

Family Assurance Friendly Society Limited

Report of the With-Profits Actuary on the proposed merger of OneFamily with Scottish Friendly Assurance Society Limited

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Table of Contents

Section 1: Introduction.....	1
<i>Background</i>	<i>1</i>
<i>Report Structure</i>	<i>1</i>
<i>Credentials and Declaration of Interest.....</i>	<i>1</i>
<i>Reliances and Limitations.....</i>	<i>2</i>
<i>Compliance with Actuarial Standards.....</i>	<i>2</i>
Section 2: Summary of proposed IoT.....	3
<i>Background</i>	<i>3</i>
<i>The proposed merger.....</i>	<i>3</i>
<i>Rationale for Transfer.....</i>	<i>4</i>
Section 3: The Effect of the IoT on the With-Profits Policyholders.....	5
<i>Security of Policyholder Benefits.....</i>	<i>5</i>
<i>Policyholder Expectations</i>	<i>7</i>
<i>Service Standards</i>	<i>7</i>
<i>Governance</i>	<i>8</i>
<i>Policyholder communications.....</i>	<i>8</i>
<i>Consumer Duty.....</i>	<i>8</i>
Section 4: Conclusions	9
Section 5: Reliances and Limitations	10
<i>Distribution and Use</i>	<i>10</i>
<i>Reliances</i>	<i>10</i>
<i>Limitations.....</i>	<i>11</i>
<i>Legal jurisdiction.....</i>	<i>11</i>

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Section 1: Introduction

Background

- 1.1 Family Assurance Friendly Society Limited (“OneFamily” or the “Society”) and Scottish Friendly Assurance Society Limited (“Scottish Friendly”) are proposing to merge. The merger will be carried out by means of a full Transfer of Engagements from Scottish Friendly to OneFamily under Part VIII of the Friendly Societies Act 1992 (“FSA92”).
- 1.2 The terms of the Transfer of Engagements are set out in the Instrument of Transfer (“IoT”) under FSA92. The merger is expected to take effect on 28 February 2027, subject to confirmation by the Prudential Regulation Authority (“PRA”) in consultation with the Financial Conduct Authority (“FCA”).
- 1.3 The purpose of this Report is to assess the impact of the proposed merger on the policyholders of the OneFamily (ELL) With-profits Fund (“With-Profits Fund” or “WP2”). It has been produced in my capacity as With-Profits Actuary (“WPA”) to OneFamily.
- 1.4 The impact of the proposed merger on OneFamily’s other (non-profit) policyholders is outside of the scope of this report. This has been assessed by the OneFamily Chief Actuary (“CA”) in his report on the proposed merger. Also, this report does not consider the impact of the proposed merger on the policyholders of Scottish Friendly (including their with-profits policyholders) which have been separately assessed by the CA and WPA of Scottish Friendly.
- 1.5 This Report will be made available to the PRA, the FCA, the Independent Actuary and to the members and policyholders of the With-Profits Fund.
- 1.6 I have read the reports of the OneFamily CA and the Independent Actuary. This report should be read in conjunction with those reports.

Report Structure

- 1.7 This report is structured as follows:
 - Section 2 provides a summary of the proposed IoT
 - Section 3 provides comments and opinions on the impact of the IoT on the With-Profits Fund policyholders
 - Section 4 set out conclusions.

Credentials and Declaration of Interest

- 1.8 I am writing this report in my capacity as the WPA to OneFamily.
- 1.9 I am a Fellow of the Institute and Faculty of Actuaries (“IFoA”), having qualified in 2015 and I hold a WPA Practising Certificate issued by the IFoA. I have held the position of WPA for OneFamily since January 2025.
- 1.10 I am an employee of Towers Watson Limited (“WTW”) and hold the role of WPA as part of an outsourcing agreement between OneFamily and WTW.

- 1.11 I am not a policyholder or member of either OneFamily or Scottish Friendly. Although WTW have been engaged by Scottish Friendly in the past, I have been independent of this work.
- 1.12 I consider that these aspects do not represent a conflict of interest in reaching any of the conclusions detailed in this Report.

