



Royal London Insurance DAC

Supplementary report on the proposed Scheme

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25 October 2022

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1. Introduction

1.1 Purpose of Report

This report has been prepared for the Board of Directors of Royal London Insurance DAC (“RLI DAC” or the “Company”) in my capacity as Head of Actuarial Function (“HoAF”) of RLI DAC to provide an updated assessment of the Irish Scheme and the proposed Liver Fund Consolidation and to consider whether the conclusions reached in my original report dated 10 June 2022 remain appropriate. This report takes into account updated financial information and other significant developments since my original report was issued.

This is a supplementary report and, therefore, should be read in conjunction with my original report dated 10 June 2022. In particular, this report assumes the reader is familiar with RLI DAC’s business, including the Liver Reinsurance Agreement (LRA) and the objectives of the Scheme. Except where explicitly stated otherwise, all terminology in this report is as defined in my original report.

In preparing this report, I have assessed the impact of the proposed Schemes on the Liver Ireland Policyholders, both Liver Ireland Eligible Policyholders and Liver Ireland Non-Eligible Policyholders, of RLI DAC at the Implementation Date. This report considers the fairness of the proposal to the Liver Ireland Policyholders of RLI DAC. It also considers the overall impact of the Irish Scheme and to the extent applicable due to the co-dependence, the UK Scheme (referred to collectively as the Schemes) on RLI DAC and its other policyholders.

In preparing this report, I have discussed the Schemes including developments since my original report, with the Independent Expert in relation to the Irish Scheme, Mr. Michael Culligan.

This report has been prepared solely for the use of RLI DAC in connection with the proposed Irish Scheme. It is also expected that this report will be provided to the Irish High Court and to the Central Bank of Ireland (“CBI”).

The CBI, as the regulator of RLI DAC, has been informed of the proposed terms of the Schemes.

Finally, I also note that:

- the Chief Actuary of RLMIS has also produced a report that considers the impact of the Schemes on the holders of the policies currently invested in, or reinsured to, the Liver Fund and the holders of policies currently invested in, or reinsured to, the RL Open Fund.
- the With-Profits Actuary (“WPA”) of RLMIS has also produced a report on the fairness of the Schemes and its likely impact on the Eligible Policyholders and the existing with-profits policyholders in the RL Open Fund. The WPA has direct responsibility for all WP policyholders of RLMIS. This responsibility includes the individual policyholders with policies directly written to RLMIS and those covered by the reinsurance arrangements between RLMIS and RLI DAC.

1.2 Irish Scheme Overview

If the Irish Scheme and the corresponding UK Scheme (which are co-dependent) are implemented, all Included Policies will receive an Uplift to their Asset Share (with-profits) or Claim Amount (contingent bonus). This Uplift was fixed at 23.1% as at the Calculation Date and has been communicated to Eligible Policyholders.

In return for the early distribution of the Liver Fund Estate and the greater certainty this provides, Included Policyholders will give up part of the Liver Fund Estate to finance a Scheme Contribution. The Scheme Contribution includes a Project Costs Allowance, a Closed Fund Contribution and Premium Uplift Contribution. The Scheme Contribution was fixed at £53.7m as at the Calculation Date and this was allowed for in the calculation of the Uplift which has been communicated to Eligible Policyholders (i.e. the Uplift calculation assumes this fixed Scheme Contribution).

Post implementation of the Liver Fund Consolidation, the RL Open Fund will assume responsibility for meeting the capital requirements of all policies consolidated from the Liver Fund which includes the reinsured Liver Ireland Policies within the Liver Ireland Sub-Fund.

For clarity, RLI DAC will continue to meet its own capital requirements on a Standard Formula basis in respect of its ring-fenced Liver Ireland Sub-Fund and these will also continue to be fully funded by RLMIS (via the RL Open Fund) through the Liver Reinsurance Agreement.

1.3 Credentials and declaration of interest

I am a Fellow of the Institute and Faculty of Actuaries (UK) and a Fellow of the Society of Actuaries in Ireland. I have more than 29 years' experience in the Irish insurance and reinsurance industry and I am a Partner in Deloitte Ireland LLP ("**Deloitte**").

I am the Head of Actuarial Function ("**HoAF**") for RLI DAC. I am not aware of any conflict of interest that would affect my professional judgement in reaching any of the conclusions detailed in this report.

1.4 Materiality

In producing this report and in providing my opinion, I have considered a material movement to be one which results in the expected Solvency Capital falling below the Capital Framework target (i.e. below a 1-in-20 year level for RLI DAC or below a 1-in-10 year level ("**Lower Amber**") for RLMIS). The Solvency Capital of both RLI DAC and RLMIS are both relevant to the considerations set out in this paper as RLMIS reinsures the liabilities of the Liver Ireland Sub-Fund.

Additionally, I have considered a material movement in the policyholder benefits to be one which has a significant impact on the expected benefits of the RLI DAC policyholders.

1.5 Reliances and limitations

To the best of my knowledge, I have taken account of all material facts in assessing the likely impact of the Irish Scheme (and to the extent applicable, the co-dependent UK Scheme) on RLI DAC's policyholders and in preparing this report.

This report is based on information made available to me by RLMIS and RLI DAC on or prior to 25 October 2022. It takes no account of information provided after that date.

In performing my review and preparing this report, I have relied without independent verification on the accuracy and completeness of data and information provided to me, both written and oral, by RLMIS and RLI DAC. I have reviewed the information for consistency and reasonableness, but I have not audited or otherwise validated it. I have reviewed the financial information supplied for RLMIS and RLI DAC.

In arriving at the conclusions set out in this paper, in particular with respect to the security of policyholders' benefits and their reasonable expectations, I have reviewed the various items of data provided and I have also considered the differences in the regulatory regimes between the UK and ROI as they pertain to RLMIS and RLI DAC. I have relied on the information and opinions provided by tax specialists within RLMIS (including opinions on Irish tax). I have relied on legal advice provided to RLI DAC by legal specialists.

I have considered the CBI's guidance for Head of Actuarial Function¹, the general requirements of ASP PA-2² and APS X2³ and I have complied with them in all applicable aspects.

This report has been prepared solely for the use of RLI DAC in connection with the Irish Scheme and must not be used for any other purpose. This report should be read in conjunction with my original report dated 10 June 2022, the terms of the Irish Scheme and the associated Reinsurance and Collateral Agreements.

Users of this report must not rely on it for any purpose other than in connection with the Irish Scheme. Neither Deloitte nor I owe or accept any duty to any party other than to RLI DAC. Neither Deloitte nor I shall be liable for any loss, damage, or expense (including interest) of whatever nature that is caused by any party's reliance on representations in this report.

This report has been prepared in accordance with agreed terms of reference and for a specific purpose. No liability will be accepted for the use of this report for a purpose for which it was not intended or for the results of any misunderstandings by any user of this report.

