Date*. *Royal London* and *Royal London DAC* will also enter into two reinsurance agreements so that from the *Effective Date*:

- all policies in the *Liver Ireland Sub-Fund* will be reinsured by *Royal London's Royal Liver Sub-Fund* – we call this the *Liver Reinsurance Agreement* in this booklet
- all policies in the *German Bond Sub-Fund* will be reinsured by *Royal London's Main Fund* – we call this the *German Bond Reinsurance Agreement* in this booklet.

Reinsurance means that *Royal London DAC* will make a one-off payment, and pay the future premiums it receives from policyholders whose policies are being reinsured, to *Royal London*. In return, *Royal London* will cover *Royal London DAC's* costs of paying claims to the *Royal London DAC* policyholders whose policies are being reinsured by *Royal London*. Essentially this means that *Royal London DAC* will be taking out an insurance policy from *Royal London* to cover future claims made by policyholders whose policies are held in the *Liver Ireland Sub-Fund* or the *German Bond Sub-Fund*. This is further explained in Section 3.

## 2.6 Royal London and Royal London DAC fund structure following the Transfer

This diagram shows the structure of *Royal London* and *Royal London DAC* after the *Transfer*. As explained in Section 2.5, reinsurance will be put in place which will link the two entities.



## 2.7 Royal London DAC authorisation by the Central Bank of Ireland

*Royal London* submitted an application for authorisation as a life insurer to the *Central Bank of Ireland* in March 2018. The *Central Bank of Ireland* is expected to grant authorisation prior to the *Effective Date*. The *Transfer* cannot proceed without it.

### 3. HOW WILL THE TRANSFER AFFECT ME?

You hold a *Liver Non-Transferring Policy*. This section covers how holders of *Liver Non-Transferring Policies*, such as you, will be affected by the *Transfer*.

The *Transfer* will not change:

- your policy number
- the terms and conditions of your policy
- your premiums or the contractual benefits of your policy
- the way the investments backing your policy are managed
- your rights in respect of data protection under the General Data Protection Regulation (GDPR)
- the address and telephone number you need if you want to ask anything about your policy
- the way your policy is regulated
- your right to make a complaint to the Financial Ombudsman Service in the UK.

However, **if you have a *With-Profits Policy* or a *Contingent Bonus Policy***, it will mean that some of the principles and practices of how we govern and manage the *Royal Liver Sub-Fund* will change. The changes are detailed in Section 4 of this booklet. We describe below how you can determine whether your policy is a *With-Profits Policy* or *Contingent Bonus Policy*.

We have provided further explanation of how the *Transfer* might impact you below. Whilst most of the information is relevant to all policyholders, there are specific points that are relevant only to some policyholders. Where this is the case, we have highlighted the types of policy that are affected.

If you are unsure of the type of policy you hold, please refer to the top of your covering letter.



The type of policy you hold is detailed here.

The following table details the different types of policy and how they are described on your letter:

Which type of policy do you have?	We describe this on your letter as ...
A <i>With-Profits Policy</i>	Royal Liver With-Profits (UK)
A <i>Contingent Bonus Policy</i>	Royal Liver Contingent Bonus (UK)
A <i>Non-Profit, Unit Linked or Protection Policy</i>	Royal Liver Non-Profit (UK)

If you hold more than one type of policy, you will be sent a letter for each. If you hold a policy that is not affected by the *Transfer*, we will not have written to you about it.

#### A. Will there be any change to how my policy is administered following the Transfer?

Your policy is currently administered in the UK. This will stay the same and there will be no change to how you contact us.

#### B. Where will my policy be held if the Transfer goes ahead?

Your policy is currently provided by *Royal London* and is held in the *Royal Liver Sub-Fund*. This will **not** change as a result of the *Transfer*.

There will be some changes to the *Royal Liver Sub-Fund* and the way it is managed as a result of the *Transfer*. This is because the *Liver Ireland Transferring Policies* will be transferred out of the *Royal Liver Sub-Fund* and into a sub-fund in *Royal London DAC* called the *Liver Ireland Sub-Fund*. Upon *Transfer* these policies will be reinsured by the *Royal Liver Sub-Fund* under the *Liver Reinsurance Agreement*. This means *Royal London DAC* will become the insurer and pay claims for *Liver Ireland Transferring Policies* but *Royal London* will continue to be ultimately responsible for funding any claims that are made on a policy.

#### C. Why is the *Liver Reinsurance Agreement* being put in place?

The *Liver Reinsurance Agreement* is being put in place to minimise the impact of the *Transfer* on all policies held in the *Royal Liver Sub-Fund*. It links the *Royal Liver Sub-Fund* and the *Liver Ireland Sub-Fund* and has been set up to ensure that, as far as possible, they are managed on a consistent basis whilst the *Liver Reinsurance Agreement* is in place.

We explain what would happen if the *Liver Reinsurance Agreement* is terminated in Section G.

Without the *Liver Reinsurance Agreement*, the *Royal Liver Sub-Fund* would need to be split and the assets allocated between holders of *Liver Non-Transferring Policies* and *Liver Ireland Transferring Policies*. To do this fairly would be a complex process and it would not be possible to complete this before the UK leaves the European Union.

#### D. How will my interests be protected after the Transfer goes ahead?

After the *Transfer*, your policy will continue to be managed by *Royal London*. Your policy will continue to be part of the *Royal Liver Sub-Fund*.

However, the *Liver Reinsurance Agreement* will link the management of the *Royal Liver Sub-Fund* and the *Liver Ireland Sub-Fund*. After the *Transfer*, and whilst the *Liver Reinsurance Agreement* is in place, material decisions in respect of the management of the funds, including bonus declarations, will need to be agreed between *Royal London* and *Royal London DAC*. In the event that agreement cannot be reached, the decision will be referred to an independent expert.

Currently the *Liver Supervisory Committee* and *With-Profits Committee* oversee the interests of holders of *With-Profits* and *Contingent Bonus Policies*. These committees will continue to consider your interests after the *Transfer*.

### **E. How will the *Royal Liver Sub-Fund* be managed after the *Transfer*?**

*Royal London* manages the *Royal Liver Sub-Fund* in line with the *Royal Liver Principles and Practices of Financial Management (PPFM)*. This will continue after the *Transfer*. *Royal London* is proposing to amend some of the Principles and Practices in the *Royal Liver PPFM* to take account of the *Transfer*. These amendments are explained in Section 4.

The *Royal Liver Instrument of Transfer* contains some *Core Principles of Financial Management* which set out how *Royal London* manages the *Royal Liver Sub-Fund*. The *Core Principles of Financial Management* will be amended to cover *Transferring Policies*. The *Core Principles of Financial Management* are aligned with the *Royal Liver PPFM*, but in the event of any conflict between the *Core Principles of Financial Management* and the *Royal Liver PPFM* then the *Core Principles of Financial Management* will take precedence.

### **F. Will the security of my benefits be impacted by the *Transfer*?**

The *Independent Expert*, *Chief Actuary of Royal London* and *With-Profits Actuary of Royal London* have each separately concluded that the security of policyholder benefits will not be materially impacted by the *Transfer*.

Your policy will remain in the *Royal Liver Sub-Fund* which will remain appropriately capitalised at the date of the *Transfer*. This means it holds enough assets to pay the expected claims on policies such as yours and additional assets to protect against the risk of adverse events occurring.

During the period that the *Liver Reinsurance Agreement* is in place *Royal London* and *Royal London DAC* will also put in place security arrangements. Under these arrangements *Royal London* will set aside some assets that *Royal London DAC* can access in certain circumstances. For example, in the unlikely event that *Royal London* is not able to honour its obligations under the *Liver Reinsurance Agreement*. If *Royal London* was to become insolvent whilst these arrangements are in place, which is considered to be highly unlikely, they would operate to help ensure holders of *Liver Non-Transferring Policies* and *Liver Ireland Transferring Policies* will be treated in the same way, although *Royal London DAC* would be able to access some of the secured assets so that it should be able to continue to pay any claims on *Liver Ireland Transferring Policies* whilst insolvency proceedings take place.



#### G. What happens if the *Liver Reinsurance Agreement* is terminated?

*Royal London* or *Royal London DAC* has no current intention of terminating the *Liver Reinsurance Agreement*. However, the *Transfer* seeks to ensure that all policyholders are treated fairly in the event of termination.

If the *Liver Reinsurance Agreement* was terminated, the *Estate* in the *Royal Liver Sub-Fund* would be split and the assets allocated between holders of *Liver Non-Transferring Policies* and *Liver Ireland Transferring Policies*. This would be done in a fair and equitable manner and a framework for how it would be done has been set out under the *Scheme* and the *Royal Liver PPFM*. To protect policyholders the allocation would require approval from the *Royal London* Board, the *Royal London DAC* Board, an independent expert and consideration by the *Liver Supervisory Committee*, the *Royal London With-Profits Committee*, the *With-Profits Actuary of Royal London*, the *Chief Actuary of Royal London* and the *Head of Actuarial Function for Royal London DAC*.

#### H. Will the *Transfer* affect how much tax I pay?

The *Transfer* will not affect the tax status of your policy. If you are unsure about your tax position, you should seek advice from a tax adviser.

#### I. Will I retain Financial Services Compensation Scheme (FSCS) protection after the *Transfer*?

Yes. As your policy is not being transferred and will remain with *Royal London* in the UK, your FSCS protection will not change.

#### J. How will the costs associated with the *Transfer* be allocated?

The costs will be charged to the *Estate* of the *Royal London Main Fund* and the *Royal Liver Sub-Fund*. You are currently invested in the *Royal Liver Sub-Fund*. If you have a *With-Profits Policy* or *Contingent Bonus Policy* then you are entitled to share in any distribution of the *Estate*. The *Independent Expert* and the *With Profits Actuary of Royal London* have both concluded that the costs have been allocated fairly and that there will be no material adverse effect on policyholders due to the additional costs that arise as a result of the *Transfer*.

#### K. What if things change before the UK leaves the European Union?

We are undertaking the *Transfer* so that we can continue to administer policies which were originally sold in Ireland and Germany after the UK leaves the European Union. If something changes, for example an agreement is reached between the UK and European Union which would permit *Royal London* to continue to administer policies which were originally sold in Ireland or Germany from the UK after the UK leaves the European Union, the *Transfer* will still take place as planned.

