Scottish Friendly Assurance Society Limited

Proposed transfer of long-term insurance business from FIL Life Insurance Limited to Scottish Friendly Assurance Society Limited

Supplementary Report of the With-Profits Actuary of Scottish Friendly Assurance Society

Author:	Callum Stuart FFA, With-Profits Actuary
Peer Review:	Alan Rankine FFA, Chief Financial Officer
Last updated:	18 August 2026

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1 Introduction

Purpose & Background

1.1. Scottish Friendly Assurance Society Limited ("Scottish Friendly" or "the Society") has agreed to acquire a book of closed-to-new-business Section 32 unit-linked pensions policies and in-payment annuity policies (the "Transferring Business") from FIL Life Insurance Limited ("FIL").

1.2. The proposed transfer to Scottish Friendly will be achieved by a Scheme of Transfer (the "Scheme") under Part VII of the Financial Services and Markets Act 2000. The proposed date of the transfer is 30 September 2026 subject to the transfer being sanctioned by the High Court.

1.3. The purpose of this report (the "Supplementary Report") is to provide an update to my initial report (the "Main Report") dated 16 March 2026. Specifically, this report considers whether the conclusions set out in my Main Report remain appropriate in light of developments which have occurred since that date. I discuss these developments further below which include:

- Updated financial and risk position;
- Observations on the Scottish Friendly's Chief Actuary analysis of policyholder responses to the Scheme; and
- Updates on other material matters which have arisen since the Directions Hearing.

1.4. As with the Main Report, this Supplementary Report has been written for the Board of Scottish Friendly in my capacity as With-Profits Actuary of Scottish Friendly. As well as the Board, it will also be provided to the High Court, the Independent Expert ("IE"), the Prudential Regulation Authority ("PRA"), and the Financial Conduct Authority ("FCA") in forming their own judgements about the Scheme.

1.5. While this Supplementary Report is intended to be complete, I have not repeated certain elements of background information from my Main Report. Therefore, this report should be read in conjunction with my Main Report, and with the main and supplementary reports of the Independent Expert, the Chief Actuary of Scottish Friendly, the Chief Actuary of FIL, and the Scheme document itself.

Status and Disclosure

1.6. I am a Fellow of the Institute and Faculty of Actuaries, having qualified in 2003 and hold a WPA practicing certificate issued by the Institute and Faculty of Actuaries. I am an employee of Scottish Friendly and joined in 2023. Between 1999 and 2023, I worked for Prudential Plc (and subsequently M&G plc following the corporate restructure in 2019). I currently act in the Approved Role of WPA (SMF20a) for Scottish Friendly.

1.7. I confirm that I am not a policyholder of FIL and do not hold shares or have any other financial interest in FIL or any of the companies in the same group. I also confirm that I am not a policyholder of Scottish Friendly.

Reliances, Other Advice & Opinions

1.8. In finalising my Supplementary Report, I have reviewed a near final copy of Mr Scott McNeill's report as Chief Actuary of Scottish Friendly and Mr John Jenkins's report as Chief Actuary of FIL. A copy of my Supplementary Report has also been provided to Mr McNeill and Mr Jenkins.

1.9. Mr Marc Loh of FTI Consulting has been appointed as Independent Expert and has been approved as such by the PRA. In finalising my Supplementary Report, I have reviewed his Supplementary Report on the terms of the Scheme and considered his conclusions. A copy of my Supplementary Report has also been provided to Mr Loh.

Compliance with Actuarial Standards

1.10. This report and the underlying preparatory work that has been carried out is, in my opinion, compliant with the relevant Technical Actuarial Standards issued by the Financial Reporting Council ("FRC") for members of the Institute and Faculty of Actuaries ("IFoA") in all material respects. The relevant standards include:

- Technical Actuarial Standard 100: General Actuarial Standards v2.0
- Technical Actuarial Standard 200: Insurance

1.11. TAS 200 Provision 4. Insurance transformations specifically sets out the actuarial standards applicable to technical actuarial work related to insurance transformations, which includes providing an opinion on Part VII transfers.

1.12. I have also considered the relevant professional standards issued by the IFoA, the guidance issued by the regulator in FG 22/1 and the PRA policy statement (2022) on their approach to insurance business transfers and believe that this work is in line with those requirements. In particular, this report has been peer reviewed by Alan Rankine, FFA and is considered compliant with APS X2.

1.13. The Actuarial Profession has published a series of risk alerts requiring all actuaries to consider, and communicate clearly, the impact of climate change and sustainability issues or risks within their actuarial work and demonstrate an understanding of the limitations and uncertainties when evaluating and communicating climate related financial risks. Climate change is explicitly considered within this report as part of the consideration of the impact of the proposed transfer on the risk profile of Scottish Friendly.

2 Update on Financial Position & Risk Appetite

Summary of the Business of Scottish Friendly

2.1. As Chief Actuary of Scottish Friendly, Mr McNeill has set out an update of the financial position of Scottish Friendly in Section 2 of his Supplementary Report. In the interests of brevity, I have not reproduced this detail fully in my report.

