



If you have any questions, visit [scottish-friendly.co.uk/contact-us](https://scottishfriendly.co.uk/contact-us) or call



0141 483 5954
(Mon-Fri, 8.30am - 5.30pm)



Mrs A N Other
123 Any Street
Anytown
AN1 2TN

October 2026

Dear A N Other,

Customer reference number: 12345678

Changes to our business and your policy

We're writing to let you know about a proposed merger involving Scottish Friendly and what it could mean for you, as you're invested in our with-profits fund.

This pack will explain everything you need to know.

At the moment, your policy is provided by Scottish Friendly Assurance Society Limited, trading as "Scottish Friendly" or "SFAS" for short.

We're proposing to merge with OneFamily, the trading name of Family Assurance Friendly Society Limited. Joining together to create a single member-owned mutual operating under the group name of OneFamily, and your policy is included in this proposal.

The merger will change the way we manage the fund you're invested in. This pack provides details and notice of these changes.

What's included in this pack?

Please take a moment to read this letter and the enclosed information, as outlined below.

- **Appendix:** lists the policies you hold with us and shows how they'll be affected.
- **Brochure:** provides more detail on what the changes mean.
- **Leaflet:** explains the changes we'll make to how we manage the with-profits business as a result of the proposal and how they could impact you.

This is so you understand what we're doing, what it means for you and your policy and the options that you have. You can also find out more on our website scottishfriendly.co.uk/together.

If you'd prefer we can email or post copies of the website documents to you free of charge - just let us know.

Do I need to take any action?

No. If the merger goes ahead we'll take care of the transfer. However, if you've any questions or believe the proposed merger may negatively affect you, please get in touch.

We'll ask the Courts in Jersey and the Bailiwick of Guernsey to approve the transfer of Scottish Friendly business to OneFamily. If you think that your policy may be part of our business in Jersey or the Bailiwick of Guernsey and would like more information about how your policy will transfer, please get in touch.

We can provide details about the transfer process, including when the Court hearings will take place and what to do if you have any objections to our proposals.

We believe the merger is right for our members and will provide:

- **A wider range of affordable products:** access to more great value investment and protection products for you and your family.
- **More member benefits:** the merger will help us introduce even more ways to help our members save in the future.
- **A better customer care experience** through improved digital infrastructure and technology.
- **More opportunity** to invest in charities and our local communities.

When the merger will take place

The merger will only take place if it receives approval from the membership of both societies and the regulators.

If they all approve, your policy will transfer to OneFamily. Your membership will move from Scottish Friendly to OneFamily and you will become a member of OneFamily. We expect the transfer to take place in early 2027.

If this timeline changes, we'll let you know on our website.

The merged organisation will operate under the group name of OneFamily. The Scottish Friendly brand will still exist as part of the new group.

How your policy will be affected

When your policy is transferred to OneFamily, a new, closed with-profits fund will be created (called the "SFAS sub-fund"). This simply means that the assets relating to the Scottish Friendly with-profits policies will continue to be held separately within OneFamily.

This with-profits fund will be closed, meaning no new policies will join the fund and future payments in will not be possible, unless allowed by your policy.

The appendix we've included has more detail on the type of policy you hold and what this means for you. It explains whether you can continue to pay future premiums into the with-profits fund and, if not, where they will be invested by default after the merger.

Any other products you may hold with us, and any part of your payments that will be invested in the unit-linked funds, will not be affected by these changes and will continue as usual.

How your policy works now and after the merger

At the moment, with-profits policyholders like you share in the profits and losses generated by Scottish Friendly.

After the merger, we'll make a payment to the SFAS sub-fund. This payment reflects the value of future profits from Scottish Friendly which would have been shared with you if the merger did not take place. We'll share the full value of the SFAS sub-fund with policyholders in a fair and balanced way.

The money already there will stay invested and we'll continue to manage it on your behalf.

You'll keep any guarantees you already have on the money you've invested.

You'll also become a member of OneFamily meaning you'd be included if OneFamily were to share any future profits with their members.

There will be no change to the way your policy is administered. You'll continue to receive the same service and support from us and can contact us using the same details as before.

With-profits fund – when you invest in this fund, your money is combined with other investors' money and spread across a variety of investments to help manage risk. It aims to provide steadier returns over time through bonuses. We hold back some returns in good years to help support returns in years when investments perform less well. This is known as smoothing and offers some protection from sharp drops in the market. Some of our products also include guarantees that ensure you receive a minimum amount.

We'll increase the value of your policy after the merger

Immediately after the merger, we'll make a payment to the SFAS sub-fund. This payment reflects the value of the expected future profits from Scottish Friendly's business, which would be shared with you if the merger did not occur.

This payment will be shared as a policy uplift to policy values and it will be given to you in two ways:

1. **An immediate one-off uplift:** we'll make an uplift to your policy's value which we expect to be around 5% immediately after the merger takes place.

For example, this would increase the value of an eligible policy by around £50 for every £1,000 invested. So, if you had £7,000 invested, you'd receive a policy uplift of about £350.

In some cases, policies contain valuable guarantees which are not affected by the merger. The value of assets supporting the policy will increase following the merger and guarantees will continue to be paid.

2. **Ongoing yearly uplifts:** we currently expect to uplift your policy's value by a certain percentage each year for around 15 years, as well as any growth from your investments. We'll keep this under review and let you know if anything changes.

These future uplifts can't be confirmed in advance. However, at the moment we expect to be able to support a 1% uplift in each future year.