#### 4. KEY CHANGES TO THE PRINCIPLES AND PRACTICES OF FINANCIAL MANAGEMENT (PPFM) OF THE ROYAL LIVER SUB-FUND

To reflect the *Transfer*, *Royal London* will amend some of the Principles and Practices of the *Royal Liver PPFM*. This Section provides you with more information about the proposed amendments. This is explained in Section 3.E. The amendments that we propose to make to the *Royal Liver PPFM* are intended to make sure that the *Royal Liver PPFM* properly takes account of *Liver Ireland Transferring Policies*, and the other changes that will take place as a result of the *Scheme* and the *Liver Reinsurance Agreement*.

At the start of the *Royal Liver PPFM* document it will be made clear that the principles and practices apply to *Liver Ireland Transferring Policies* (referred to as the ‘reinsured policies’ in the PPFM) unless otherwise stated. This reflects the way the *Royal Liver Sub-Fund* will be managed after the *Transfer*. This will not dilute the role, responsibility and discretion of *Royal London DAC*.

*Royal London* is proposing the following amendments to the Principles and Practices:

- **Guiding Principles (Section 1.0)**

An additional guiding principle will be added that requires *Royal London* to manage the *Royal Liver Sub-Fund* in compliance with the provisions of the *Scheme* and the *Liver Reinsurance Agreement*, whilst the *Liver Reinsurance Agreement* remains in place

- **Change Control Principle (Section 1.1.3)**

An additional statement will be added that requires any changes to the methods used to determine payouts to be approved by the *Royal London DAC* Board, as well as the *Royal London* Board whilst the *Liver Reinsurance Agreement* remains in place

- **Charges and Expenses Principle (Section 1.7) and Practice (Section 2.7)**

These will be amended to make it clear that *Royal London DAC* will provide administration services and apply the associated charges for the *Liver Ireland Transferring Policies*

- **New Principle: Interaction with *Royal London DAC* (Section 1.10)**

The aim of this principle is to ensure that the *Royal Liver Sub-Fund* and the *Liver Ireland Sub-Fund* are managed consistently whilst the *Liver Reinsurance Agreement* remains in place. It will require the Boards of *Royal London* and *Royal London DAC* to consult, in good faith and in a reasonable manner, on material decisions impacting the *Royal Liver Sub-Fund*. If agreement cannot be reached, such matters will be referred to an independent expert and their decision will be binding

## 4. Key Changes To The Principles And Practices Of Financial Management (PPFM) Of The Royal Liver Sub-Fund

- **New Principle: Termination of the *Liver Reinsurance Agreement* (Section 1.11)**

The aim of this principle is to ensure that a fair proportion of the *Estate* is allocated to eligible policyholders of the *Royal Liver Sub-Fund* and the *Liver Ireland Sub-Fund* on termination of the *Liver Reinsurance Agreement*. It defines how the *Estate* should be calculated and specifies the governance around determining the fair proportion. This includes requirements that the *Royal London* Board must:

- consider the advice of the *Chief Actuary of Royal London*, the *With-Profits Actuary of Royal London*, *With-Profits Committee* and *Liver Supervisory Committee*
- agree the amount with the *Royal London DAC* Board; and
- obtain certification from an independent actuary that the proposal is fair to all policyholders. This certificate must be provided to the *Regulators*.

This Principle also clarifies that following payment of the fair proportion of the *Estate*, and the termination of the *Liver Reinsurance Agreement* eligible *Liver Ireland Sub-Fund* policies would have no further interest in the *Estate* and the Principles and Practices in the *Royal Liver PPFM* would no longer apply to them.

- **Ceasing to Maintain the Sub-Fund (Section 1.12)**

This will be amended so parts of the principle that will no longer be relevant will not apply to the *Liver Ireland Sub-Fund* policies.

## 5. THE LEGAL PROCESS



### 5.1 The legal process

To carry out the *Transfer*, we are required to follow a process set out in Part VII of the Financial Services and Markets Act 2000.

*Royal London* has applied to the *High Court* in the UK for approval of the *Transfer*. In order for the *Transfer* to take place the *High Court* must be satisfied that it is appropriate, in all the circumstances of the case, to approve it.

The process requires us to provide you with notice of the *Transfer* by writing to you, placing notices in a number of newspapers and providing information on our website.

To help the *High Court* decide, the *Independent Expert* reports his opinion on the likely effect of the *Transfer* on policyholders. You can read a summary of his report in Section 7.

We expect the *High Court* to consider the *Transfer* at a hearing on the *Hearing Date*.

If the *High Court* approves the *Transfer*, we expect it to take effect on the *Effective Date*.

### 5.2 Where can I find out more information?

The following information is now available on our website:

- The *Scheme*
- The *Independent Expert's* report
- The *Chief Actuary of Royal London's* report
- The *With-Profits Actuary of Royal London's* report
- All Policyholder Booklets
- The letters we are sending to policyholders affected by the *Transfer*
- The *Legal Notice*
- Updated *Royal Liver* and *Royal London Main Fund PPFMs*
- A new *Liver Ireland PPFM Guide*
- A new *German Bond PPFM Guide*

If you prefer, you can ask us to send you copies by post. You'll find our website address and our contact details in your letter or on Page 3 of this booklet.

### 5.3 What if things change before the final *High Court* hearing?

If the *Hearing Date* changes, we will post the new date on our website.

The following people will write supplementary reports shortly before the *Hearing Date*:

- The *Independent Expert*
- The *Chief Actuary of Royal London*
- The *With-Profits Actuary of Royal London*

A report by The *Head of Actuarial Function for Royal London DAC* is expected to be made available.

These reports will be prepared so that the respective Board of Directors and the *High Court* can take account of the latest available financial information and any significant developments or changes that may affect policyholders ahead of the *High Court* hearing.

We will add these reports to our website once they are available and before the *Hearing Date*.

We will also publish the outcome of the hearing on our website immediately after the *Hearing Date*.

## 6 SUMMARY OF THE SCHEME

This section summarises the key terms of the *Transfer* (the ‘*Scheme*’) to *Royal London DAC*. The full *Scheme* document is a highly technical document so we have highlighted the key points in this section.

### 6.1 Transfer of business

On the *Effective Date*, subject to the approval of the *High Court*, *Royal London* will transfer all of the *Transferring Policies* to *Royal London DAC*. This means that *Royal London DAC* will then be the insurer and responsible for the *Transferring Policies* instead of *Royal London*.

On the *Effective Date*, *Royal London DAC* will acquire all the rights, benefits and powers of *Royal London* in relation to the *Transferring Policies*. To the extent described in the *Scheme*, the holders of *Transferring Policies* will be entitled to the same rights, benefits and obligations with *Royal London DAC* as they had before the *Transfer* with *Royal London*.

Relevant contracts between *Royal London* and a third party that relate exclusively to the transferring life insurance business will also transfer so that they will be between *Royal London DAC* and the relevant third party.

### 6.2 Allocation of policies

On the *Effective Date*:

- *Liver Ireland Transferring Policies* will be transferred to the *Liver Ireland Sub-Fund*, a sub-fund of the *Royal London DAC Long Term Fund*, which *Royal London DAC* will establish in accordance with the terms of the *Scheme*
- *German Bond Transferring Policies* will be transferred to the *German Bond Sub-Fund*, which *Royal London DAC* will establish in accordance with the terms of the *Scheme*
- *RL Ireland Protection Policies* will be transferred to the *Royal London DAC Open Fund*.

The *Scheme* requires the *Liver Ireland Sub-Fund* and the *German Bond Sub-Fund* to be maintained by *Royal London DAC* as separate funds.

### 6.3 Reinsurance

On the *Effective Date*, *Royal London* and *Royal London DAC* will enter into the *Liver Reinsurance Agreement* and the *German Bond Reinsurance Agreement*. The purpose and effect of these agreements is described in Section 2.5 and in the Questions & Answers provided in Section 3.

### 6.4 With-Profits funds – management

The *Scheme* carries across a number of provisions from the *Royal Liver Instrument of Transfer*, updated to take account of the *Transfer* so that they apply to the ongoing management of the *Liver Ireland Sub-Fund*. These include the allocation of expenses to the

*Liver Ireland Sub-Fund*, service standards, the duties of the *Head of Actuarial Function for Royal London DAC* and the closure of the *Liver Ireland Sub-Fund*.

The *Royal Liver Instrument of Transfer* also contains a number of *Core Principles of Financial Management*, which currently apply to the management of the *Royal Liver Sub-Fund*. After the *Transfer* and whilst the *Liver Reinsurance Agreement* is in place, *Royal London DAC* will be required to have regard to the *Core Principles of Financial Management* contained in the *Royal Liver Instrument of Transfer* when managing the *Liver Ireland Sub-Fund*. If the *Liver Reinsurance Agreement* is terminated, then the relevant *Core Principles of Financial Management* will apply directly to *Royal London DAC*, via relevant provisions in the *Scheme*.

Similarly, the *Scheme* includes provisions relating to the allocation of expenses to and the closure of the *German Bond Sub-Fund*.

### 6.5 With-Profits funds – closure

In the event of the termination of the *Liver Reinsurance Agreement*, *Royal London DAC* may cease to, or in certain circumstances is required to cease to, maintain the *Liver Ireland Sub-Fund* when its value falls below a certain size.

*Royal London DAC* is required to cease to maintain the *German Bond Sub-Fund* upon the termination of the *German Bond Reinsurance Agreement*.

If this happens:

- the terms of the *Scheme* relating to the maintenance by *Royal London DAC* of the relevant fund as a separate sub-fund will no longer apply
- *Royal London DAC* will transfer all policies, assets and liabilities from the relevant fund to the *Royal London DAC Open Fund*, and
- *Royal London DAC* may make changes to the *Scheme* which are necessary to give effect to the closure of the relevant fund.

### 6.6 Unit-Linked Funds

On the *Effective Date*, the assets of each *Unit-Linked Fund* will be transferred into a new corresponding *Unit-Linked Fund* that *Royal London DAC* will establish within the *Royal London DAC Long Term Fund*.