Reliances and Limitations

- 1.13 For the avoidance of doubt, WTW does not assume any responsibility, nor accept any duty of care or liability to any third party who may obtain access to a copy of this document; any reliance placed by such party is entirely at their own risk.
- 1.14 This report places reliance on the information provided by OneFamily. Please see the Reliances and limitations section of this report.

Compliance with Actuarial Standards

- 1.15 The Financial Reporting Council has published Technical Actuarial Standards ("TASs") for members of the UK Actuarial Profession. This report is subject to and, in my opinion, complies with the following standards:
- TAS 100 v2.0: Principles for Technical Actuarial Work, which defines high-level standards for the work performed by all actuaries
 - TAS 200 v2.0: Insurance, which defines additional standards applicable to the work performed by actuaries in producing, inter alia, insurers' prudential regulatory balance sheets and financial statements
- 1.16 The Institute and Faculty of Actuaries sets Actuarial Professional Standards ("APSs") for the members of the UK Actuarial Profession. This report, and the related work carried out to produce it, are subject to and compliant with APS X2 (Review of Actuarial Work).

Section 2: Summary of proposed IoT

Background

- 2.1 OneFamily is made up of an open fund selling non-profit business (the “Non-Profit Fund”) and one closed with-profits fund.
- 2.2 The With-Profits Fund was transferred to Family Assurance Friendly Society in April 2015, as part of the transfer of engagements of Homeowners Friendly Society. The fund was previously transferred from Ecclesiastical Life Limited to Homeowners Friendly Society in 2010 and Ecclesiastical Insurance Office plc to Allchurches Life Assurance Limited (later renamed Ecclesiastical Life Limited) in 2003.
- 2.3 OneFamily operates the With-Profits Fund as a closed ring-fenced sub-fund of the overall long-term business and it is managed in line with its Principles and Practices of Financial management (“PPFM”). The with-profits policyholders are entitled to all of the surpluses arising within the fund and an expense agreement is in place which sets the charges and expenses allocated to the fund. A “sunset clause” applies which states that if at any time the number of with-profits policies is less than 1,000, OneFamily may cease to maintain the Fund as a separate sub-fund. The sunset clause has not yet been triggered.
- 2.4 Scottish Friendly has a Main Fund and three closed with-profits funds. Scottish Friendly currently writes new with-profits business in its Main Fund.
- 2.5 OneFamily and Scottish Friendly are both open to new business.

The proposed merger

- 2.6 OneFamily and Scottish Friendly are now proposing to merge and, if confirmed, the merger will be implemented by a Part VIII transfer under FSA92 of all the engagements of Scottish Friendly to OneFamily, with a proposed effective date of 28 February 2027. Following the merger, OneFamily will remain an incorporated friendly society.
- 2.7 Following the merger there will be a single OneFamily Non-Profit Fund which will combine the current OneFamily Non-Profit Fund and the Scottish Friendly Main Fund. It is proposed that a new with-profits fund (“SFAS sub-fund”) will be created to separate the with-profits and non-profit business of in the Scottish Friendly Main Fund. An expense agreement will also be put in place between the SFAS sub-fund and the OneFamily Non-Profit Fund post-merger. After the merger no new with-profits business will be sold.
- 2.8 The three existing Scottish Friendly with-profits funds will be transferred into three new corresponding closed ring-fenced sub-funds within OneFamily.
- 2.9 No changes are proposed to the management or operation of the With-Profits Fund under the transfer which will remain as a separate ring-fenced sub-fund within OneFamily.
- 2.10 Under the OneFamily constitution, the merger requires a successful vote of the OneFamily members in order to proceed. A successful vote by the Scottish Friendly delegates is also required and approval by the Courts in Jersey and Guernsey. The With-Profits Fund

policyholders are members of OneFamily and are therefore entitled to a vote on the proposed merger.