¹ [https://www.centralbank.ie/docs/default-source/regulation/insurance-reinsurance/solvency-ii/requirements-and-guidance/guidance-for-\(re\)insurance-undertakings-on-head-of-actuarial-function-role.pdf?sfvrsn=4](https://www.centralbank.ie/docs/default-source/regulation/insurance-reinsurance/solvency-ii/requirements-and-guidance/guidance-for-(re)insurance-undertakings-on-head-of-actuarial-function-role.pdf?sfvrsn=4)

² Actuarial Standard of Practice PA-2, [General Actuarial Practice](#)

³ APS X2: [Review of Actuarial Work \(Version 1.0\)](#)

2. Executive Summary

2.1 The purpose of this report and the role of the HoAF

This report has been prepared for the Board of Directors of Royal London Insurance DAC (“RLI DAC” or the “Company”) in my capacity as Head of Actuarial Function (“HoAF”) of RLI DAC to provide an updated assessment of the Irish Scheme and the proposed Liver Fund Consolidation and to consider whether the conclusions reached in my original report dated 10 June 2022 remain appropriate. This report takes into account updated financial information and other significant developments since my original report was issued.

2.2 Legal and regulatory status

At the Convening Hearing which took place on 21 June 2022, the Irish High Court approved the convening of the “ROI Policyholder Meeting” at which Liver Ireland Eligible Policyholders are able to vote for or against the Irish Scheme (either in person at the Policyholder Meeting or by proxy, including votes cast by post or online).

I attended the ROI Policyholder Meeting which took place on 20 October 2022 alongside the ROI Independent Expert (“IE”) to answer policyholder queries. A total of 20 Liver Ireland Eligible Policyholders attended the meeting, 17 in person and 3 virtually. There were 14 policyholder queries which were addressed, and do not change my view as to the appropriateness of the Irish Scheme. At the ROI Policyholder Meeting, the required majority of policyholders under the Irish Act (namely a majority by number representing at least 75% by value of those voting) voted in favour of the Irish Scheme.

Likewise, the UK High Court approved the convening of a Policyholder Meeting (the “UK Policyholder Meeting”) at which Liver UK Eligible Policyholders are able to vote for or against the UK Scheme (either in person at the Policyholder Meeting or by proxy, including votes cast by post or online). The UK Policyholder Meeting will be held on 15 November 2022. The final voting outcome is not known at the time of writing this report but, based on the indicative voting figures to date (97% in favour by count and value), I expect that the required majority of policyholders under the UK Act (namely a majority by number representing at least 75% by value of those voting) will vote in favour of the UK Scheme.

RLI DAC will request the sanction of the Irish Scheme from the Irish High Court at a Sanction Hearing on 23 November 2022. Similarly, RLMIS will request sanction of the UK Scheme from the UK Court at a Sanction Hearing on 5-6 December 2022.

In the event of both Schemes being sanctioned by the Irish High Court and UK High Court respectively, the Irish Scheme and UK Scheme will be implemented on their shared Implementation Date, which is expected to be 31 December 2022.

2.3 Policyholder Communications

RLI DAC provided Liver Ireland Eligible Policyholders with a comprehensive Voting Pack which explained the offer being made to policyholders and the voting process. A total of 55,627 Liver Ireland Eligible Policyholders were sent Voting Packs; this includes policyholders who received late mailings (see section 3.1 below). As expected, no Voting Packs were sent to the Gone-Away and Dormant Policies as insufficient address details are held. These policies account for 39.6% of the Liver Ireland Eligible Policyholders by count but only 6.2% by value. In addition, RLI DAC provided a customer helpline for customers to ask questions on the proposals.

Of the Liver Ireland Eligible Policyholders voting in person or by proxy at the Policyholder Meeting, 9,325 voted in favour of the Irish Scheme, representing 95.9% of the 9,723 Liver Ireland Eligible Policyholders that voted by number and 96.9% by value. Therefore, the voting criteria for the Irish Scheme to proceed have been met.

As the figures above show, approximately 17.5% of those that were sent a Voting Pack, responded (the corresponding response rate on a value basis is 33.7%). This is a slightly higher response level to those seen over a similar voting period in previous phases of RLMIS' Legacy Simplification Project. Some of the previous phases had longer voting periods due to the relative complexity and requirements of the UK and ROI legal processes. Considering the overall response rate for the previous phases, the RLI DAC response rate is towards the lower end of the range but is not the lowest. This is reasonable given the relatively straight forward nature of the Offer under the Schemes and the shorter voting period (which is in accordance with the Irish High Court convening hearing order).

The objections have been reviewed on a frequent basis and will be submitted to the Court as part of RLI DAC's Court submissions for the Sanction Hearing. I am satisfied that the objections raised do not indicate the presence of any material issues with the Irish Scheme.

In total, there was 1 objection and 1 complaint raised by Liver Ireland Eligible Policyholders in relation to the Irish Scheme since the Voting Packs were sent out. All complaints and objections have been addressed.

2.4 Financials

As set out in my original report dated 10 June 2022, the offer made to Eligible Policyholders was calculated based on the financial information as at 31 March 2022. The percentage increase to be applied in respect of the Uplifts was guaranteed from that date until the Implementation Date with the RL Open Fund agreeing to accept the risk of the Liver Fund Estate at that point being insufficient (or more than sufficient) to meet the cost of this guaranteed uplift. The Uplift and Scheme Contribution are, therefore, now fixed elements of the Schemes and have been communicated to Eligible Policyholders.

Based on the latest financial data at 30 June 2022, there has been no material change in the financial position of either the Liver Ireland Sub-Fund, Liver Fund or the RL Open Fund and, therefore, I consider:

- the proposals under the Schemes remain appropriate relative to the value of the Liver Fund Estate; and
- the RL Open Fund remains sufficiently capitalised to support the reinsured Liver Ireland Policies and the capital requirements of the Liver Ireland Sub-Fund without compromising the security of benefits.

2.5 Fairness Assessment

There have been no changes since my original report which would alter my conclusion in respect of the fairness of the Schemes. I am satisfied that the fairness criteria set out in my original report (and in section 5 of this report) continue to be met.

2.6 HoAF Conclusion

It is proposed under the Irish Scheme that the LRA (albeit amended) remains in place. On the basis that it remains in place and having reassessed the impact of the Schemes considering developments since my original report, I continue to be satisfied that:

- the implementation of the Schemes does not have a material adverse effect on the security of benefits payable to Liver Ireland Policyholders;
- the implementation of the Schemes does not have a material adverse effect on the financial benefit expectations of Liver Ireland Policyholders;
- the implementation of the Schemes does not have a material adverse effect on the servicing and governance expectations of the Liver Ireland Policyholders;
- the Irish Scheme Terms have been set in such a way that supports fair outcomes for the Liver Ireland Policyholders;
- the Irish Scheme Terms have been executed in a way that continues to ensure fair outcomes for the Liver Ireland Policyholders (i.e. Scheme Conduct).