If you have a *Unit-Linked Policy*, immediately following the *Effective Date* you will have the same number and value of units as you did before. The only change will be that these funds will be held and administered by *Royal London DAC*.

## 6.7 Future changes to *Unit-Linked Funds*

The *Scheme* allows *Royal London DAC* to:

- close to new or further investment any *Unit-Linked Fund* that it has established in accordance with the terms of the *Scheme*
- divide any *Unit-Linked Fund* that it has established in accordance with the terms of the *Scheme*
- wind up any *Unit-Linked Fund* that it has established in accordance with the terms of the *Scheme*, or
- effect any combination of the above.

*Royal London DAC* may undertake the actions described above either in accordance with the terms of the relevant *Liver Reinsurance Agreement* or the *German Bond Reinsurance Agreement*, or following the termination of those agreements, at its discretion (and in both cases subject to relevant regulatory requirements and provided that such changes are not contrary to the terms and conditions of the relevant policies).

The *Scheme* also allows *Royal London DAC*, either in accordance with the terms of the relevant *Liver Reinsurance Agreement* or the *German Bond Reinsurance Agreement*, or following the termination of those agreements, at its discretion, to change the investment objectives of any *Unit-Linked Fund* established by it in accordance with the terms of the *Scheme* to allow investment in assets that are reasonably similar to, or provide reasonably similar investment exposure to, the assets already held in the fund.

If *Royal London DAC* takes any of the actions above, relevant policyholders will be able (under and in accordance with the terms of the *Scheme*) to switch from the *Unit-Linked Fund* or *Funds* that their policy is invested in to another *Unit-Linked Fund* or *Funds*. *Royal London DAC* will not charge relevant policyholders for switching their policy or policies to a different *Unit-Linked Fund* or *Funds* on the first occasion they switch after *Royal London DAC* takes any of the actions listed above, provided that the switch occurs within twelve months of the relevant action having occurred.

## 6.8 Residual policies

It is possible that some of the policies that would otherwise be included in the *Transfer* will not transfer on the *Effective Date*. We don't expect there to be any policies that won't transfer, but the *Scheme* makes provision for this possibility, for example where:

- the *Prudential Regulation Authority* has not provided a certificate prior to *High Court* approval of the *Scheme* that is required for the *Transfer*, or
- the policy is not capable of being transferred on the *Effective Date* under the relevant legislation.

These policies are called 'residual policies' in the *Scheme*.



These residual policies will subsequently transfer to *Royal London DAC* if it becomes possible to transfer them at a later date. If this happens they will be dealt with in the same way as if they had transferred to *Royal London DAC* on the *Effective Date*.

Until a residual policy subsequently transfers to *Royal London DAC*, it will remain with *Royal London*, but may be reinsured by *Royal London DAC* in certain circumstances.

### 6.9 Continuity of legal proceedings

The *Scheme* allows, to the extent described in the *Scheme*, for any legal proceedings or applications to any authority that are pending by or against *Royal London* in respect of the transferred insurance business, policies, assets and liabilities to be continued by or against *Royal London DAC*.

If there are any legal proceedings or applications to any authority pending by or against *Royal London* in relation to residual policies, such proceedings or applications will be continued by or against *Royal London*, if and until the residual policies transfer to *Royal London DAC*.

### 6.10 Data protection

Under the terms of the *Scheme*, *Royal London DAC* will take over the rights, liabilities and obligations of *Royal London* in respect of personal data which:

- relates to the *Transferring Policies*
- is controlled by *Royal London*, and
- is subject to the relevant data protection legislation.

This means that, from the *Effective Date*, *Royal London DAC* will become the data controller of such information and will be under the same duty to respect the confidentiality and privacy of such information as *Royal London* was when it was the data controller.

As the new data controller, *Royal London DAC* will use any personal data in the same way as *Royal London* did. The *Scheme* means that any data protection consent given by a person to *Royal London* will be binding on *Royal London DAC* in the same way.

### 6.11 Costs

Any of the costs in connection with the *Transfer* will be met:

- where the costs relate to *Liver Ireland Transferring Policies*, by the *Royal Liver Sub-Fund*
- where the costs relate to *German Bond Transferring Policies* or *RL Ireland Protection Policies*, by the *Royal London Main Fund*.

## 7. SUMMARY OF THE INDEPENDENT EXPERT'S REPORT

This summary of the Independent Expert's report has been prepared by the Independent Expert. References in this section to 'I' and 'me' are to the Independent Expert.

### 7.1 Introduction

The purpose of this summary is to provide policyholders and other interested parties with a summary of my report as Independent Expert on the proposed transfer of long term insurance business from The Royal London Mutual Insurance Society Limited ('RLMIS') to Royal London Financial Services Designated Activity Company (which is expected to change its name to Royal London Insurance Designated Activity Company before the business is transferred), referred to as 'Royal London DAC' in this summary. The transfer of business will be carried out using a legal process, known as a 'Part VII Transfer', with the details set out in a legal document referred to as the 'Scheme'.

The Scheme will be submitted to the High Court of Justice of England and Wales (the 'High Court') for sanction. If sanctioned, it is expected that the business will legally transfer from RLMIS to Royal London DAC on 7 February 2019. However, for accounting purposes, it will be assumed that the Transfer took place on 1 January 2019. Therefore, the 'Effective Date' is the 1 January 2019 for accounting purposes and 7 February 2019 for all other purposes.

Immediately following the transfer of business on the Effective Date, RLMIS and Royal London DAC propose entering into two new reinsurance agreements (the 'New Reinsurance Agreements'). The New Reinsurance Agreements will reinsure some of the insurance business being transferred back to RLMIS. To provide security for each of the New Reinsurance Agreements, RLMIS will enter into security arrangements (the 'Security Arrangements') with Royal London DAC. I refer to the Scheme, the New Reinsurance Agreements and the Security Arrangements together as the 'Transfer'.

This document summarises my conclusions on the likely impact of the Transfer on policyholders and explains my rationale for reaching these conclusions. This is intended to be a standalone summary of my Independent Expert report (the 'Report'). My full assessment of the Transfer is set out in the Report. A copy of the Report, and a copy of the Scheme, are available on the transfer websites: [royallondon.com/transfer](http://royallondon.com/transfer), [royallondon.ie/transfer](http://royallondon.ie/transfer) and [royallondongroup.de/transfer](http://royallondongroup.de/transfer).

### 7.2 Background

RLMIS is a mutual life insurance company in the United Kingdom ('UK'). The main activity of RLMIS is the transaction of long-term insurance business.

RLMIS currently sells protection business in Ireland through its Irish branch, and services euro-denominated insurance policies written in Ireland and Germany. Under European

Union ('EU') regulations, UK insurance companies can sell policies and service business written in the European Economic Area ('EEA').

RLMIS has created a new subsidiary, Royal London Financial Services Designated Activity Company in Ireland, which is expected to be authorised by the Central Bank of Ireland ('CBI') as a life insurance company before the end of 2018. Upon authorisation, the name of the subsidiary will be changed to Royal London Insurance Designated Activity Company. Once authorised, Royal London DAC intends to sell protection business in Ireland.

On 23 June 2016, the UK voted to leave the EU. Following this, on 29 March 2017, the UK government officially notified the European Council of the UK's intention to withdraw from the EU. The UK's withdrawal from the EU ('Brexit') is expected to take effect on 29 March 2019. It is uncertain whether UK insurance companies will continue to be able to sell policies and service business written in the EEA countries outside of the UK after 29 March 2019. Therefore, for the RLMIS business written in Ireland and Germany, Brexit raises the possibility of RLMIS being unable to legally settle claims, service contracts or sell policies.

In order to enable the continued servicing of this business, regardless of the outcome of the Brexit negotiations, RLMIS intends to transfer its business written in Ireland and Germany ('Transferring Business') to Royal London DAC.

### 7.3 My role as Independent Expert

It is a requirement that when the Scheme is submitted to the High Court for approval, it is accompanied by a report from a person who is experienced in insurance matters and is independent of the companies involved (the 'Independent Expert'). The purpose of the Report is to provide an independent assessment of the likely impact of the Scheme on policyholders and other interested parties, to assist the High Court in deciding whether to allow the Scheme to go ahead.

I, Tim Roff, have been appointed as the Independent Expert. I am a Fellow of the Institute and Faculty of Actuaries and I have over 30 years' experience in the life insurance industry. I am a Partner in Grant Thornton UK LLP ('Grant Thornton'), a limited liability partnership. Grant Thornton is a member firm within Grant Thornton International Ltd, however my services as Independent Expert are provided independently from Grant Thornton International Ltd. I am independent of the companies involved in the Scheme and my appointment has been approved by the Prudential Regulation Authority ('PRA'), following consultation with the Financial Conduct Authority ('FCA'). The PRA and FCA are responsible for the regulation of UK insurance companies.

I have considered the impact of the Transfer on the following different groups of policyholders in RLMIS and Royal London DAC:

- the policyholders whose policies will transfer from RLMIS to Royal London DAC under the Scheme ('Transferring Policyholders'),
- the policyholders remaining within RLMIS ('Remaining Policyholders'), and
- all policyholders of Royal London DAC before the Effective Date ('Existing Policyholders').

In order to form my opinions, I have taken into account a number of different matters. These include:

- the impact on policyholders' benefit expectations,
- the security of benefits,
- the level of customer service experienced by policyholders, and
- the impact of taxes and expenses.

I give an opinion on whether I consider the position of any group of policyholders to be 'materially adversely affected' as a result of the Transfer. The definition of what is 'material' depends on the matter being discussed, but if a potential effect is very unlikely to happen and does not have a large impact, or if it is likely to happen but has a very small impact, I do not consider it material.

### **Key dependencies**

I have prepared the Report on the assumption that a number of actions take place in advance of either 1 January 2019 (when the Scheme is assumed to take effect for accounting purposes) or 7 February 2019 (when the Scheme actually takes effect). If these actions are not completed by the required date, the conclusions in the Report may not be valid. Accordingly, I consider these actions to be key dependencies. These key dependencies are:

- Royal London DAC receives authorisation from the CBI by 1 January 2019,
- Royal London DAC is appropriately capitalised at or above its target level (as discussed later in this summary report) by 1 January 2019,
- the PRA approves the proposed changes to the Royal Liver Instrument of Transfer ('IoT') by 7 February 2019, and
- Royal London DAC and RLMIS enter into the New Reinsurance Agreements and Security Arrangements by 7 February 2019.