Impact on SF With-Profits Policyholder security

2.2. It is useful to consider the reported solvency and risk appetite position of Scottish Friendly before and after the transfer to assess whether there is any material adverse impact to the security of SF With-Profits Policyholder benefits.

Pillar 1

2.3. The table below is taken from the Scottish Friendly Chief Actuary's Supplementary Report showing the estimated impact of the transfer on Pillar I basis as at 31 December 2025:

Pillar 1 position as at 31 December 2025	**Pre-transfer (£m)**	**Post-transfer (£m)**
Own funds	126.6	145.7
SCR	64.4	90.2
Solvency ratio	**197%**	**162%**

2.4. The transfer reduces capital cover from 197% to 162% at 31 December 2025.

2.5. Whilst this position is a deterioration to that shown in my Main Report, Scottish Friendly is expected to be able to meet its Pillar 1 capital requirements immediately after the Scheme becomes effective, and that the business will remain above the solvency appetite trigger level[1].

2.6. Mr McNeill also highlights in Sections 2.8 & 2.9 of his Supplementary Report that Scottish Friendly is in the process of implementing Unit Matching to improve the solvency position which would be expected to improve the Pillar 1 solvency position by up to 30 percentage points.

Pillar 2

2.7. Pillar 2 results are not publicly available although the solvency ratio on a Pillar 2 basis is above the equivalent Pillar 1 position both before and after the Scheme is implemented. The impact of the Scheme is broadly commensurate with the Pillar 1 basis with similar drivers.

2.8. Further, Pillar 2 solvency is expected to remain in excess of solvency trigger levels meaning that there would be no immediate need to consider action in response to the Scheme to strengthen the solvency of the Society.

[1] Approved Pillar 1 trigger level is 150% of the SCR coverage ratio.

3 Communications and Objections

Delegate Approval

3.1. I note that the Scottish Friendly Delegates unanimously voted to approve the Transfer at a Special General Meeting on 29 April 2026. I attended the SGM in person to allow the Delegates to ask me questions about the transfer and my report directly.

Policyholder Objections

3.2. Mr McNeill has set out a summary of the policyholder objections in sections 3.8 to 3.17 of his report. Whilst he highlighted one item which had the potential to impact a small number of policyholders, FIL has advised that alternative arrangements to resolve the matter will be put in place and therefore it does not impact the conclusions in my Main Report.

4 Other Relevant Updates

4.1. Mr McNeill sets out several other relevant updates in Section 4 of his Supplementary Report.

4.2. I have reviewed those updates and am comfortable that they do not impact the conclusions that were reached in my Main Report.

Effect of the Proposed Part VIII Transfer (Project Meridian)

4.3. Project Meridian is the proposal for Scottish Friendly to merge with OneFamily, subject to regulatory approval with completion anticipated to be early 2027. I note Project Meridian follows the implementation of this Scheme and as such the Transferring Business will subsequently transfer to OneFamily when the Part VIII Transfer completes.

4.4. The Part VIII transfer will be subject to a separate regulatory approval process which will consider the impact of that transfer on all Scottish Friendly policyholders, including the Transferring Business. That transfer will be separately considered by an Independent Actuary, the regulators and Scottish Friendly's Chief Actuary and With-Profits Actuary.

4.5. I provided an update on the expected impact of the merger within my Main Report and can confirm that nothing has arisen since which would change my conclusions stated in my Main Report.

4.6. For completeness, I would note the following areas (unchanged from my Main Report) which will likely be relevant for any future With-Profits Actuary advice or report in respect of the Part VIII transfer:

- No changes are proposed to any Scottish Friendly policyholder terms and conditions and therefore no changes to policyholder benefit expectations are anticipated.
- All Scottish Friendly policyholders (including the Transferring Business) will become a member of OneFamily which will include similar benefits of membership that they currently have as Scottish Friendly members.

- As described in the Chief Actuary's Main Report there is no reason to believe that the benefit security of Scottish Friendly policyholders will be adversely impacted.
- Any emerging value from this Scheme is to be included in the assessment of value attributable to SF With-Profits Policyholders under the Part VIII Transfer. Whilst part of a separate regulatory process, I would note this approach should ensure the conclusion I reach in my Main Report remains reasonable.

5 Conclusion

5.1. I have produced this report in my role as WPA for Scottish Friendly and have considered the likely effect of the proposed transfer on the security, administration and benefit expectations of SF With-Profits Policyholders.

5.2. Based on the considerations set out in my Main Report and this Supplementary Report, together with the key features of the Scheme outlined above and the discussion of these and other matters contained in my reports, it remains my view that:

- The Scheme does not have a materially adverse effect on benefit security, benefit expectations, or customer outcomes for SF With-Profits Policyholders, and:
- Affording membership to Transferring Business does not result in any material dilution of the benefits of membership for SF With-Profits Policyholders.

Signed electronically

Callum Stuart FFA

With-Profits Actuary of Scottish Friendly Assurance Society Limited
18 August 2026