This would, for example, increase the value of a policy by around £10 for every £1,000 invested each year it's in place.

These payments are only payable if you remain invested in the SFAS fund.

We'll protect your interests

The proposal has been recommended by our board as being in the best interests of you, our members. Before making this decision, they took advice from our with-profits actuary and with-profits committee.

An actuary is a professional who gives advice in finance matters that involve policyholders.

You can read a report from Scottish Friendly's with-profits actuary at scottishfriendly.co.uk/together. This summarises their advice to the Scottish Friendly board and confirms that policyholder interests have been carefully considered as part of approving the merger proposal.

An independent review of the merger was also carried out by an independent person (the independent actuary). They provided a report considering the likely impact of the proposed transfer on with-profits policyholders.

In the report summary, the independent actuary concludes that they're satisfied that the proposed transfer is in the interests of Scottish Friendly's members. This is set out in their full report which you can find at scottishfriendly.co.uk/together.

To make sure that your interests are protected, we must follow a set process before the transfer can take place. You can find this detail in the Q&A brochure enclosed.

Additional checks on our proposal

As we're making a change to our business we need to ensure we follow the rules set by the regulators. The opinion of Scottish Friendly is that the transfer does not meet the regulatory definition of a reattribution. A reattribution happens when a company which operates a with-profits fund redefines with-profit policyholders' rights and interests in the inherited estate of the with-profits fund. Broadly, the inherited estate is the surplus built up over time in the with-profits fund, over and above the amount expected to be needed to meet policy benefits and the fund's other liabilities. Scottish Friendly does not expect the proposals to result in a redefinition of the with-profit policyholders rights and interest but others, including regulators and policyholders, may take a different view of how the rules apply.

To provide certainty for everyone, Scottish Friendly has applied to the FCA for a modification of its rules and this includes having to show that certain tests are met.

On that basis, Scottish Friendly has put in place measures designed to ensure it is able to meet these tests and that the interests of with-profits policyholders are appropriately taken into account throughout the process. This includes oversight and engagement by the with-profits committee, who have responsibility for advising the Board on any matter that impacts with-profits policyholders. Advice has also been taken from the with-profits actuary on their consideration of the matter. In addition, clear communications have been provided to support affected policyholders understand the change as well as engaging with feedback from policyholders who raise queries or comments relating to the proposal. Further information about the impact on with-profits policyholders can be found in the independent actuary's report and in communications issued to with-profits policyholders in connection with the transfer.

Further details of the treatment of with-profits policyholders with regard to this point can be found in section 9 of the independent actuary's report which covers:

- the review by the independent actuary of the rights and interests of with-profits policyholders pre and post transfer;
- the valuation and allocation of the merger allocation;
- wider inherited estate interests, and;
- why the terms of the transfer remain fair for with-profits policyholders.

The independent actuary also considers his scope in consideration of the fairness of the transfer for with-profit policyholders at paragraph 2.30 on page 12 of his report.

To support our delegate members in understanding the impact of the proposed merger on with-profits policyholders, the chair of the with-profits committee is providing an overview of the committee's considerations in relation to the proposal. This session is being scheduled for mid-October, with the exact date dependent on delegate members availability.

The output from the session will be provided on the website scottishfriendly.co.uk/together. Further details can be found in the brochure.

How we considered the interests of with-profits policyholders

The interests and views of with-profits policyholders have been central to the development of the proposed merger. We've carefully considered how the proposal could impact these interests and whether changes could lead to improved outcomes for policyholders.

An important part of this process has been exposing the proposal to challenge, from both internal and independent stakeholders. In particular, the with-profits actuary and the with-profits committee were heavily involved in the discussions, challenge and review of the proposals.

This is important, as both have a regulatory duty to consider and advise the Scottish Friendly Board on the interests of with-profits policyholders specifically, and the with-profits committee is chaired by an individual independent of Scottish Friendly. The advice provided supported the Board whose members are required to act to deliver good outcomes for customers.

Ultimately this proposal and its underlying assumptions and calculations were subject to an in-depth review by the independent actuary, with direct consideration of the interests of with-profits policyholders and shared with our regulators. The independent actuary's conclusions, and the reasons for them, are fully explained in his report which you can find at scottishfriendly.co.uk/together.

As part of the challenge process, we considered credible alternatives to the merger and also the likely views of with-profits policyholders. This included the expected impact on with-profits policyholder interests of continuing "as is" and of the closure of Scottish Friendly to new business, as well as understanding alternative options for calculating the merger allocation. Ultimately, considering the expected impacts and uncertainties within each of these options, the Board concluded that no credible alternative option was identified that would be expected to deliver a materially better outcome for with-profits policyholders or members more generally.

The alternative options are discussed in detail in the independent actuary's report.

Overall, the approach provided timely and robust challenge of the proposals and played an important role in helping to shape the final proposal. The process ensured that a range of options, concerns and viewpoints were considered by the Scottish Friendly Board and that the interests of with-profits policyholders were properly understood and taken into account. This supported the Board's overall recommendation to proceed with the proposal.

We're here to help if you have any questions

You can contact us via: scottishfriendly.co.uk/contact-us or call our Glasgow-based customer services team on **0141 483 5954**.

Phone lines are open Monday to Friday, 8.30am to 5.30pm. For your protection, calls may be monitored and recorded.

Yours sincerely,



Head of Customer Services
Scottish Friendly

If you need this letter in another format, such as large print, braille or audio, please let us know.

The Scottish Friendly Group consists of the following companies:

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