I have discussed these key dependencies with RLMIS and their legal advisors, and I have received assurance that RLMIS intend to ensure that these actions are completed by the required dates.

### 7.4 Business being transferred

The Transferring Business can be classified into three categories:

- **RL Post-2011 Business** – business written in Ireland by RLMIS through its Irish branch, on and from 1 July 2011 until the date on which Royal London DAC starts writing new business (expected to be before the end of 2018). These policies are referred to as 'RL Ireland Protection Policies' in section 7.6 of this summary.
- **Ireland Liver Business** – business written in Ireland by Royal Liver Assurance Limited ('RLA'), Caledonian Insurance Company Limited ('Caledonian Life'), Irish Life Assurance plc, and GRE Life Ireland Limited. All of this business is now held by RLMIS following various previous transfers of insurance business. These policies are referred to as 'Ireland Liver Transferring Policies' in section 7.6 of this summary.
- **German Bond Business** – business written in Germany by RLMIS. These policies are referred to as 'German Bond Transferring Policies' in section 7.6 of this summary.

The liabilities<sup>1</sup> of the Transferring Business amount to a total of approximately £810m (calculated as at 31 December 2017).

Immediately following the Transfer, the German Bond Business will be reinsured back to RLMIS (under the 'German Bond Reinsurance Agreement') and the Ireland Liver Business will be reinsured back to RLMIS (under the 'Liver Reinsurance Agreement').

### 7.5 Overall conclusion

For the reasons set out in the remainder of this summary report, I am satisfied that the Transfer will not materially adversely affect any group of policyholders.

### 7.6 The impact of the Transfer on the Transferring Policyholders

As at 31 December 2017, there were approximately 520,000 policies held by Transferring Policyholders.

I have divided the Transferring Policyholders into three sub-groups, as some aspects of the Transfer will affect each of these sub-groups differently. The three sub-groups are:

- policyholders of the RL Post-2011 Business ('RL Post-2011 Policyholders') transferring to the Royal London DAC Open Fund,
- policyholders of the Ireland Liver Business ('Ireland Liver Policyholders') transferring to the Liver Ireland Sub-Fund, and
- policyholders of the German Bond Business ('German Bond Policyholders') transferring to the German Bond Sub-Fund.

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<sup>1</sup> Based on the Best Estimate Liabilities ('BEL'), which is the amount that an insurer expects to pay out for a policy in future (i.e. claims and benefits) less the amount it expects to receive (i.e. premiums).

Below, I summarise the findings that apply to all of the Transferring Policyholders, and then I summarise my main findings that apply to the individual sub-groups of Transferring Policyholders.

## **FINDINGS THAT APPLY TO ALL TRANSFERRING POLICYHOLDERS**

### **Policyholder benefit expectations and contractual rights**

As a result of the Scheme, the policies in the Transferring Business will become policies of Royal London DAC, rather than of RLMIS. A consequence of this is that the benefits will be paid by Royal London DAC rather than RLMIS, and the insurer will change from RLMIS to Royal London DAC. The terms and conditions of the policies will not change, except for updating the policy references from RLMIS to Royal London DAC.

There is not expected to be any change to the way in which discretion may be applied in determining policy benefits, and any future changes to the discretion policy would be subject to a similar level of governance before and after the Transfer.

I have concluded that the benefit expectations of Transferring Policyholders will not be materially adversely affected as a result of the Transfer. For unit-linked or non-profit policies, there will be no change in the benefits provided by the policies. For with-profits policies, although the costs associated with the Transfer will be charged to the Estate of the Royal London Main Fund and the Estate of the Royal Liver Sub-Fund (the Estate is the part of the fund that is not allocated to policyholders liabilities). This will not have a material adverse effect on policyholder benefits (which include any future distributions of the Estate). I discuss this in the sections below for RL Post-2011 Policyholders, Ireland Liver Policyholders and German Bond Policyholders.

### **Security of benefits**

It is important to consider whether Royal London DAC will be able to make benefit payments in the future. I have therefore considered Royal London DAC's financial strength and solvency.

Security for policyholders is provided by insurance companies holding a higher level of assets than that which is needed to cover the liabilities. The difference between the value of the assets and the liabilities is a measure of the firm's solvency.

Across the EU, every insurer must satisfy solvency standards by maintaining a prescribed level of capital, known as the Solvency Capital Requirement ('SCR'). Both RLMIS and Royal London DAC are expected to hold capital in excess of the SCR, both before and after the Transfer.

A firm's solvency position can change over time. This can be due to changes in market conditions that may affect the value of assets and liabilities. Firms generally seek to control their solvency position by having agreed management policies. These include having a

## 7. Summary Of The Independent Expert's Report

capital policy, risk framework and agreed risk appetite that the firm will operate within. As part of their capital policy, firms tend to set a target level of capital (known as 'target capital'). Where the capital falls outside the target capital, management will take actions. I have been provided with information regarding the governance arrangements, risk frameworks, risk appetites, and capital policies for both RLMIS and Royal London DAC. I am satisfied that these controls represent a sensible approach to safeguard solvency cover in RLMIS and Royal London DAC. In addition, both RLMIS and Royal London DAC are expected to hold capital in line with their target capital, both before and after the Transfer. The RLMIS and Royal London DAC capital policies are similar.

The consideration of capital, as discussed above, has been done on the basis that the New Reinsurance Agreements remain in place. Termination of either of the New Reinsurance Agreements would change the risk profile and capital position of Royal London DAC. If the New Reinsurance Agreements were to be terminated, there are robust governance processes which must be followed. These processes seek to ensure that the terms of any termination are fair to all policyholder groups. There are no plans to terminate the New Reinsurance Agreements.

Whilst the New Reinsurance Agreements are in place, Royal London DAC policyholders may be affected if RLMIS were to become insolvent. The Security Arrangements have been constructed in such a way that the interests of Royal London DAC and the Remaining Policyholders would be aligned, in most cases, in relation to a distribution of the assets of RLMIS, in the unlikely event of RLMIS becoming insolvent.

Overall, I am satisfied that the Transfer will not have a material adverse effect on the security of benefits for the Transferring Policyholders.

### **Financial Services Compensation Scheme ('FSCS')**

Many of the Transferring Policyholders are currently covered by the FSCS<sup>2</sup>, which is a compensation scheme of last resort in the UK and protects policyholders if a financial services company were to fail. If RLMIS failed, and was unable to pay claims in full to its policyholders, the FSCS would provide compensation, so that the RLMIS policyholders would continue to get 100% of their benefits. The FSCS provides protection to policyholders of UK based insurers or EEA branches of UK based insurance companies. After the Scheme is implemented, the policyholders of the Transferring Business will hold policies with an Ireland based insurance company, and so will lose entitlement to the FSCS protection. There is no equivalent scheme in Ireland for life insurance policies.

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<sup>2</sup> The RL Post-2011 Policyholders and the German Bond Policyholders are currently covered by the FSCS, and the Ireland Liver Policyholders whose policies were originally written by RLA or Caledonian Life after 1 December 2001, are also currently covered by the FSCS.

The FSCS provides protection to covered policyholders in an insolvency event. I am satisfied that the insolvency of Royal London DAC would be a remote event because Royal London DAC will be appropriately capitalised immediately after the Transfer, and is required to comply with Solvency II under EU law. For these reasons, in my opinion, the likelihood of the FSCS being required is remote and so I do not consider the loss of FSCS protection to have a material adverse effect on the Transferring Policyholders who currently benefit from this protection.

The purpose of the Scheme is to enable the continued servicing (including the payment of claims) of the Transferring Business, regardless of the outcome of the Brexit negotiations. In my opinion, having certainty regarding the ability to legally service the Transferring Business post-Brexit is very important. The loss of the FSCS protection is an unavoidable consequence of providing this certainty.

### **Company level governance**

Royal London DAC's governance structure has been designed to be in line with RLMIS' governance framework and to comply with Irish regulations. Overall, I am satisfied that the Transfer will not have a material adverse effect on the company level governance for the Transferring Policyholders.

### **Tax**

There is not expected to be any impact on policyholder tax as a result of the Transfer. Overall, I am satisfied that the tax implications of the Transfer will not result in a material adverse effect on the Transferring Policyholders.

## **RL POST-2011 POLICYHOLDERS**

For the RL Post-2011 Business, the Scheme has the effect of transferring the policies from the RL Main Fund in RLMIS into the Royal London DAC Open Fund in Royal London DAC. The RL Post-2011 Business will not be reinsured back to RLMIS.

### **Policyholder benefit expectations**

The RL Post-2011 Policyholders consists solely of non-profit protection policies. The benefits of non-profit policies are generally fixed by the policy terms and conditions and these will not change as a result of the Transfer, except for updating the policy references from RLMIS to Royal London DAC.

### **Ombudsman**

The RL Post-2011 Policyholders currently have access to the Financial Services and Pensions Ombudsman Service ('FSPO'), an independent body in Ireland that considers unresolved complaints from consumers about their individual dealings with all financial services providers. These policyholders will continue to have access to the same service after the Transfer.



### **Conduct of business regulations**

The conduct of business regulations that apply to the policies of the RL Post-2011 Business are known as the 'Irish General Good Requirements'. The same regulations will apply to these policies after the Transfer.

### **Service standards**

The administration of the RL Post-2011 Business will not change as a result of the Transfer. The same teams will continue to perform the administration, in the same location, and the administration will be subject to the same target standard of service.

### **IRELAND LIVER BUSINESS**

For the Ireland Liver Business, the Scheme has the effect of transferring the policies from the Royal Liver Sub-Fund in RLMIS into the new Liver Ireland Sub-Fund in Royal London DAC.

The Ireland Liver Business will be reinsured back to the Royal Liver Sub-Fund in RLMIS under the Liver Reinsurance Agreement. This allows the Royal Liver Sub-Fund to continue to be managed in broadly the same way after the Transfer as it is currently.