Rationale for Transfer

- 2.11 OneFamily and Scottish Friendly are proposing to merge to create a larger mutual organisation. This will strengthen their ability to compete with larger mutual and non-mutual financial services firms, benefiting both current and future members.
- 2.12 The merger is also expected to deliver cost savings through operational efficiencies. In addition, the combined scale of assets under management post-merger is expected to improve cost-efficiency with asset managers and create greater investment opportunities.

Section 3: The Effect of the IoT on the With-Profits Policyholders

- 3.1 In this section, I consider the impact of the proposed IoT on the with-profits policyholders of OneFamily.
- 3.2 I have relied on the information provided by OneFamily, and the OneFamily CA in formulating my opinions below. This report should be read in conjunction with the OneFamily CA's report.

Security of Policyholder Benefits

- 3.3 A key consideration in assessing the IoT from my perspective as WPA is whether there is any significant impact on the security of the policyholder benefits as a result of the IoT.

Solvency Position

- 3.4 The With-Profits Fund is ring-fenced and so there is no impact on the balance sheet of the With-Profits Fund resulting from the proposed merger. If capital support were required for the With-Profits Fund then it would currently come from the OneFamily Non-Profit Fund and post-merger it would come from the new, merged, Non-Profit Fund.
- 3.5 The OneFamily balance sheet pre-transfer, as at 31 December 2025, shows Pillar 1 Own Funds of £215 million and solvency ratio of 185% post Project Leaf¹. The expected combined entity level balance sheet position shows Own Funds of £385 million and solvency position of 167% post Project Leaf and Project Tahoe², on the basis that the IoT had taken place at Q4 2025.
- 3.6 The Pillar 2 solvency position post-merger is similar to that under Pillar 1.
- 3.7 While this is a reduction in capital coverage, the solvency position post-merger is still very healthy and would fall within OneFamily's capital management policy.

Risk Profile

- 3.8 There is no expected change to the risk profile of the With-Profits fund as a result of the proposed merger.
- 3.9 The risks to which each of OneFamily and Scottish Friendly are currently exposed to are broadly similar. The OneFamily CA Report states that the composition of the risks to which the OneFamily Non-Profit Fund is exposed remains broadly similar post-merger to pre-merger.

¹ OneFamily has recently completed Project Leaf to convert the unit-linked business written in its subsidiaries into unit-linked business written in OneFamily.

² In March 2025, Scottish Friendly entered into an agreement with Fidelity International to acquire two blocks of pension business, this is known as Project Tahoe. A Part VII insurance business transfer process will be completed on 30 September 2026 to transfer this business to the Main Fund within Scottish Friendly.

Other implications of the transfer

- 3.10 No direct impact on the With-Profits Fund policyholders is expected as a result of the transfer of Scottish Friendly into OneFamily. However, post-merger OneFamily would have four additional with-profits funds which could potentially call upon support from the Non-Profit Fund. This is considered further in this section.
- 3.11 The IoT sets out the terms for establishing the SFAS sub-fund, including the expense agreement and the provision of capital support arrangements. The IoT also carries forward the existing expense agreements and capital support arrangements for the other Scottish Friendly with-profits funds.
- 3.12 The intention is that each of the with-profits funds is operated as though they were stand-alone entities, with no expectation of capital support from the wider Society. All four of these funds have very high Pillar 1 solvency coverage ratios¹ at 31 December 2025. While unlikely given their strong solvency coverage, any of these funds could require capital support from the Non-Profit Fund in adverse scenarios. This could reduce the ability, of the Non-Profit Fund to provide capital support to the With-Profits Fund in extreme stress scenarios.
- 3.13 Also, notwithstanding the expense synergies that are expected to be realised post-merger, the Non-Profit Fund will be exposed to greater expense risk due to the expense agreements with SFAS and the other Scottish Friendly with-profits funds. However, the increase in Own Funds post-merger (described in paragraph 3.5) means that the Non-Profit Fund would have a greater ability to withstand a one-off hit in absolute terms (e.g. resulting from expense risks being realised for any of the other funds or from the Society providing capital support to another of the with-profits funds).
- 3.14 For the existing SF with-profits funds, the existing sunset clauses under which they would be converted to non-profit and transferred to the Non-Profit fund will be carried forward by the IoT. The IoT also sets out criteria that must be met for the SFAS sub-fund to be transferred to the Non-Profit fund once it falls below a certain size (i.e. a sunset clause for the SFAS sub-fund). These criteria include assets dropping below specified thresholds, as well as an option for earlier transfer if the OneFamily Board considers that maintaining the SFAS sub-fund as a separate fund is materially adverse to non-profit policyholders. The IoT also includes terms under which the transfer would take place, including a Cessation Charge which would be paid to the Non-Profit Fund to cover the transfer of risk and a fair allocation of costs relating to the exercise. This suggests that a future transfer of the Scottish Friendly with-profits funds into the Non-Profit Fund would not have a material adverse impact on the Non-Profit Fund.
- 3.15 Given all of the above, I am satisfied that the additional risks being taken on by the Non-Profit Fund in respect of the additional with-profits funds do not pose undue risk to the With-Profits Fund policyholders.