If the LRA were to cease at some future date:

- I believe that there would potentially be a materially adverse impact on the benefit security of Liver Ireland Policyholders post-Schemes versus pre-Schemes. Nonetheless, as it is very unlikely that the LRA would be terminated, I am comfortable that the Schemes do not have a material adverse impact on the security of the benefits of the Liver Ireland Policyholders.
- I am satisfied that there would not be a material adverse effect on the financial benefit expectations of Liver Ireland Policyholders;
- I am satisfied that there would not be a material adverse effect on the servicing and governance expectations of the Liver Ireland Policyholders;

- I am satisfied that the Irish Scheme Terms have been set in such a way that supports fair outcomes for the Liver Ireland Policyholders;
- I am satisfied that the Irish Scheme Terms have been executed in a way that continues to ensure fair outcomes for the Liver Ireland Policyholders (i.e. Scheme Conduct).

Ciara Regan

Ciara Regan FSAI

RLI DAC Head of Actuarial Function

25 October 2022

3. Policyholder Communication

3.1 Communications Strategy

As outlined in my original report, RLI DAC has produced a detailed communications strategy that seeks to ensure all Liver Ireland Eligible Policyholders are adequately informed of the nature and likely effect of the Irish Scheme. The communication plan is fully aligned to RLI DAC's Vulnerable Customer Policy.

RLI DAC's communications strategy involves issuing four customer mailings in relation to the Scheme:

- A notification pack about the Irish Scheme that RLI DAC sent to Eligible Policyholders for whom a validated address was held over a seven-week period from 14 February 2022 to 1 April 2022. This pack comprised a covering letter, a booklet providing a high-level guide to the proposed Irish Scheme, a leaflet providing a reminder about how with-profits policies work, a feedback form, and a reply envelope with pre-paid postage (the "**Appetite Mailing Pack**").
- A "**Voting Pack**" was sent to the Liver Ireland Eligible Policyholders, over a five-week period from 18 August 2022 to 13 September 2022 asking them to vote on the proposed Irish Scheme. I note that the voting period is longer than the four weeks required by the Irish High Court. Furthermore, the Voting Packs were ordered such that those with multiple or more complex policies were dispatched first ensuring that they had the longest possible period for consideration of the Irish Scheme. I consider this to be an appropriate approach and the voting period to be sufficient for the Liver Ireland Eligible Policyholders. The Voting Pack comprises a covering letter, an Explanatory Booklet (split into two parts), a personalised illustration, a voting form, and a reply envelope with pre-paid postage.

A small cohort of Liver Ireland Eligible policyholders (153 policyholders) were inadvertently missed from the original mailing due to a misunderstanding of one of the exclusion criteria which only impacts policies with the particular features of this group (i.e. joint life second death policies with one life already deceased). RLI DAC has reviewed all the Liver Ireland policies to ensure that there are no other Liver Ireland Eligible Policyholders incorrectly excluded from the voting pack mailing. I have received details of this review and I am satisfied that there are no other omissions from the mailing list.

Liver Ireland Eligible Policyholders' Voting Packs were delivered to the cohort of omitted policyholders on 18 and 19 October, including notification of the Policyholder meeting on 20 October 2022 and the option to vote by telephone (only open to this cohort and vulnerable policyholders). As this cohort did not have four weeks notice ahead of the Policyholder Meeting, feedback from this cohort will be gathered until 15 November 2022 and communicated to the Irish High Court. I consider this to be an appropriate approach for this cohort.

Given the magnitude of the support for the Irish Scheme, the voting thresholds would be met on both a count and value basis, even if every policyholder in this cohort had voted against the Irish Scheme. In addition, I note that 12 policyholders from this cohort did vote before the end of the Policyholder Meeting and furthermore, this cohort was included in the original appetite mailing and 94% of those that responded were in favour of the Irish Scheme. Therefore, the omission of this cohort from the original mailing does change my conclusions as set out in this report.

- To promote customer engagement with the Voting Pack and, in particular, to encourage Eligible Policyholders to vote on the Irish Scheme, a “**Reminder Mailing**” (postcard or brief letter referring to the Voting Pack) was issued during the voting period to Eligible Policyholders where RLI DAC had not received their vote within four weeks of mailing their Voting Pack.
- Finally, assuming the required voting thresholds are passed, the Irish High Court will be asked to sanction the Irish Scheme at the Sanction Hearing and, assuming the UK Scheme will also be sanctioned by the UK High Court, the Irish Scheme will be implemented on the Implementation Date. After the Implementation Date, RLI DAC will send a letter to all Liver Ireland Eligible Policyholders and all Liver Ireland HITM policyholders shortly after the Implementation Date, confirming that the Liver Fund Consolidation has been implemented (the “**Confirmation Mailing**”). At the time of writing my original report, RLI DAC was considering writing to the holder of each policy reinsured through the LRA. However, this has since been revised to include only those policyholders receiving the Uplift. The other policyholders reinsured through the LRA are non-profit policyholders and there are no changes to the benefits or terms and conditions of their policies and their policies will remain in the Liver Ireland Sub-Fund following the implementation of the Schemes. The only changes under the Schemes which are relevant to these policyholders are the changes to the LRA reflecting the fund consolidation but this will have no immediate impact on the policyholders and the LRA is expected to remain in force. Therefore, I consider excluding these policyholders in the Confirmation Mailing to be appropriate.

I note that RLMIS expects to take a similar approach in respect of the UK Scheme over broadly the same time period as the Irish process outlined above.

RLI DAC has produced a number of variants of each of the four mailings above so that the content of each mailing is tailored to reflect the policies held by RLI DAC Eligible Policyholders.

The only change to the above since my original report is the certainty of the stages; only the final bullet is now conditional on external factors (i.e. the vote) and all other communications have or will happen.

3.2 Maximising the reach of communications

I have reviewed RLI DAC's approach to engage with policies classed as 'Gone-Aways' (i.e. uncontactable) and to try to reduce the number of policies classed as uncontactable and believe that all practical steps have been taken as part of the tracing efforts, allowing for differences in the tracing services, mail services and news outlets in the UK and ROI, to reduce the numbers of Gone-Aways.

In particular, due to the absence of tracing services in ROI, RLI DAC placed advert in a number of regional and national papers, including regional papers of areas believed to have high concentrations of Gone-Aways. This has led to a small number of Gone-Aways reengaging with RLI DAC.

As of 31 March 2022, current addresses are not held for 37,250 Eligible Policyholders in the Royal Liver Sub-Fund and 15,967 Eligible Policyholders in the RLI DAC Liver Ireland Sub-Fund. These policy records are marked as Gone-Away.

3.3 Use of the customer helpline

RLI DAC provided a dedicated customer helpline throughout the voting period. The customer helpline has remained open to receive customer calls even after the date of the Policyholder Meeting. In total, 2,241 calls were answered by the customer helpline over the voting period representing 4% of policyholders mailed.