### **Policyholder benefit expectations**

The benefits for non-profit and unit-linked Ireland Liver Policyholders will not be affected by the Transfer. The benefits for the non-profit policies are generally fixed by the policy terms and conditions. The unit-linked policies will continue to be invested in the same unit-linked funds after the Transfer as they were prior to the Transfer, and the number and type of units held by unit-linked policyholders will be unchanged as a result of the Transfer.

At 31 December 2017 the Estate of the Royal Liver Sub-Fund had an estimated value of £499m. RLMIS plans to distribute the Estate to with-profits policyholders (including those covered by the Liver Reinsurance Agreement) over the remaining lifetime of the Royal Liver Sub-Fund. Approximately £10.3m of costs associated with the Transfer will be allocated to the Estate of the Royal Liver Sub-Fund, which, given the size of the Estate, will have a small effect on any distribution to with-profits policyholders. In my opinion, the allocation of these costs to the Estate is consistent with the past practice and the rules that govern the management of the Royal Liver Sub-Fund (the Royal Liver IoT and the Principles and Practices of Financial Management of the Royal Liver Sub-Fund ('Royal Liver PPFM')), and is not expected to materially adversely affect the benefit expectations of with-profits Ireland Liver Policyholders.

The Royal Liver IoT includes provisions that set out how the policyholders are treated; including in respect of expenses, charges, administration, and payments to policyholders (including payments from the Estate, as discussed above). As a result of the Transfer, the Royal Liver IoT will be updated so that it remains applicable to the Ireland Liver

Policyholders (albeit indirectly, through the reinsurance), while their policies are reinsured back to the Royal Liver Sub-Fund, as well as remaining applicable to the policyholders whose policies will remain in the Royal Liver Sub-Fund. In addition to the Royal Liver IoT, the Royal Liver Sub-Fund is run in accordance with the Royal Liver PPFM. The Royal Liver PPFM will be amended to ensure it remains applicable to Ireland Liver Business following the Transfer, while the Liver Reinsurance Agreement is in place. The Ireland Liver Business will be directly managed in accordance with the Liver Ireland Principles and Practices of Financial Management Guide ('Liver Ireland PPFM Guide'), which will be aligned to the Royal Liver PPFM whilst the Liver Reinsurance Agreement is in place.

In the event that the Liver Reinsurance Agreement is terminated, the Ireland Liver Business would no longer be reinsured back to the Royal Liver Sub-Fund and therefore the Ireland Liver Business would no longer be subject to the Royal Liver IoT. For this reason, the Scheme incorporates relevant provisions from the Royal Liver IoT so that, even if the Liver Reinsurance Agreement is terminated, material provisions of the Royal Liver IoT with ongoing relevance would continue to apply to the Ireland Liver Business. The Ireland Liver Business would continue to be managed in accordance with the Liver Ireland PPFM Guide.

Further, if the Liver Reinsurance Agreement is terminated, a termination amount would be paid from the Royal Liver Sub-Fund in respect of the Ireland Liver Business. This would be determined and calculated in accordance with the Liver Reinsurance Agreement. The Scheme also requires the Royal Liver Sub-Fund Estate to be split upon termination of the Liver Reinsurance Agreement. The processes required in order to determine the split of the Estate of the Royal Liver Sub-Fund are set out in the Scheme. These processes include governance and oversight requirements, and are designed to ensure a fair outcome for all policyholders, including the Ireland Liver Policyholders.

The overall effect of the Liver Reinsurance Agreement, together with the amendments to the Royal Liver IoT and the provisions in the Scheme, mean that the Ireland Liver Policyholders will continue to benefit from the Royal Liver Sub-Fund in broadly the same way as they would have expected to before the Transfer, including any entitlement to payments from the Estate.

### **Ombudsman**

Currently the Ireland Liver Policyholders can contact the UK Financial Ombudsman Services ('FOS') or the FSPO in Ireland if there is a dispute regarding their policy. The majority of Ireland Liver Policyholders raise their disputes with the FSPO rather than the FOS. After the Transfer, the Ireland Liver Policyholders will lose access to the FOS, unless the complaint relates to activities carried out by RLMIS prior to the Transfer. The FOS and the FSPO fulfil similar roles in the UK and Ireland respectively and I do not expect this change to have a material adverse effect on the Ireland Liver Policyholders.

### **Conduct of business regulations**

Before the Transfer, the UK conduct of business regulations (as detailed in the FCA's Conduct of Business Sourcebook 'COBS'), and the Irish General Good Requirements, apply to the Ireland Liver Business. After the Transfer, as the Ireland Liver Business becomes business of Royal London DAC, only the Irish General Good Requirements will continue to apply.

The Ireland Liver Business will be reinsured from Royal London DAC to RLMIS and will indirectly participate in the Royal Liver Sub-Fund as a result. The Royal Liver Sub-Fund is operated in accordance with UK COBS and so the operation of the Ireland Liver Business will benefit from UK COBS, albeit indirectly as a result of the reinsurance. Therefore, in my opinion, the Ireland Liver Policyholders will not be materially adversely affected by any loss of policyholder protection with respect to the prevailing conduct of business regulation as a result of the Transfer.

### **Service standards**

Some of the Ireland Liver Business (that was originally written by Caledonian Life or GRE Life Ireland Limited) is currently administered by RLMIS in Ireland. After the Transfer, this will continue to be the case and this business will be managed by the same staff, in the same location and will be subject to the same standards of service. Therefore, these policyholders should not experience any changes in service standards as a result of the Transfer.

The rest of the Ireland Liver Business is currently administered by Royal London Management Services Limited ('RLMS') in the UK. Following the Transfer, the administration of these policies will be carried out by a new team in the Irish branch of RLMS. The service standards that apply to this business will not change as a result of the Transfer. Therefore, I am satisfied that these policyholders should not experience adverse changes in service standards as a result of the Transfer.

### **GERMAN BOND BUSINESS**

For the German Bond Business, the Scheme has the effect of transferring the policies from the RL Main Fund in RLMIS into the new German Bond Sub-Fund in Royal London DAC.

The German Bond Business will be reinsured back to the RL Main Fund in RLMIS under the German Bond Reinsurance Agreement. In my opinion, the German Bond Sub-Fund would be too small to operate economically as a with-profits fund in the absence of participation in, and support from, the RL Main Fund. The German Bond Reinsurance Agreement allows the German Bond Business to continue to participate in the RL Main Fund.

## Membership rights

The with-profits policyholders of the German Bond Business are currently entitled to RLMIS membership rights. The membership rights entitle the with-profits German Bond Policyholders to voting rights, and possible benefits upon the demutualisation of RLMIS. The German Bond Policyholders will lose their membership rights as a result of the Transfer, as they will no longer be direct policyholders of RLMIS. There will not be any compensation payable to policyholders for their loss of membership rights as a result of the Transfer. However, if RLMIS were to demutualise prior to the fifth anniversary of the Effective Date, compensation as a result of the demutualisation may be due to the with-profits German Bond Policyholders who, at the time of the demutualisation, still hold policies within the German Bond Business with Royal London DAC. Any compensation due to German Bond Policyholders as a result of the demutualisation shall be provided on the same basis as the compensation provided to with-profits policyholders of RLMIS with membership rights. Overall, I am of the view that this is a reasonable approach because:

- membership rights provide little in the way of realisable financial value since RLMIS has no foreseeable plans to demutualise, and
- having certainty about being able to service these policies legally post-Brexit is more important than membership rights.

## Policyholder benefit expectations

The German Bond Policyholders will continue to participate in, and benefit from, the RL Main Fund in broadly the same way as they would have expected to before the Transfer while the German Bond Reinsurance Agreement is in place. This includes their eligibility in respect of any ProfitShare<sup>3</sup> payments.

In the event that the German Bond Reinsurance Agreement is terminated in future, RLMIS will be required to pay a termination amount to Royal London DAC. The calculation of this termination amount includes determining sufficient funds to meet the value of the liabilities and capital requirements of the German Bond Business, and consideration of whether any compensation is required for eligible with-profits German Bond Policyholders in respect of the loss of any future ProfitShare payments.

The RL Main Fund is managed in accordance with the Principles and Practices of Financial Management of the RL Main Fund ('RL Main Fund PPFM'). The RL Main Fund PPFM will be amended to ensure it remains applicable to German Bond Business following the Transfer, while the German Bond Reinsurance Agreement is in place. The

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<sup>3</sup> ProfitShare is the mechanism used by Royal London to distribute the profits and losses in the RL Main Fund to eligible policyholders.

German Bond Business will be directly managed in accordance with the German Bond Principles and Practices of Financial Management Guide ('German Bond PPFM Guide'), which will be aligned to the RL Main Fund PPFM whilst the German Bond Reinsurance Agreement is in place.

### **Ombudsman**

Currently, German Bond Policyholders are able to raise a complaint to the UK ombudsman (the FOS) as well as to the German regulator, Bundesanstalt für Finanzdienstleistungsaufsicht ('BaFin'). After the Transfer, the German Bond policyholders will not be able to raise complaints with FOS (unless they relate to activities carried out by RLMIS prior to the Transfer) and will instead be able to raise complaints with the Irish ombudsman, the FSPO. German Bond Policyholders will still be able to raise complaints to BaFin after the Transfer. The FOS and the FSPO fulfil similar roles in the UK and Ireland respectively and I do not expect this change to have a material adverse effect for the German Bond Policyholders.

### **Conduct of business regulations**

Before the Transfer, both UK COBS and German General Good Requirements (the main rules and regulations which insurers operating in Germany are required to consider) apply to the German Bond Business. After the Transfer, certain regulations within the Irish Good Requirements will apply and certain regulations within the German General Good Requirements, as determined necessary by BaFin, will apply to the German Bond Business.

The German Bond Business will be reinsured from Royal London DAC to RLMIS and will indirectly participate in the RL Main Fund as a result. The RL Main Fund is operated in accordance with UK COBS and so the management of the German Bond Business will benefit from UK COBS, albeit indirectly through the reinsurance. In my opinion, therefore, policyholders will not be materially adversely affected by any loss of policyholder protection with respect to the prevailing conduct of business regulation as a result of the Transfer.

### **Service standards**

The administration of the German Bond Business will not change as a result of the Transfer. The same teams will continue to perform the administration, in the same location, and the administration will be subject to the same target standard of service.

