# Summary Report of the Independent Expert on the proposed transfer of certain long-term business of FIL Life Insurance Limited to Scottish Friendly Assurance Society Limited

## Introduction

I have been appointed to act as the Independent Expert for the proposed transfer of certain long-term insurance business from FIL Life Insurance Limited ("FIL Life") to Scottish Friendly Assurance Society Limited ("SF"). In my capacity as Independent Expert, I have produced a report for the High Court which considers the effects of the transfer on all policyholders of FIL Life and SF (the "Main Report"). The Main Report is available to all policyholders and interested parties and can be found at **https://retirement.fidelity.co.uk/fil-transfer-to-scottish-friendly** or **https://www.scottishfriendly.co.uk/fidelity-transfer-to-scottish-friendly**

I qualified as an actuary in 2004 and I am a Chartered Actuary (Fellow) of the Institute and Faculty of Actuaries and a Senior Director in FTI Consulting LLP (part of the global consulting firm FTI Consulting Inc) with extensive actuarial and wider consulting experience in the UK and worldwide. I have been approved to carry out this role by the PRA in consultation with the FCA, and I have performed my role in accordance with the approach and expectations of the PRA and the FCA, as well as the relevant professional guidance. Details of my independence to perform the role can be found in the Main Report.

I have assessed the likely impact of the transfer on the current policyholders of FIL Life and SF. I have not considered the impact of the transfer on any new policies written into FIL Life or SF following the transfer as this is outside of my scope as the Independent Expert.

This document summarises my key considerations and conclusions as set out in the Main Report. In forming my views, I have taken into account all matters that I consider to be relevant and material in assessing the impact of the transfer.

Before the final Court hearing I shall prepare a Supplementary Report to address any relevant developments after the Report has been published and provide an update on my conclusions regarding the effect of the proposed transfer on the different groups of policyholders in light of any significant events arising after the Report has been published. The Supplementary Report will also address any policyholder objections to the transfer.

## Overview and terms of transfer

The proposed transfer involves the transfer of Section 32 pension policies and annuity-in-payment policies from FIL Life to SF, on a proposed Effective Date of 30 September 2026. FIL Life and SF are both supportive of the transfer and recognise that it has a strong commercial and strategic rationale, while delivering an outcome that is consistent with the requirement to ensure the fair treatment of policyholders. SF was selected by FIL Life as the preferred bidder following a competitive auction process where it was determined, among other factors, that SF would be an appropriate long-term provider for the transferring policyholders.

After the transfer, SF will assume the responsibility of meeting all insurance and financial obligations associated with the transferring policies. SF will also assume the responsibility of administering the transferring policies.

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For the transferring Section 32 policies, over 90% of the assets are invested in Futurewise, which is the default investment strategy. The rest of the assets are invested in self-select funds which are chosen by the policyholders. On the Effective Date, all Section 32 transferring policies will be transferred into SF, and the unit values will remain unchanged. For the transferring annuity policies, the benefits will also remain unchanged.

Under the terms of the transfer, SF will maintain the current FutureWise approach and investment management arrangements for at least 10 years from the Effective Date and will maintain the current self-select funds for at least one year from the Effective Date.

The policy terms and conditions for all transferring policies will remain unchanged.

## Security of benefits

FIL Life and SF are both regulated by the PRA and the FCA. The PRA is responsible for promoting the safety and soundness of financial services firms and, specifically for insurers, to contribute to the securing of an appropriate degree of protection for policyholders. The FCA's aim is to protect consumers, ensure the industry remains stable and promote healthy competition between providers.

The PRA's regulatory capital rules require all insurers to hold minimum capital that ensures an insurer's assets exceed liabilities in extreme circumstances. In addition, insurers hold additional capital in excess of the regulatory minimum, in line with its own capital policy.

I have considered the financial impact of the transfer on both FIL Life's and SF's financial position and am satisfied that the transfer will not have a material adverse effect on their solvency, and both companies' solvency will remain in line with its capital policy before and after the transfer.

I am therefore satisfied that the security of benefits for all policyholders will not be materially adversely affected by the transfer.

## Other financial effects

There will be no change to the investment strategy or the expenses and charges for the Section 32 policies as a result of the transfer. For the transferring annuity policies, the benefits will remain unchanged. Likewise, there will be no change to the benefit expectations of non-transferring FIL Life policyholders.

Based on my analysis and considerations as described in the Main Report, I am satisfied that the transfer will not have a materially adverse effect on the benefit expectations of existing SF policyholders, including with-profits, non-profit and unit-linked policyholders.

## Non-financial effects

I have considered the administrative and governance arrangements that will be in place following the transfer for each group of policyholders, and in particular for the transferring policyholders. Based on my considerations as described in the Main Report, I am satisfied that such considerations will not have any material adverse impact on the administration or governance of transferring FIL Life policies, existing SF policies, or non-transferring FIL Life policies.