3.4 Feedback from policyholders

Since the voting packs were sent out, RLI DAC has received 1 objection in relation to the Scheme and a further 1 complaint as part of the communications received in response to the offer mailing. The total number of objections and complaints represented approximately 0.002% of the Liver Ireland Eligible Policyholders mailed.

Each objection or complaint has been considered by RLI DAC and a response provided to the relevant policyholder in all cases. Based on my review of the individual objections and complaints raised by the policyholders above, I am satisfied that there are none which give me any reason to revise my conclusions on the fairness of the Scheme.

The RLMIS Chief Actuary and the RLMIS With Profits Actuary have conducted similar reviews of the individual objections and complaints raised by RLMIS Policyholders on the UK Scheme. As the UK voting period remains open, the final count is unknown at the date of writing this report but to date there have been a total of 1 objection and 2 complaints and these have not revised their conclusions on the fairness of the UK Scheme.

3.5 Vulnerable customers

Throughout the voting period, RLI DAC identified 1 Irish Eligible Policyholder who could be considered to be a vulnerable customer. Such customers are identified as a result of the policyholder/an authorised representative of the policyholder contacting RLI DAC in response to the appetite mailing (or subsequently) to flag special communication needs/requirements (e.g. large print, braille, audio, telephone voting etc.). All such customers are flagged in the mailing process to ensure the requested format is provided.

In addition to providing communications in the requested format, vulnerable customers were provided with additional support through the telephone helpline.

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

4. Financials

4.1 Distribution of the Estate

4.1.1 Uplift

As detailed in my original report, the Uplift was fixed at 23.1% at the Calculation Date. This has been communicated to Eligible Policyholders through the Voting Packs and is, therefore, no longer a judgement / calculation element of the Schemes but rather a fixed commitment under the Schemes.

4.1.2 Scheme Contribution

In exchange for the Uplift to policies from the distribution of the Liver Fund Estate, the Liver Ireland Eligible Policyholders will be asked to give up part of the Liver Fund Estate to cover the “**Scheme Contribution**”.

The Scheme Contribution is made up of:

- a Closed Fund Contribution (“**CFC**”) payment from the Liver Fund to the RL Open Fund, which covers the cost of the RL Open Fund’s capital requirements in respect of the business consolidated from the Liver Fund;
- a Project Costs Allowance in respect of the Liver Fund’s share of the costs of the Legacy Simplification Project; and
- a Premium Uplift Contribution from the Liver Fund to the RL Open Fund, to cover the value of anticipated uplifts to asset shares when future regular premiums are paid (“**Eligible Contractual Regular Premiums**”) as assessed at the Calculation Date of 31 March 2022.

The Scheme Contribution will be paid to the RL Open Fund in a form which is expected to minimise the asset trading required post payment to align with the asset mix of the RL Open Fund.

The table below summarises the values of each component and the Scheme Contribution.

	£m
Closed Fund Contribution (CFC)	43.2
Project Costs Allowance	7.2
Premium Uplift Contribution	3.3
Scheme Contribution	53.7

Table 1: Summary of components of the scheme contribution

The Total Scheme Contribution is fixed as at 31 March 2022 and was allowed for in the calculation of the Uplift communicated to Eligible Policyholders through the Voting Packs. It is, therefore, no longer a judgement / calculation element of the Schemes but rather a fixed commitment under the Schemes.

4.1.3 Carpetbagging

Following the communication of the Scheme through the Appetite Mailing, there was a risk that policyholders could 'artificially' pay high levels of additional premiums or switch to UWP to exploit the planned Liver Fund Consolidation, i.e. purely to benefit from the planned Uplift over and above the level of Liver Fund Estate distribution due.

To address this risk, the Uplift in respect of future premiums for with-profits' policies will be limited to the level of regular premiums set (or contractually committed in the case of inflation/index-linked premiums) prior to a certain cut-off date. This cut-off date was set at 31 December 2021. Any lump sum premiums (including switches or transfers in) paid or regular premium increases started after that date will not receive the Uplift, when they are credited to asset shares.

RLI DAC is monitoring the level of lump sum and regular premium increases following the cut-off date. Only a small number of such payments have been identified, consistent with normal policy activity.

4.1.4 Deferral of retirement

As a result of the Appetite Mailing and Voting Packs, Eligible Policyholders with pension policies have been made aware of the fact that they will only receive the Uplift if they retire after the Implementation Date. Consequently, some policyholders might defer their scheduled retirement date purely to benefit from the planned Uplift.

However, as deferrals in the Liver Ireland Sub-Fund are passive (i.e. the policyholder does not have to inform RLI DAC in advance), there is no way to distinguish between opportunistic deferrals and policyholders deferring their retirement date because it is the appropriate choice for their retirement plans. RLI DAC is monitoring the level of deferrals but, at the time of writing, they remain low with no indication of greater than normal levels.

4.2 Solvency Implications

4.2.1 Solvency position of RLI DAC

The table below summarises the expected impact on the solvency position of RLI DAC, as at 30 June 2022.

RLI DAC (€m)	Pre-Schemes	Post-Schemes	Difference
Reinsurance Asset	785	859	74
Other Assets	148	149	1
Total Assets	933	1,008	75
Best estimate liabilities	627	701	74
Risk Margin	34	34	0
Other liabilities	100	100	0
Total Liabilities	761	835	74
Basic Own Funds before adjustment (A)	172	174	1

Standard Formula SCR (B)	77	78	1
Adjustment for RFF restrictions (C)	4	5	0
Basic Own Funds after adjustment (D) = (A) – (C)	168	169	1
Basic Own Funds in excess of SCR (D) – (B)	91	91	0
Surplus funds	206	208	1
Cover ratio (A) / (B)	224.4%	223.9%	-0.5%
Regulatory Cover Ratio (D) / (B)	218.6%	217.6%	-1.0%

Table 2: Financial position of RLI DAC

Table 2 above shows a small increase in the overall SCR of RLI DAC due to the increase in the relative size of the Liver Ireland Sub-Fund as a proportion of RLI DAC and, therefore, its contribution to the overall SCR. The solvency ratios of the three underlying funds are unchanged as expected but, as the Liver Ireland Sub-Fund solvency ratio is lower than the total RLI DAC solvency ratio, the increase in size caused by the allocation of the Uplift results in a reduction in the total RLI DAC solvency ratio. Table 3 in the section below shows that the solvency ratio of the Liver Ireland Sub-Fund is unchanged at 164%.

4.2.2 Solvency position of the Liver Ireland Sub-Fund

Following approval of the Schemes, the Liver Fund Estate will have been fully distributed including the portion in RLI DAC and, therefore, the RL Open Fund will instead provide the necessary quantum of capital to the Liver Ireland Sub-Fund through the post-Schemes LRA.

The table below shows the following (as at end of June 2022), the pre-Schemes financial position of the Liver Ireland Sub-Fund and the pro-forma post-Schemes financial position of the Liver Ireland Sub-Fund.