### **OVERALL CONCLUSION FOR TRANSFERRING POLICYHOLDERS**

Overall, I am satisfied that the Transferring Policyholders will not be materially adversely affected as a result of the Transfer.

## 7.7 The impact of the Transfer on the Remaining Policyholders of RLMIS

When forming my conclusions, I have considered all of the policyholders that will remain in RLMIS after the Transfer, categorised as follows:

- policyholders that remain in the RL Main Fund ('Remaining RL Main Fund Policyholders'),
- policyholders that remain in the Royal Liver Sub-Fund ('Remaining Royal Liver Sub-Fund Policyholders'), and
- policyholders of RLMIS that are not in the RL Main Fund or the Royal Liver Sub-Fund ('Other Remaining Policyholders').

Below, I summarise my findings and conclusions that apply to all of the Remaining Policyholders, and then my findings and conclusions that apply to the Remaining RL Main Fund Policyholders, and the Remaining Royal Liver Sub-Fund Policyholders.

### FINDINGS THAT APPLY TO ALL REMAINING POLICYHOLDERS

For all Remaining Policyholders, the Transfer will not change:

- their insurer,
- the administration of their policies,
- the expense policy applied to their policies,
- the tax applied to their policies,
- the terms and conditions of their policies,
- the way their policy benefits are determined,
- the investment strategy applicable to their policy,
- the ombudsman protection applicable to their policy, or
- the capital management framework of RLMIS that applies to their policies.

The New Reinsurance Agreements and Security Arrangements contain provisions that aim to treat the Transferring Policyholders and the Remaining Policyholders fairly, including in the unlikely event that RLMIS becomes insolvent.

The Other Remaining Policyholders are essentially unaffected by the Transfer. I am therefore satisfied those policyholders will not be materially adversely affected as a result of the Transfer.

### REMAINING RL MAIN FUND POLICYHOLDERS

The RL Post-2011 Business and the German Bond Business make up only a small proportion (0.3% based on BEL, as at 31 December 2017) of the RL Main Fund. Therefore, the vast majority of the policies currently in the RL Main Fund will not be transferred under the Scheme. There are a number of factors arising as a result of the Transfer that act to reduce the value of the Estate of the RL Main Fund. The reduction in value is small, however, when considering the overall size of the Estate, and therefore will not materially affect the capital position of the RL Main Fund. The Transfer is not expected to impact the ProfitShare payable to eligible Remaining RL Main Fund Policyholders.

In the event that the German Bond Reinsurance Agreement is terminated, RLMIS are required to pay a termination amount to Royal London DAC. The calculation of this termination amount includes consideration of whether any compensation is required for eligible with-profits German Bond Policyholders in respect of the loss of any future ProfitShare payments, and if so the amount of such compensation. There is a process set out in the German Bond Reinsurance Agreement that must be followed to determine the termination amount. The process involves the boards of RLMIS and Royal London DAC, the RLMIS With-Profits Actuary, the CBI, the UK Regulators and an independent actuarial expert, and is designed to ensure that the outcome is fair to policyholders, including those remaining in the RL Main Fund.

I am satisfied that the Remaining RL Main Fund Policyholders will not be materially adversely affected as a result of the Transfer.

### REMAINING ROYAL LIVER SUB-FUND POLICYHOLDERS

The Ireland Liver Business makes up a significant proportion (44% based on BEL, as at 31 December 2017) of the Royal Liver Sub-Fund. Following the Transfer, the Ireland Liver Business will be fully reinsured back to the Royal Liver Sub-Fund.

The benefits for non-profit and unit-linked Remaining Royal Liver Sub-Fund Policyholders will not be affected by the Transfer. The benefits for the non-profit policies are generally fixed by the policy terms and conditions. The unit-linked policies will continue to be invested in the same unit-linked funds after the Transfer as they were prior to the Transfer, and the number and type of units held by unit-linked policyholders will be unchanged as a result of the Transfer.

As I explained in section 7.6 above, RLMIS plans to distribute the Estate of the Royal Liver Sub-Fund to with-profits policyholders of the Royal Liver Sub-Fund, over the remaining lifetime of the fund. The costs associated with the Transfer allocated to the Estate of the Royal Liver Sub-Fund will have a small effect on any distribution to with-profits policyholders. In my opinion, the allocation of these costs to the Estate is

consistent with the past practice and the rules that govern the management of the Royal Liver Sub-Fund (the Royal Liver IoT and the Royal Liver PPFM), and is not expected to materially adversely affect the benefit expectations of with-profits Remaining Royal Liver Sub-Fund Policyholders.

There will be additional ongoing expenses borne by the Royal Liver Sub-Fund as a result of the Transfer, however these are not expected to have a material impact on Remaining Royal Liver Sub-Fund Policyholders (see section 7.10 below). In my opinion, the allocation of ongoing costs is in line with the policies and rules set out in the Royal Liver IoT and the Royal Liver PPFM, and the same rules will be applied after the Transfer.

The Remaining Royal Liver Sub-Fund Policyholders will continue to be managed in line with the Royal Liver PPFM following the Transfer. As referred to in section 7.6, the Royal Liver PPFM will be amended to ensure it remains applicable to Ireland Liver Business following the Transfer, whilst the Liver Reinsurance Agreement is in place. The changes to the Royal Liver PPFM will not significantly impact the way in which Remaining Royal Liver Sub-Fund Business is managed.

In the event of the termination of the Liver Reinsurance Agreement, a termination amount would be paid from the Royal Liver Sub-Fund in respect of the Ireland Liver Business. This would be determined and calculated in accordance with the Liver Reinsurance Agreement. The Scheme also requires the Royal Liver Sub-Fund Estate to be split upon termination of the Liver Reinsurance Agreement. The processes required in order to determine the split of the Estate of the Royal Liver Sub-Fund are set out in the Scheme. These processes include governance and oversight requirements, and are designed to ensure a fair outcome for all policyholders, including those remaining in the Royal Liver Sub-Fund.

I am satisfied that the Remaining Royal Liver Sub-Fund Policyholders will not be materially adversely affected as a result of the Transfer.

## **OVERALL CONCLUSION FOR REMAINING POLICYHOLDERS**

Overall, I am satisfied that the Remaining Policyholders will not be materially adversely affected as a result of the Transfer.

### **7.8 The impact of the Transfer on the Existing Policyholders of Royal London DAC**

Following authorisation but prior to the Effective Date, it is expected that Royal London DAC will start writing new protection business in the Royal London DAC Open Fund. Royal London DAC is expected to sell approximately 900 policies per month from the date of authorisation.



In respect of these Existing Policyholders, the Transfer will not change:

- their insurer,
- the administration of their policies,
- the expense policy applied to their policies,
- the tax applied to their policies,
- the terms and conditions of their policies,
- the way their policy benefits are determined,
- the Capital Management Framework that applies to their policies, or
- the governance arrangements in respect of their policies.

All of the risks to which Royal London DAC is exposed after the Transfer are typical for life insurers and the management of these risks is not expected to cause any particular challenge within Royal London DAC that would be expected to impact Existing Policyholders.

Overall, I am satisfied that the Existing Policyholders will not be materially adversely affected as a result of the Transfer.

### 7.9 Communications with policyholders in relation to the Transfer

Transferring Policyholders, Remaining Royal Liver Sub-Fund Policyholders and the Existing Policyholders will be sent a covering letter and a communications pack, unless a waiver has been obtained from communicating with the relevant policyholder.

The Scheme and the Report will also be available on request and on the websites [royallondon.com/transfer](http://royallondon.com/transfer), [royallondon.ie/transfer](http://royallondon.ie/transfer) and [royallondongroup.de/transfer](http://royallondongroup.de/transfer).

I have reviewed the communications that will be sent in relation to the Transfer and I am satisfied that they are appropriate and not misleading.

### RIGHTS OF POLICYHOLDERS WHO OBJECT TO THE TRANSFER

Any person who feels they may be adversely affected by the Scheme can raise objections to RLMIS, Royal London DAC, Pinsent Masons LLP (solicitors to RLMIS) or the High Court. I will issue a Supplementary Report where I will consider any such objections when concluding on the appropriateness of the Scheme, as well as updated financial information or any other material matter that has come to light since the issue of the Report.

## 7.10 Costs of the Scheme

There will be one-off administration costs and additional ongoing costs as a result of the Transfer. Costs relating to the transfer of the Ireland Liver Business will be borne by the Estate of the Royal Liver Sub-Fund, and will therefore be shared between the with-profits Remaining Royal Liver Sub-Fund Policyholders and the with-profits Ireland Liver Policyholders. Costs relating to the RL Post-2011 Business and the German Bond Business will be borne by the Estate of the RL Main Fund, and will therefore be shared between the with-profits Remaining RL Main Fund Policyholders and the with-profits German Bond Policyholders.

The total one-off costs resulting from the Scheme that will be borne by the Royal Liver Sub-Fund are estimated to be £10.3m. For reference, the one-off costs are around 2.10% of the value of excess assets within the Royal Liver Sub-Fund as at 31 December 2017. The additional ongoing costs resulting from the Scheme that will be borne by the Royal Liver Sub-Fund are approximately €2.0m per year.

The total one-off costs resulting from the Scheme that will be borne by the RL Main Fund are estimated to be £10.7m. For reference, the one-off costs are around 0.25% of the value of excess assets within the RL Main Fund as at 31 December 2017. The additional ongoing costs resulting from the Scheme that will be borne by the RL Main Fund are expected to be less than €0.1m per year.

In my opinion, the one-off costs and additional ongoing costs are an unavoidable consequence of the Transfer. The one-off costs and additional ongoing costs will be allocated fairly in line with the policies set out in the Royal Liver PPFM and RL Main Fund PPFM, past practice and, in respect of the Ireland Liver Business, the Royal Liver IoT. Overall, I am satisfied that Transferring Policyholders and Remaining Policyholders will not be materially adversely affected by the one-off costs and the additional ongoing costs that arise as a result of the Transfer.