As FIL Life does not confer any membership rights on its policyholders, the transfer would not result in any loss of membership rights for transferring or non-transferring FIL Life policyholders. As part of the transfer, all transferring FIL Life policyholders will become members of SF, gaining the right to vote and be elected as a Delegate in accordance with the Memorandum and Rules of SF. The financial interests of existing SF members are not diluted by the transfer.

## Other considerations

The transfer is not expected to have any materially adverse tax impact on the policyholders of FIL Life or SF, and no changes to the tax status of all policies are expected as a result of the transfer.

FIL Life's or SF's policyholders are protected by the UK's Financial Services Compensation Scheme ("FSCS"), which provides compensation to customers of failed financial services firms. They also have access to the Financial Ombudsman Service ("FOS"), an independent and impartial public body established by the UK Parliament to resolve disputes between individuals and financial services firms. It is not expected that there will be any change to FSCS or FOS cover to policyholders as a result of the transfer.

## Proposed merger between SF and OneFamily

In December 2025 SF and Family Assurance Friendly Society Limited ("OneFamily") agreed in principle to enter into a merger, subject to legal and regulatory processes. Upon the completion of the proposed merger (which is expected to be completed in 2027), all of SF's policies will be transferred to OneFamily and SF will cease to exist as a standalone entity. This will include all the policies acquired from FIL Life as part of the transfer.

I note that a separate Independent Actuary is expected in due course to be appointed to produce a report to provide details of and comment on the terms of the proposed merger and set out their opinion on the likely effects of the merger on the affected members and policyholders. Therefore, the proposed merger will be a separate and distinct legislative process which will be subject to its own regulatory confirmation processes with relevant associated protections provided to policyholders.

The key steps of the process that will apply to the merger, and the relevant associated protections for policyholders (in addition to the appointment of a separate Independent Actuary) are:

- SF must produce a statement setting out the terms of the proposed merger (also known as a Schedule 15 statement). The statement would normally contain, inter alia, comparative statements of balance sheets of SF and OneFamily at the same date.
- The Schedule 15 statement must contain a summary of the Independent Actuary's report, which needs to be clear and concise while containing sufficient detail to enable a recipient to understand in broad terms the likely effect of the proposed merger.
- SF, as the transferor friendly society, must obtain approval through a special resolution, as voted on by its Delegates.
- OneFamily, as the transferee friendly society, must obtain approval through a special resolution, as voted on by its members (unless it obtains consent from the PRA, in consultation with the FCA, to dispense with this requirement).
- The PRA (as the appropriate authority) is required to formally confirm the proposed Part VIII Merger, who will need to be satisfied that the transfer is in the interests of the members of each friendly society participating.
- Any interested party (including policyholders) has the right to make representations or objections about proposed merger to the PRA prior to any confirmation. This includes any person who believes that they would be adversely affected by the proposed merger. Such representations or objections can be in written form or orally at a hearing on a date set in advance, and can be made either by individuals or collectively by groups.
- In addition, any SF policyholder (including the transferring policyholders) will be provided with means to contact SF with their views (for example, through a dedicated email inbox) on the proposed merger prior to any Delegate vote.

Taking into account the steps as outlined above, I am satisfied that the merger process provides transferring policyholders with an appropriate opportunity to participate in the process and benefit from the protections afforded by the process.

Whilst my appointment and responsibilities as Independent Expert relate specifically to the transfer, given the proximity in timing and the overlap of the two processes, I have considered whether the merger gives rise to any issues that would affect my conclusions on the transfer, based on information currently available which has been shared with me by SF.

I have also noted in particular that it is envisaged that the formal communications with respect to the proposed merger would not commence before the Effective Date of the transfer. It is therefore expected that the transferring policyholders will have an opportunity to fully participate in the communications process with respect to the merger in due course.

Having considered all matters that I view to be relevant and material in assessing the impact of the transfer in the Main Report, I currently have no reason to believe that the proposed merger would give rise to any material adverse effect on transferring policyholders and am therefore satisfied that it does not affect my conclusions in relation to the transfer.

## Main conclusions

Based on the analysis as described in detail in the Main Report and summarised here, I have concluded that the transfer will not have a material adverse effect on transferring FIL Life policyholders, non-transferring FIL Life policyholders or existing SF policyholders in relation to:

- Security of benefits
- Investment strategy
- Expenses and charges
- Benefit expectations

I have also concluded that the transfer will not have a materially adverse impact on the following:

- Risk profile and capital management policy
- Administration and governance
- Membership rights and policyholder communications
- Tax

**Marc Loh**
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**17 March 2026**