Liver Ireland Sub-Fund (€m)	Pre-Schemes	Post-Schemes	Change
Assets (A)	706.1	781.1	75.0
Liabilities excluding risk margin (B)	694.1	767.9	73.7
Available capital before adjustments (C = A - B)	11.9	13.2	1.3
Risk margin (D)	1.7	1.9	0.2
Own Funds (E = C - D)	10.2	11.3	1.1
SCR (F)	6.2	6.9	0.7
Excess capital (E - F)	4.0	4.4	0.4
SCR Cover (E / F)	164%	164%	No change

Table 3: Financial position of the Liver Ireland Sub-Fund

The table shows that the implementation of the Schemes will have the following effect on the Liver Ireland Sub-Fund:

- The liabilities will increase as a result of the Uplifts applied.
- The BEL Counterparty Default Adjustment will increase as a result of the increased liabilities.
- The SCR and the corresponding risk margin will increase to reflect the increase in liabilities.

- Through the LRA, the assets will be increased so that the Liver Ireland Sub-Fund will continue to have sufficient assets to cover the BEL Counterparty Default Adjustment in respect of the counterparty exposure of the Liver Ireland Sub-Fund's exposure to RLMIS, the risk margin, the SCR and a capital buffer as required under RLI DAC's Capital Management Framework. As capital requirements change over time, the experience adjustment within the LRA will ensure the retained capital requirements of the Liver Ireland Sub-Fund continue to be met, as is the case currently.

There would, therefore, be no change to the Solvency Coverage Ratio of the Liver Ireland Sub-Fund within RLI DAC as a result of the Schemes. As explained in the previous section, as RLI DAC's overall Solvency Coverage Ratio is a weighted average of the coverage ratios of the Liver Ireland Sub-Fund, German Bond Sub-Fund and the Open Fund, the overall Solvency Coverage Ratio of RLI DAC decreases minimally.

4.2.3 Solvency position of RLMIS

If the Irish Scheme is implemented, the LRA will remain in place between RLMIS and RLI DAC, which will also finance Liver Ireland Sub-Fund's retained capital requirements. As detailed in my original report, the LRA will be amended (as required) to reflect the fact that the assets of the RL Open Fund will be utilised to meet the liabilities of RLI DAC under the terms of the LRA. In addition, the Collateral Agreements between RLMIS and RLI DAC will remain in place.

The financial position of these two funds (as end June 2022) is summarised in the table below. The RL Open Fund financials include the impact of the receipt of the Closed Fund Contribution ("CFC") and the additional diversification benefits achieved.

	Liver Fund Pre-Schemes	RL Open Fund Post-Schemes
Assets (A)	1,834	86,541
Liabilities excluding risk margin (B)	1,498	82,199
Available capital before adjustments (C = A - B)	337	4,342
Risk margin (D)	50	1,072
TMP (E)	55	965
Sub-debt (F)	0	1,297
Internal Own Funds (G = C - D + E + F)	342	5,532
Internal SCR (H)	211	2,533
Excess capital (G - H)	131	2,999
Internal SCR Cover (G / H)	162%	218%

Table 4: Financial position of the RLMIS fund providing collateral under the LRA

The table shows that if the Schemes had been implemented at 30 June 2022, the RL Open Fund would have had excess capital of £3.0bn and an internal Solvency Coverage Ratio of 218% on a Group Reporting basis, which is above the target range of the RLMIS Capital Management Framework. Thus, post-Schemes, the RL Open Fund is expected to have sufficient capital to support financing the retained capital requirements of RLI DAC under the LRA and to support through the RL Open Fund the collateral required to support the reinsurance asset held in RLI DAC.

5. Fairness Assessment

As detailed in my original report, RLI DAC developed a set of four internal Fairness Principles from which a set of sixteen Fairness Criteria were developed (summarised in Table 5 below). The Fairness Principles and Criteria should be applied, ensuring the *outcomes* of the Schemes are fair on all policyholders or other relevant stakeholders and that the mechanics of the scheme *processes* are similarly supportive of these fair outcomes.

In assessing the impact of the implementation of the Schemes on policyholders of RLI DAC, and whether those policyholders are being treated fairly as a result of the implementation of the Schemes, I have considered the extent to which the Schemes meet the Fairness Criteria. In this report, I use the term “**Fairness Tests**” to describe the tests applied to test adherence to the Fairness Criteria. The Fairness Tests that I have considered are set out in the table below.

Test No.	Test name	RLI DAC Fairness Principle	Description
1	Security of Policyholders' Benefits	Principle 1: Financial Benefit Expectation: Quantitative Outcomes	<p>This test considers the effect that the implementation of the Schemes would have on the security of policyholders' guaranteed benefits under their policies with RLI DAC.</p> <p>In order for the Schemes to pass this test, I would need to be satisfied that the implementation of the Schemes would not lead to a material adverse effect on the security of the benefits of the RLI DAC policies.</p>
2	Financial Benefit Expectations of Policyholders		<p>This test considers whether the implications of the proposals are fair and reasonable in respect of outcomes for different groups of policyholders in RLI DAC. The following are considered:</p> <ul style="list-style-type: none"> • Policyholders' reasonable benefit expectations (including future bonuses); • Fairness of the underlying assumptions used, and methodology applied to calculate the Liver Fund Estate for distribution; • Fairness of the Uplift and the methodology of application of the Uplift; • Fairness of the Scheme Contribution (including the Premium Uplift Contribution); • Fairness of the allocation of the costs associated with the Schemes between the Consolidating Funds. <p>The potential impact of the future risk and investment profile and how this might impact bonus expectations in the future is considered in the context of the above.</p> <p>In order for the Schemes to pass the test, I would need to be satisfied that the Schemes would not have a materially adverse effect on the financial benefit expectations of the RLI DAC Policyholders.</p>

Test No.	Test name	RLI DAC Fairness Principle	Description
3	Servicing & Governance Expectations	Principle 2: Financial Benefit Expectation: Qualitative Outcomes	<p>This test considers whether the qualitative implications of the proposals are fair and reasonable in respect of outcomes for different groups of policyholders in RLI DAC. The following are considered:</p> <ul style="list-style-type: none"> The standards of servicing, administration, management, and governance experienced by the policyholders; Tax and Legal rights. <p>In order for the Schemes to pass the test, I would need to be satisfied that the Schemes would not have a materially adverse effect on the service, governance and legal rights of the RLI DAC Policyholders.</p>
4	Scheme Terms	Principle 3: Scheme Terms	<p>This test considers the mechanics of the Schemes and the aim to ensure that the scheme terms have been set in such a way that supports fair outcomes to policyholders. These considerations include:</p> <ul style="list-style-type: none"> Scheme Eligibility; The requirements for the proposals to be approved; Voting Eligibility; The composition of the voting classes; The calculation of the value given to each vote. <p>In order for the Schemes to pass this test, I would need to be satisfied that the scheme terms have been set in a way that supports fair outcomes to RLI DAC Policyholders.</p>
5	Scheme Conduct	Principle 4: Scheme Conduct	<p>This test considers whether the Scheme terms have been executed in a way that continues to ensure fair outcomes to policyholders. This includes:</p> <ul style="list-style-type: none"> The appropriateness of Customer Communications; The tracing and treatment of Gone-Aways; The compulsion involved if the Irish Scheme is sanctioned. <p>In order for the Schemes to pass this test, I would need to be satisfied that the Schemes are executed in a way that continues to ensure fair outcomes to RLI DAC Policyholders.</p>

Table 5: Fairness Tests

I have applied each of the Fairness Tests (as appropriate) to:

- Liver Ireland Policyholders: Eligible and Non-Eligible (including HITM);
- RLI DAC Non-Liver Ireland Policyholders (German Bond Sub-Fund and RLI DAC Open Fund policyholders);
- Liver UK Eligible Policyholders.