### **Tim Roff FIA**

Partner  
Grant Thornton UK LLP  
05 October 2018

## 8. COPY OF THE LEGAL NOTICE

IN THE HIGH COURT OF JUSTICE  
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES  
COMPANIES COURT

CR-2018-001858

IN THE MATTER OF THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED

- and -

IN THE MATTER OF ROYAL LONDON FINANCIAL SERVICES DAC

- and -

IN THE MATTER OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

Notice is hereby given that on 8 October 2018 an Application was made under section 107 of the Financial Services and Markets Act 2000 (the “**Act**”) in the High Court of Justice, Business and Property Courts of England and Wales, Companies Court in London by The Royal London Mutual Insurance Society Limited (“Royal London”) and Royal London Financial Services DAC (“Royal London DAC”) for Orders:

- (i) under section 111 of the Act sanctioning a scheme (the “**Scheme**”) providing for the transfer to Royal London DAC of certain long-term insurance business (as defined in the Act) of Royal London (the “**Transferring Business**”); and
- (ii) making ancillary provision in connection with the Scheme pursuant to sections 112 and 112A of the Act.

Copies of the report on the terms of the Scheme prepared by an Independent Expert in accordance with section 109 of the Act (the “**Scheme Report**”), guides containing a statement setting out the terms of the Scheme and a summary of the Scheme Report, and the Scheme document may be obtained free of charge by contacting Royal London or Royal London DAC (as appropriate) using the relevant telephone number or address set out below. These documents, and other related documents including actuarial reports and sample copies of the communications to policyholders, are available at the websites below. These websites will be updated with any key changes in respect of the proposed transfer.

Any questions or concerns relating to the proposed transfer should be referred to Royal London or Royal London DAC using the following telephone number or address (as appropriate):

The Royal London Mutual Insurance Society Limited  
Royal London House  
Alderley Road  
Wilmslow  
SK9 1PF  
Telephone No: 0345 850 1004  
royallondon.com/transfer

Royal London Financial Services DAC  
47 - 49 St Stephen’s Green  
Dublin 2  
Ireland  
Telephone No: 1800 307020  
royallondon.ie/transfer

The Application is due to be heard before a Judge of the Chancery Division of the High Court at 7 Rolls Buildings, Fetter Lane, London EC4A 1NL on 31 January 2019. Any person (including any policyholder or employee of Royal London or Royal London DAC) who thinks that he or she would be adversely affected by the carrying out of the Scheme has a right to attend the hearing and express their views, either in person or by legal representative. It would be helpful if anyone intending to do so informed Pinsent Masons LLP, the solicitors acting for Royal London and Royal London DAC, in writing at the address below prior to 31 January 2019, but preferably as soon as possible, setting out their reasons why they believe they would be adversely affected.

Any person who alleges that they would be adversely affected by the Scheme but does not intend to attend the hearing may make representations about the Scheme by: (i) telephoning either Royal London or Royal London DAC using the telephone number above (as appropriate); (ii) writing to Royal London or Royal London DAC at the address above (as appropriate) or (iii) writing to Pinsent Masons LLP at the address below, prior to 31 January 2019, but preferably as soon as possible, setting out their reasons why they believe they would be adversely affected.

Royal London will inform the Financial Conduct Authority, the Prudential Regulation Authority and the High Court of any objections raised in advance of the hearing, regardless of whether the person making the objection intends to attend the hearing.

If the Scheme is sanctioned by the High Court, it will result in the transfer of the Transferring Business from Royal London to Royal London DAC notwithstanding any entitlement that a person would otherwise have to terminate, modify, acquire or claim an interest or right, or to treat an interest or right as terminated or modified as a result of anything done in connection with the Scheme. Any such entitlement will only be enforceable to the extent the order of the High Court makes provision to that effect.

Dated [ ● ] 2018

Pinsent Masons LLP  
30 Crown Place  
Earl Street  
London  
EC2A 4ES

Ref: HA06/MB60

Solicitors acting for Royal London  
and Royal London DAC

## 9. USEFUL TERMS

<b>Actuary</b>	A member of a professional body who assesses risks and costs, in particular those relating to life insurance and investment policies, using mathematical techniques.
<b>Caledonian Insurance Company</b>	The Caledonian Insurance Company Limited, a company incorporated in England and Wales with company number 03973048 and whose registered office was at the Royal Liver Building, Pier Head, Liverpool L3 1HT.
<b>Central Bank of Ireland</b>	Ireland's central bank and the country's regulator responsible for the regulation of insurers, like <i>Royal London DAC</i> (once it is authorised by the Central Bank of Ireland) and other financial services firms. The Central Bank of Ireland is concerned with promoting a safe and fair financial services market for consumers and promoting sound and solvent financial institutions thereby giving consumers confidence that their deposits and investments are safe.
<b>Chief Actuary of Royal London</b>	The <i>Actuary</i> responsible for monitoring and reporting the financial position of <i>Royal London's</i> funds and supporting <i>Royal London's</i> Board of Directors in managing the risks associated with its funds.
<b>Civil Servants Annuities Assurance Society</b>	The Civil Servants' Annuities Assurance Society, a friendly society incorporated under the Friendly Societies Act 1992 (registered number 679F), whose registered office was at 7 Colman House, King Street, Maidstone Kent ME14 1DD.
<b>Contingent Bonus Policy</b>	A premium paying <i>industrial branch</i> policy, or one which has paid its full contractual premiums, for which the directors at their discretion may declare a contingent final bonus.
<b>Core Principles of Financial Management</b>	Certain principles that <i>Royal London</i> will use when managing the <i>Royal Liver Sub-Fund</i> and <i>Royal London DAC</i> will use when managing the <i>Liver Ireland Sub-Fund</i> . The <i>Core Principles of Financial Management</i> apply in addition to the <i>Royal Liver PPFM</i> and the <i>Liver Ireland PPFM Guide</i> .
<b>Directions Court Hearing</b>	The first <i>High Court</i> hearing of the <i>Transfer</i> which took place on 15 October 2018.

<b>Effective Date</b>	The date on which the <i>Transfer</i> will happen. Subject to the approval of the <i>High Court</i> , we expect the <i>Effective Date</i> to be 7 February 2019, except for the purposes of our accounting where it will be assumed that the <i>Transfer</i> happened on 1 January 2019. The use of a different date for accounting purposes will not impact your benefits or how your policy is treated. It is possible that the <i>Transfer</i> could be delayed, in which case the date on which the <i>Transfer</i> happens could be after 7 February 2019. We will provide any updates on our website.
<b>Estate</b>	The excess of assets in a with-profits fund over the amount needed to pay policyholders' claims.
<b>Financial Conduct Authority</b>	An independent, non-governmental body that regulates the UK insurance industry in conjunction with the <i>Prudential Regulation Authority</i> . The FCA is concerned with protecting customers, protecting and enhancing the integrity of the UK financial system, and promoting competition in the financial market.
<b>Friends Provident, London &amp; Manchester</b>	Friends Provident (London & Manchester) Limited, a former name of Friends Life FPLMA Limited, a company incorporated in England and Wales with company number 00004599 and whose registered office is at Pixham End, Dorking, Surrey, RH4 1QA.
<b>German Bond PPFM Guide</b>	A document that sets out the standards that <i>Royal London DAC</i> will follow in managing the with-profits business within the <i>German Bond Sub-Fund</i> .
<b>German Bond Reinsurance Agreement</b>	The agreement to be entered into between <i>Royal London</i> and <i>Royal London DAC</i> which sets out the terms on which <i>Royal London</i> will reinsure the <i>German Bond Transferring Policies</i> .
<b>German Bond Sub-Fund</b>	The closed insurance sub-fund of <i>Royal London DAC</i> to be established under the <i>Scheme</i> and to which the <i>German Bond Transferring Policies</i> are to be transferred on the <i>Effective Date</i> , subject to <i>High Court</i> approval.
<b>German Bond Transferring Policies</b>	Policies originally sold in Germany by <i>Royal London</i> and held in the <i>Royal London Main Fund</i> .

<b>German General Good Requirements</b>	The main rules and regulations that insurers operating in Germany are required to consider. These are set by the German regulator (BaFin).
<b>GRE Life Ireland</b>	GRE Life Ireland Limited, a company incorporated in Ireland on 19 September 1989 with certificate number 149547 and whose registered office was at 49 St Stephen's Green, Dublin 2, Ireland.
<b>Head of Actuarial Function for Royal London DAC</b>	The <i>Actuary</i> responsible for monitoring and reporting the financial position of <i>Royal London DAC's</i> funds and supporting <i>Royal London DAC's</i> Board of Directors in managing the risks associated with its funds.
<b>Hearing Date</b>	The date on which the <i>High Court</i> will be asked to approve the <i>Scheme</i> . We expect the <i>Hearing Date</i> to be 31 January 2019.
<b>High Court</b>	The Business and Property Courts of the High Court of Justice in England and Wales 7 Rolls Building, Fetter Lane, London, EC4A 1NL.
<b>Independent Expert</b>	Tim Roff, an <i>actuary</i> who is independent from <i>Royal London</i> and <i>Royal London DAC</i> . He is experienced in the issues concerned with the transfer of life insurance business. Mr Roff has been appointed to report to the <i>High Court</i> his opinion on the likely effect on all holders of <i>Transferring</i> and <i>Non-Transferring Policies</i> of <i>Royal London</i> and any existing policyholders of <i>Royal London DAC</i> . His appointment has been approved by the <i>Prudential Regulation Authority</i> following consultation with the <i>Financial Conduct Authority</i> .
<b>Industrial Branch (IB)</b>	Policies which, when taken out, had a premium receipt book as well as a policy document. When the policies were taken out, premiums were payable to a collector in cash.
<b>Insolvency</b>	Where a company is no longer able to pay its bills or other financial obligations, such as policyholders' claims.
<b>Irish General Good Requirements</b>	The main rules and regulations that insurers operating in Ireland are required to consider. These are set by the <i>Central Bank of Ireland</i> .