¹ Post-merger Solvency II Pillar 1 coverage ratio at 31 December 2025 is: 166% for SFAS; 2,895% for M&GM; 1,130% for Scottish Legal; coverage ratio is not relevant for the MANULIFE.

Conclusion

- 3.16 Based on all the above information, I conclude that there is not expected to be any material adverse impact on the security of benefits of the with-profits policyholders of OneFamily as a result of the proposed merger.

Policyholder Expectations

- 3.17 There will be no change to the approach to managing the With-Profits Fund post-merger. Specifically, no changes will occur as a result of the IoT to:
- With-Profits Fund policyholder terms and conditions
 - membership rights of the existing OneFamily policyholders
 - the OneFamily capital management policy
 - the With-Profits Fund investment strategy
 - the PPFM applying to the With-Profits Fund
 - the approach to setting bonuses and payouts
 - capital support arrangements between the With-Profits Fund and the Non-Profit Fund
 - the sunset clause of the With-Profits Fund
- 3.18 Due to the expense agreement in place, there will be no changes to the expenses or charges applied to the With-Profits Fund as a result of the IoT. While the expected expense synergies resulting from the merger won't directly benefit policyholders in the With-Profits Fund, they would be taken into account when the sunset clause is triggered in future.
- 3.19 The costs associated with the IoT will be met by the OneFamily Non-Profit Fund and will not directly impact the benefits of policyholders in the With-Profits Fund.
- 3.20 It is not expected that there will be any adverse tax consequences for With-Profits policyholders as a result of implementing the IoT.
- 3.21 I therefore conclude that there will be no material changes to the benefit expectations of the existing With-profits policyholders of OneFamily, as a result of the IoT.

Service Standards

- 3.22 There will be no impact on the services provided to the With-profits policyholders as a result of the IoT.
- 3.23 There will also be no change to the administration arrangements for the With-profits policyholders as part of the IoT.
- 3.24 I therefore conclude that there is no reason to expect any change in the standard of service provided to With-profits policyholders as a consequence of the IoT.

Governance

- 3.25 There will be no change to the governance arrangements for the With-Profits Fund under the IoT. However, post-merger there will be changes to the composition of the OneFamily Board and With-Profits Committee.
- 3.26 Given the strength of the regulatory rules relating to the governance arrangements for insurers, especially relating to with-profits business, I am satisfied that that there will be no material change to the level of governance that will apply to the with-profits policyholders as a result of the merger.