My primary responsibility is to the RLI DAC Policyholders. However, consideration of all Policyholders of the Liver Fund (i.e. both Ireland and UK) in respect of the fairness of the distribution of the Liver Fund Estate and future bonus declarations is consistent with my responsibilities under paragraphs 29, 30 and 31 of the RLI DAC Transfer Scheme. Therefore, the Liver UK Eligible Policyholders are considered in respect of the fairness of the distribution of the Liver Fund Estate (criteria 2 above).

In my consideration of most of the fairness criteria, I have considered the Schemes (i.e. both UK and Ireland) as they are co-dependent and both Schemes impact the Liver Fund which therefore impacts the policyholders in the Liver Ireland Sub-Fund.

5.1 Fairness Criteria 1 - Security of Benefits

In this section, I consider the likely impact of the Schemes on the RLI DAC Policyholders as it relates to the security of their guaranteed benefits.

5.1.1 Liver Ireland Policyholders (Eligible and Non-Eligible)

The policyholders of the Liver Ireland Sub-Fund comprise:

- Liver Ireland Eligible Policyholders (i.e. with-profits and CB policies excluding HITM policies).
- Liver Ireland Non-Eligible Policyholders (i.e. non-profit policies excluding CB policies plus HITM policies).

Each category of policy above has guarantees that are different in nature and, therefore, the implementation of the Schemes will affect each group differently. However, they will all remain as policyholders of the Liver Ireland Sub-Fund following the implementation of the Schemes and their policies will continue to be covered by the LRA. Therefore, I have considered the security of their benefits together in this section.

5.1.1.1 Assessment of the security of benefits

In assessing the security of benefits, I consider the solvency of:

- RLI DAC which is responsible for the Liver Ireland Sub-Fund liabilities.
- RLMIS which is responsible for the LRA liabilities including the provision of capital to meet RLI DAC's residual capital requirements (i.e. operational risk and counterparty default risk). As a consequence of the application of the Uplift, the quantum of capital and collateral support required under the LRA and associated Collateral Agreements will increase (as a result of the increase to liabilities driven by the Uplift).

I have also considered the recent changes in the economic environment, particularly the inflationary environment.

Solvency of RLI DAC

The table below summarises the movement in the Solvency coverage of RLI DAC since my original report.

RLI DAC (€m)		Pre-Schemes	Post-Schemes	Difference
Original Report (31 March 2022)	Cover ratio	202.3%	201.8%	-0.5%
	Regulatory Cover Ratio	196.3%	195.0%	-1.3%
Supplementary Report (30 June 2022)	Cover ratio	224.4%	223.9%	-0.5%
	Regulatory Cover Ratio	218.6%	217.6%	-1.0%
Difference	Cover ratio	22.1%	22.1%	0.0%
	Regulatory Cover Ratio	22.3%	22.6%	0.3%

Table 6: Movement in RLI DAC Solvency Coverage

RLI DAC's Cover Ratio has increased since my original report but the impact of the Schemes is broadly unchanged. The table shows that the direction of the impact is the same and there is slight reduction in the magnitude (i.e. the pre and post figures are now closer together). Therefore, the movement over the period does not change any of the conclusions set out in my original report.

Solvency of RLMIS

The table below summarises the movement in the Solvency coverage of RLMIS since my original report. Consistent with Table 4, the table below considers the Liver Fund pre-Schemes and the RL Open Fund post-Schemes as the Liver Fund will cease to exist if the Schemes are implemented.

RLMIS Internal SCR Cover	Liver Fund Pre-Schemes	RL Open Fund Post-Schemes
Original Report (31 March 2022)	175%	209%
Supplementary Report (30 June 2022)	162%	218%
Difference	-13%	9%

Table 7: Movement in the Solvency Coverage of the RLMIS fund providing collateral under the LRA

The table above shows that the Solvency coverage of the Liver Fund has fallen since my original report, due to the mid-year distribution under the IoT and increases in the Pension Scheme surpluses but the Solvency coverage of the RL Open Fund has increased. Consequently, the relative increase in the security provided by the LRA has increased.

There have been no additional changes to the Collateral Agreements, LRA or capital management frameworks since my original report. Therefore, my previous considerations and conclusions in respect of these are unchanged.

Economic/Inflationary changes

There has been a significant increase in inflation in both the UK and the ROI. This is likely to result in higher administration expenses being incurred by both RLMIS and RLI DAC. It will also accelerate the timing of the Sunset Must clauses taking effect.

If the Schemes are not implemented, any increase in administration expenses will be charged to asset shares/claim amounts (with-profit/CB policies) and the Liver Fund Estate (non-profit policies). The charging of increased expenses for with-profits and CB policies does not change if the Schemes are implemented. The increased expenses for non-profit policyholders are currently charged to the Liver Fund Estate, reducing future distributions to with-profits and CB policyholder. If the Schemes are implemented, these expenses will be charged to the RL Open Fund and is, therefore, beneficial to the with-profits and CB policyholders while being neutral for the Liver Ireland non-profit policyholders.

The acceleration of the Sunset Must clause offsets some of the deferral of this point which the implementation of the Schemes will cause. The triggering of the Liver Fund Sunset Must clause would result in a distribution of the Liver Fund Estate without a Scheme Contribution and, therefore, the expected timing of this is important. Considering the timing on the Liver Fund and the Liver Ireland Sub-Fund separately:

- **Liver Fund:** the earlier expected timing of the Sunset Must clause alters the proportion of the Liver Ireland Sub-Fund policyholders expected to remain in-force at the point it bites. However, I have been provided with analysis that shows that the recent change in the outlook for inflation will not alter the Liver Fund enough to change the expected date that the Sunset Must clause will be triggered. Therefore, the considerations and conclusions I set out in my original report remain appropriate.
- **Liver Ireland Sub-Fund:** the Liver Ireland Sunset clause cannot be triggered while the LRA is in place and the expected date of the Sunset Must clause triggering is unchanged. Therefore, my considerations and conclusions set out in section 5.5.1.1.4 of this report remain appropriate.

5.1.1.2 Conclusion on the security of benefits for Liver Ireland Policyholders

It is proposed under the Irish Scheme that the LRA (albeit amended) remains in place. On the basis that it remains in place, I am satisfied that the implementation of the Schemes does not have a material adverse effect on the security of benefits payable to Liver Ireland Policyholders.