<b>Irish Life</b>	Irish Life Assurance plc, a company incorporated in Ireland with certificate number 152576 and whose registered office is at Irish Life Centre, Lower Abbey Street, Dublin 1, Ireland.
<b>Legal Notice</b>	The notice to policyholders of the application to the <i>High Court</i> for approval of the <i>Scheme</i> . A copy of the <i>Legal Notice</i> in relation to the <i>Transfer</i> is included on page 42 of this booklet.
<b>Liver Ireland PPFM Guide</b>	A document that sets out the standards that <i>Royal London DAC</i> will follow in managing the with-profits business within the <i>Liver Ireland Sub-Fund</i> .
<b>Liver Ireland Sub-Fund</b>	The closed insurance sub-fund of <i>Royal London DAC</i> to be established under the <i>Scheme</i> and to which <i>Liver Ireland Transferring Policies</i> will be transferred on the <i>Effective Date</i> , subject to <i>High Court</i> approval.
<b>Liver Ireland Transferring Policies</b>	Policies of <i>Royal London</i> originally sold in Ireland and currently held in the <i>Royal Liver Sub-Fund</i> .
<b>Liver Non-Transferring Policies</b>	Policies of <i>Royal London</i> originally sold in the UK which are currently held and will remain in the <i>Royal Liver Sub-Fund</i> .
<b>Liver Reinsurance Agreement</b>	The agreement to be entered into between <i>Royal London</i> and <i>Royal London DAC</i> which sets out the terms on which <i>Royal London</i> will reinsure the <i>Liver Ireland Transferring Policies</i> .
<b>Liver Supervisory Committee</b>	The Committee responsible for monitoring how <i>Royal London</i> manages the <i>Royal Liver Sub-Fund</i> , in accordance with the <i>Royal Liver Instrument of Transfer</i> .
<b>Non-Profit Policy</b>	A type of policy that does not share in the profits made in either a with-profits fund or the wider insurance company.
<b>Non-Transferring Policies</b>	The policies which will be retained by <i>Royal London</i> and are not being transferred. These include policies sold in the UK and held in the <i>Royal Liver Sub-Fund</i> , all policies held in the <i>Royal London Main Fund</i> other than the <i>German Bond Transferring Policies</i> and the <i>RL Ireland Protection Policies</i> , and all other policies held in the <i>Royal London Other Closed Funds</i> .



<b>Ordinary Branch (OB)</b>	Ordinary Branch policies are all pension policies, and life policies which, when taken out, had premiums payable in a lump sum, or every three, six or twelve months, or monthly from a bank or building society account.
<b>PLAL With-Profits Sub-Fund</b>	The separate closed sub-fund of the <i>Royal London Long Term Fund</i> that holds certain with-profits business originally sold by Phoenix Life Assurance Limited.
<b>Protection Policy</b>	An insurance policy which pays out a defined amount of money on death.
<b>Prudential Regulation Authority</b>	An independent, non-governmental body that regulates the UK insurance industry in conjunction with the Financial Conduct Authority. The Prudential Regulation Authority is concerned with the regulation of the solvency and capital position of insurers and other financial services firms to promoting the safety and soundness of the firms it regulates and to ensuring that insurance policyholders are appropriately protected.
<b>Refuge Assurance IB Sub-Fund</b>	The separate closed sub-fund of the <i>Royal London Main Fund</i> that holds the <i>Industrial Branch</i> life insurance business originally sold by Refuge Assurance Plc.
<b>Regulators</b>	The <i>Prudential Regulation Authority</i> , the <i>Financial Conduct Authority</i> and <i>Central Bank of Ireland</i> .
<b>RL Ireland Protection Policies</b>	<i>Protection Policies</i> sold by <i>Royal London</i> in Ireland on or after 1 July 2011 and currently held in the <i>Royal London Main Fund</i> . Some policies were originally sold by <i>Royal London</i> under the 'Caledonian Life' brand.
<b>Royal Liver</b>	The Royal Liver Assurance Limited, a friendly society incorporated under the Friendly Societies Act 1992 (registered no. 35 Coll), whose registered office was at the Royal Liver Building, Pier Head, Liverpool L3 1HT.

<b>Royal Liver Instrument of Transfer</b>	The legal document which set out the terms upon which Royal Liver Assurance Limited's business was transferred to <i>Royal London</i> on 1 July 2011. This excludes business originally sold by <i>GRE Life Ireland</i> which was transferred to <i>Royal London</i> on 1 July 2012. This document continues to be relevant to the ongoing management of the <i>Royal Liver Sub-Fund</i> . Subject to the approval of the <i>Prudential Regulation Authority</i> , and if the <i>Transfer</i> proceeds, it will be amended on the <i>Effective Date</i> in order to take account of the <i>Transfer</i> and the <i>Liver Reinsurance Agreement</i> .
<b>Royal Liver PPFM</b>	A document that sets out the standards that <i>Royal London</i> will follow in managing the with-profits business within the <i>Royal Liver Sub-Fund</i> .
<b>Royal Liver Sub-Fund</b>	The separate closed sub-fund of the <i>Royal London Long Term Fund</i> that holds the life insurance business of Royal Liver Assurance Limited following the transfer of its business to <i>Royal London</i> on 1 July 2011 in accordance with the <i>Royal Liver Instrument of Transfer</i> . This sub-fund also includes business transferred from <i>GRE Life Ireland</i> to <i>Royal London</i> on 1 July 2012.
<b>Royal London (RLMIS)</b>	The Royal London Mutual Insurance Society Limited. Registered in England and Wales number 99064. Registered office: 55 Gracechurch St, London, EC3V 0RL.
<b>Royal London DAC</b>	A new life insurance subsidiary of <i>Royal London</i> , registered in Ireland, with company number 630146. Registered office: 70 Sir John Rogerson's Quay, Dublin 2, Ireland. This will be called Royal London Financial Services DAC until authorisation is received from the Central Bank of Ireland, when it will be called Royal London Insurance DAC. Following authorisation it is expected that the registered office will change to: 47-49 St. Stephen's Green, Dublin 2.
<b>Royal London DAC Long Term Fund</b>	The long term fund of <i>Royal London DAC</i> including the <i>Royal London DAC Open Fund</i> , <i>Liver Ireland Sub-Fund</i> and <i>German Bond Sub-Fund</i> .

<b>Royal London DAC Open Fund</b>	The assets and liabilities of <i>Royal London DAC</i> other than those within the <i>Liver Ireland Sub-Fund</i> or the <i>German Bond Sub-Fund</i> .
<b>Royal London Long Term Fund</b>	The fund that consists of the <i>Royal London Main Fund</i> , <i>Royal Liver Sub-Fund</i> and the <i>Royal London Other Closed Funds</i> .
<b>Royal London Main Fund</b>	The assets and liabilities of <i>Royal London</i> other than those within the <i>Royal London Other Closed Funds</i> and the <i>Royal Liver Sub-Fund</i> .
<b>Royal London Main Fund PPFM</b>	A document that sets out the standards that <i>Royal London</i> will follow in managing the with-profits business within the <i>Royal London Main Fund</i> .
<b>Royal London Other Closed Funds</b>	The collective name for the following sub-funds of the <i>Royal London Long Term Fund</i> excluding the <i>Royal Liver Sub-Fund</i> . These are the <i>United Friendly IB Sub-Fund</i> , <i>United Friendly OB Sub-Fund</i> , <i>Refuge Assurance IB Sub-Fund</i> , <i>Scottish Life Closed Fund</i> , the <i>PLAL With-Profits Sub-Fund</i> and the <i>Royal London (CIS) Sub-Fund</i> . These sub-funds are closed to new business.
<b>Royal London (CIS) Sub-Fund</b>	The separate closed sub-fund of the <i>Royal London Long Term Fund</i> that holds certain life insurance business originally sold by Royal London (CIS) Limited and which comprises the Royal London (CIS) With-Profits Pension Fund, Royal London (CIS) With-Profits Stakeholder Fund and Royal London (CIS) <i>IB</i> and <i>OB</i> Fund.
<b>Scheme</b>	The legal document that sets out the terms of the <i>Transfer</i> .
<b>Scottish Life Closed Fund</b>	The separate closed sub-fund of the <i>Royal London Long Term Fund</i> that holds certain life insurance business originally sold by The Scottish Life Assurance Company.
<b>Transfer</b>	The transfer of the <i>Liver Ireland Transferring Policies</i> , <i>German Bond Transferring Policies</i> and <i>RL Ireland Protection Policies</i> from <i>Royal London</i> to <i>Royal London DAC</i> under the terms of the <i>Scheme</i> .
<b>Transferring Policies</b>	All <i>Liver Ireland Transferring Policies</i> , <i>German Bond Transferring Policies</i> and <i>RL Ireland Protection Policies</i> .

<b>UK Conduct of Business Regulations</b>	The day to day conduct of business rules that are set by the <i>Financial Conduct Authority</i> and apply to all insurers operating in the UK.
<b>United Friendly IB Sub-Fund</b>	The separate closed sub-fund of the <i>Royal London Main Fund</i> that holds the <i>Industrial Branch</i> life insurance business originally sold by United Friendly Insurance Plc.
<b>United Friendly OB Sub-Fund</b>	The separate closed sub-fund of the <i>Royal London Main Fund</i> that holds the <i>Ordinary Branch</i> life insurance business originally sold by United Friendly Insurance Plc.
<b>Unit-Linked Fund</b>	An investment fund managed by an insurance company in which the policyholder takes the investment risk. The value of the policy depends on the value of the investments in the chosen funds.
<b>Unit-Linked Policy</b>	A policy invested in a <i>Unit Linked Fund</i> .
<b>With-Profits Actuary of Royal London</b>	The <i>Actuary</i> appointed to advise <i>Royal London's</i> Board of Directors and <i>With-Profits Committee</i> on matters relating to discretionary aspects of <i>Royal London's</i> with-profits business. This includes supporting the <i>With-Profits Committee</i> in determining the level of any discretionary payments to be made to policyholders, assessing compliance with the <i>Royal Liver PPFM</i> and <i>Royal London Main Fund PPFM</i> , and reporting to with-profits policyholders on whether the discretion exercised by <i>Royal London</i> may be regarded as having taken their interests into account in a reasonable and proportionate way.
<b>With-Profits Committee</b>	The Committee of the <i>Royal London</i> Board, which has a majority of its members independent of <i>Royal London</i> , that oversees the management of <i>Royal London's</i> with-profits funds and provides advice to <i>Royal London</i> on fairness and the exercise of discretion within the with-profits funds.
<b>With-Profits Policy</b>	A type of policy that shares in the profits of a with-profits fund excluding <i>Contingent Bonus Policies</i> .







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