If the LRA were to cease at some future date, I believe there would potentially be a materially adverse impact on the benefit security of Liver Ireland Policyholders post-Schemes versus pre-Schemes. Nonetheless, as it is very unlikely that the LRA would be terminated, I am comfortable that the Schemes do not have a material adverse impact on the security of the benefits of the Liver Ireland Policyholders.

5.1.2 RLI DAC Non-Liver Ireland Policyholders (German Bond Sub-Fund and Open Fund)

5.1.2.1 Assessment of the security of benefits

The implementation of the Schemes would only impact policyholders in the other RLI DAC funds if the Schemes were to have a material impact on:

- The financial position of the RLI DAC Open Fund, which provides capital support to the German Bond Sub-Fund and the Liver Ireland Sub-Fund.
- The German Bond Reinsurance Agreement between RLMIS and RLI DAC.

The implementation of the Schemes will not move or transfer any assets or liabilities into or out of either the German Bond Sub-Fund or the RLI DAC Open Fund and thus, the Schemes have no impact on the financial strength of these funds.

Under the German Bond Reinsurance Agreement, the required collateral would continue to be provided by the RL Open Fund. As set out in **section 4.2.3**, following the implementation of the Schemes, the RL Open Fund will have remained comfortably within the target range of the RLMIS Capital Management Framework.

There have been no additional changes to the German Bond Collateral Agreements or the German reinsurance agreement since my original report. Therefore, my previous considerations and conclusions in respect of these are unchanged.

5.1.2.2 Conclusion on the security of benefits for RLI DAC Non-Liver Ireland Policyholders

It is proposed under the Irish Scheme that the LRA (albeit amended) remains in place. On the basis that it remains in place, I am satisfied that the implementation of the Schemes does not have a material adverse effect on the security of benefits payable to Non-Liver Ireland Policyholders.

If the LRA were to cease at some future date, I believe there would potentially be a materially adverse impact on the benefit security of Non-Liver Ireland Policyholders post-Schemes versus pre-Schemes. Nonetheless, as it is very unlikely that the LRA would be terminated, I am comfortable that the Schemes do not have a material adverse impact on the security of the benefits of the Non-Liver Ireland Policyholders.

5.2 Fairness Criteria 2 – Financial Benefit Expectations

In this section, I consider the likely impact of the Schemes on the RLI DAC Policyholders as it relates to their Financial Benefit Expectations. In doing so, I consider the impact on:

- Liver Ireland Eligible Policyholders who will remain as policyholders of the Liver Ireland Sub-Fund if the Schemes are implemented (i.e. with-profits and CB policies);
- Liver Ireland Non-Eligible Policyholders, for example holders of HITM policies and non-profit policies (except CB policies); and
- Other RLI DAC Policyholders, namely the German Bond Sub-Fund and the RLI DAC Open Fund.

5.2.1 Liver Ireland Policyholders (Eligible and Non-Eligible)

5.2.1.1 Assessment of the financial benefit expectations

Currently, the Liver Ireland Eligible Policyholders have a reasonable expectation:

- that their policies will be allocated a fair and equitable proportion of the Liver Fund Estate;
- that regular and terminal bonuses will be determined in line with the existing principles and practices of financial management, which covers investment strategy;
- exceptional costs subsequently charged will be fair and equitable.

There have been no changes to the proposed approach for any of the above elements since my original report, so my considerations and conclusions are unchanged.

The Uplift was fixed at 23.1% as at 31 March 2022 and this has been communicated to Eligible Policyholders. Implicit in fixing these, all considerations in respect of the calculation of these values, including the Scheme Contribution of £53.7m, are also fixed. Details of these considerations are set out in my original report. I am not aware of any changes or new information which would have changed by conclusions on these points.

5.2.1.2 Conclusion on the financial benefit expectations for Liver Ireland Policyholders

I am satisfied that the implementation of the Schemes does not have a material adverse effect on the financial benefit expectations of the Liver Ireland Policyholders.

5.2.2 RLI DAC Non-Liver Ireland Policyholders (German Bond Sub-Fund and Open Fund)

5.2.2.1 Assessment of the financial benefit expectations

There have been no changes impacting the RLI DAC Open Fund or the German Bond Sub-Fund.

5.2.2.2 Conclusion on the financial benefit expectations for RLI DAC Non-Liver Ireland Policyholders

I am satisfied that the implementation of the Schemes does not have a material adverse effect on the financial benefit expectations of the RLI DAC Non-Liver Ireland Policyholders.

5.3 Fairness Criteria 3 – Servicing & Governance Expectations

5.3.1 Liver Ireland Policyholders (Eligible and Non-Eligible)

5.3.1.1 Assessment of servicing & governance

As detailed in my original report, the Schemes do not impact the standard of servicing and governance provided to Liver Ireland Policyholders.

5.3.1.2 Conclusion on servicing & governance for Liver Ireland Policyholders

I am satisfied that the implementation of the Schemes does not have a material adverse effect on the servicing & governance expectations of the Liver Ireland Policyholders.

5.3.2 RLI DAC Non-Liver Ireland Policyholders (German Bond Sub-Fund and Open Fund)

5.3.2.1 Assessment of servicing & governance

As detailed in my original report, there are no changes to the servicing & governance of the RLI DAC Non-Liver Ireland Policyholders.

5.3.2.2 Conclusion on servicing & governance for RLI DAC Non-Liver Ireland Policyholders

I am satisfied that the implementation of the Schemes does not have a material adverse effect on the servicing & governance expectations of the RLI DAC Non-Liver Ireland Policyholders.

5.4 Fairness Criteria 4 – Scheme Terms

In this section, I set out my assessment of the mechanics of the Schemes and the aim to ensure that the scheme terms have been set in such a way that supports fair outcomes to Eligible Policyholders. In particular, I have considered the following:

- Scheme Eligibility;
- The requirements for the proposals to be approved;
- Voting Eligibility;
- The number and composition of the voting classes;
- The calculation of the value given to each vote.

5.4.1 Liver Ireland Policyholders (Eligible and non-Eligible)

5.4.1.1 Assessment of the Scheme Terms

5.4.1.1.1 *Scheme Eligibility*

There have been no changes to Scheme eligibility since my original report, only policies that are currently entitled to distributions of the Liver Fund Estate and are expected to be impacted by the distribution of the Liver Fund Estate (i.e. excluding HITM policies) will be entitled to Uplifts under the Schemes. I am satisfied that this remains appropriate.

5.4.1.1.2 *Requirements for the proposals to be approved*

In order for the Irish Scheme to be implemented, a majority of Liver Ireland Eligible Policyholders who vote on the Offer must vote in favour of the Irish Scheme. Conditions are applied as follows:

- more than 50% of the Liver Ireland Eligible Policyholders who vote on the Offer must vote in favour of the Offer (requirement of the Irish Companies Act 2014); and
- those Liver Ireland Eligible Policyholders who vote in favour of the Offer must represent at least 75% of the total Vote Value.

RLI DAC sets out its own methodology to calculate the Vote Value and the appropriateness of this is considered in a later section.

The outcome on the vote will be binding on all Liver Ireland Eligible Policyholders.

Also, the Irish Scheme and the equivalent UK Scheme for Liver UK Eligible Policyholders of the Liver Fund are co-dependent Schemes which means that both Schemes must be sanctioned in order for either to take effect. The UK Scheme contains equivalent conditions and must be sanctioned by the UK High Court.

There have been no changes to the above requirements since my original report. I am satisfied that this remains appropriate.

5.4.1.1.3 *Voting Eligibility*

There have been no changes to the proposed voting classes since my original report; all Liver Ireland Eligible Policyholders are invited to vote. I am satisfied that this remains appropriate.

5.4.1.1.4 *Voting Classes*

There have been no changes to the proposed voting classes since my original report; all Liver Ireland Eligible Policyholders are considered in one voting class. The Irish High Court approved the convening of the ROI Policyholder Meeting with a single voting class.

In addition to the considerations set out in my original report, I have reviewed the analysis of votes split by the following factors: age, gender, product type, (with-profits versus contingent bonus), policy size (as measured by each policy's Vote Value), original company (Royal Liver, Irish Life, Caledonian), moneyness of guarantees, premium paying status, term to maturity/retirement and duration in force. Biases or skews in the response rates or percentage of policyholders voting in favour of the Irish Scheme might suggest that certain sub-groups of the Eligible Policyholders might have considered they would be adversely affected by the Offer or otherwise behave like a separate voting class. The analysis of the votes does not show any such biases or skews and, therefore, I am satisfied that the single voting class was appropriate.

5.4.1.1.5 *The calculation of the value given to each vote*

The relative value of a vote cast has not changed since my original report. A mid-year distribution was awarded but, as this was applied uniformly, it does not significantly alter the relative value of the votes.

Overall, I am satisfied that the approach to calculating the value given to each vote remains reasonable.

Furthermore, the Irish High Court approved the convening of the ROI Policyholder Meeting with the value of each vote as defined in my original report.

5.4.1.2 Conclusion on the Scheme Terms for Liver Ireland Policyholders

I am satisfied that the Scheme Terms have been set in such a way that supports fair outcomes for the Liver Ireland Policyholders.

5.4.2 RLI DAC Non-Liver Ireland Policyholders (German Bond Sub-Fund and Open Fund)

5.4.2.1 Assessment of the Scheme Terms

The Scheme Terms have no impact on the RLI DAC Non-Liver Ireland Policyholders.

5.4.2.2 Conclusion on the Scheme Terms for RLI DAC Non-Liver Ireland Policyholders

The Scheme Terms have no impact on the RLI DAC Non-Liver Ireland Policyholders.

5.5 Fairness Criteria 5 – Scheme Conduct

In this section, I set out my assessment on whether the Scheme Terms have been executed in a way that continues to ensure fair outcomes to policyholders. This includes:

- The appropriateness of Customer Communications;
- The tracing and treatment of ‘Gone-Aways’;
- Compulsion of non-responders and those who vote against the Offer.

5.5.1 Liver Ireland Policyholders (Eligible and Non-Eligible)

5.5.1.1 Assessment of Scheme Conduct

5.5.1.1.1 Communications

There have been no changes to the proposed communication strategy since my original report although the passage of time is such that the majority of the strategy is now locked and not dependent on external factors (e.g. Court rulings or Policyholder feedback). I am satisfied that this remains appropriate.

5.5.1.1.2 The tracing and treatment of Gone-Aways and Dormant policies

There have been no changes to the approach to tracing Gone-Aways and Dormant Policies since my original report. All planned activities in respect of tracing these policies, including advertising in a number of regional and national papers, was undertaken as planned and this has led to a small number of Gone-Aways reengaging with RLI DAC. I am satisfied that the steps taken to minimise the number of such policies were reasonable and appropriate.

5.5.1.1.3 Compulsion of non-responders and those who vote against the Offer

- Under the Schemes, Eligible Policyholders who:
 - Vote against the Offer;

- Do not Vote on the Offer (either in person or by proxy, including by post or online);

will be bound by the Schemes if they are implemented. Under the proposed terms, policyholders do not have the option to opt out of the Schemes.

There have been no changes to the above since my original report. Therefore, my considerations and conclusions are unchanged, and I am satisfied that it is appropriate for all Liver Ireland Sub-Fund Policyholders to be bound by the decision of the Irish High Court in relation to the Irish Scheme.

5.5.1.1.4 Continuation of the Liver Ireland Sub-Fund

If the Schemes are implemented, the Liver Ireland Sub-Fund will remain as a separate sub-fund of RLI DAC. The Uplift of benefits as a result of the Schemes will increase the value of the total asset share in the Liver Ireland Sub-Fund. This will defer the projected Liver Ireland sunset points but, as the sunset points cannot be triggered while the LRA is in place, this will have no impact on Liver Ireland Sub-Fund Policyholders.

In the absence of the Schemes, the ceasing of the LRA would result in the splitting of the Liver Fund Estate such that the Liver Ireland Sub-Fund would hold the relevant proportion of the Liver Fund Estate. This would not in itself defer the Liver Ireland sunset points as the deferral would depend on the action RLI DAC took at that point:

- o RLI DAC chooses to distribute the Liver Ireland Sub-Fund Estate prior to reaching the Liver Ireland Sunset point. This would result in the Liver Ireland Sunset points being deferred in a similar manner to the Scheme.
- o RLI DAC chooses not to distribute the Liver Ireland Sub-Fund Estate prior to reaching the Liver Ireland Sunset point. It is reasonable to assume that this decision would be made considering the policyholders' reasonable expectations and the security of benefits, including the impact of triggering the Liver Ireland Sunset clause. The triggering of the Liver Ireland Sunset point would force the distribution of the Liver Fund Estate prior to the consolidation into the RLI DAC Liver Fund.

Considering the above scenarios, I am satisfied that the deferral of the Liver Ireland Sunset point does not have a material impact on the RLI DAC Policyholders.

5.5.1.2 Conclusion on the Irish Scheme conduct for Liver Ireland Policyholders

I am satisfied that the Scheme Terms have been executed in a way that continues to ensure fair outcomes for the Liver Ireland Policyholders.

5.5.2 RLI DAC Non-Liver Ireland Policyholders (German Bond Sub-Fund and Open Fund)

5.5.2.1 Assessment of the Scheme Conduct

As detailed in my original report, the Irish Scheme Conduct has no effect on the RLI DAC Non-Liver Policyholders.

5.5.2.2 Conclusion on the Irish Scheme Conduct for RLI DAC Non-Liver Ireland Policyholders

The Irish Scheme Conduct has no effect on the RLI DAC Non-Liver Policyholders.



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