Policyholder communications

- 3.27 As members of OneFamily, with-profits policyholders will be entitled to vote on the merger. Each policyholder will receive an information pack and can either vote via proxy or by attending a Special General Meeting.
- 3.28 The information pack will explain the merger and summarise financial and non-financial information, as required by FSA92.
- 3.29 Additionally, information on the merger will be available on the OneFamily website, including the report of the Independent Actuary and there will be a dedicated telephone helpline for policyholders.
- 3.30 I have reviewed the Member and Member Delegate Communication Plan and the draft communications to OneFamily members and am satisfied that, from my position as WPA, the communications are clear and appropriate.

Consumer Duty

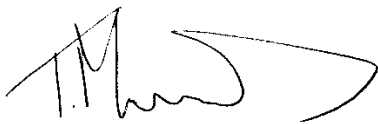
- 3.31 The FCA Consumer Duty rules came into force in July 2024 and require that OneFamily deliver good outcomes for all their policyholders. Based on the analysis above, I do not consider that the IoT will result in any material adverse impacts on OneFamily With-Profits policyholders from a Consumer Duty perspective.

Section 4: Conclusions

4.1 Based on the information provided, it is my opinion that:

- The security of benefits for the with-profits policyholders in OneFamily are not materially affected as a result of the IoT.
- The IoT does not result in adverse changes to the benefit expectations of the OneFamily with-profits policyholders.
- There are no changes to the capital management and investment policies of the with-profits business, as a result of the IoT.
- There are no changes to the PPFM by which the With-Profits Fund is managed as a result of the IoT.
- The administration and management of the with-profits policies and the treatment of the with-profits policyholders are unchanged as a result of the IoT.

4.2 Therefore, it is my opinion that the with-profits policyholders of OneFamily will not be materially adversely affected by the implementation of the proposed IoT.



Thomas Michael FIA
With-Profits Actuary to Family Assurance
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9 October
2026

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Section 5: Reliances and Limitations

5.1 Distribution and Use

- 5.1 The Report has been prepared by Towers Watson Limited (“WTW”) on an agreed basis to for the sole and exclusive use of Family Assurance Friendly Society Limited. It was not prepared for use by any other party and may not address their needs, concerns or objectives. We do not assume any responsibility, or accept any duty of care or liability, to any third party who may obtain a copy of this document and any reliance placed by such party on it is entirely at their own risk.
- 5.2 We understand that the OneFamily may wish to provide copies of this report to the Prudential Regulation Authority, the Financial Conduct Authority, the OneFamily Chief Actuary and the Independent Actuary (“IA”) (“the Recipients”) in the course of the Recipients’ standard duties. Permission is hereby granted for such distribution on the conditions that:
- The report is distributed in its entirety.
 - Each Recipient recognizes that WTW is available, at the expense of Family Assurance Friendly Society Limited and with its prior consent, to answer any questions concerning the report.
 - Each Recipient recognizes that the furnishing of this report is not a substitute for its own due diligence and agrees to place no reliance on this report or the data contained herein that would result in the creation of any duty or liability by WTW to such party.
 - In the event that the Recipient is required by order of a court of competent jurisdiction, administrative agency or governmental body, or by any law, rule, regulation, subpoena, or any other administrative or legal process to disclose this report, the Recipient may disclose this report, provided that the Recipient gives WTW prompt notice of any such requirement and, at our discretion, either (1) cooperates with us, at our expense, to prohibit such disclosure, or (2) uses all reasonable efforts to obtain confidential treatment of this report under a protective order or other appropriate mechanism.
 - Each Recipient understands that such RECIPIENT IS DEEMED TO HAVE ACCEPTED THESE TERMS AND CONDITIONS by retaining a copy of this report.
- 5.3 If the Company intends to make copies of this report available to the policyholders of OneFamily, the attention of such recipients or any third-party recipients is drawn to the paragraph 5.1 above.

5.2 Reliances

- 5.1 In preparing this report, I have relied on information supplied by Family Assurance Friendly Society Limited without independent verification. Reliance has been placed upon, but not limited to, the following data items received on or before 29 August 2026.
- The Report of the Chief Actuary on the proposed merger with Scottish Friendly Assurance Society Limited dated 25 September.
 - Draft Instrument of Transfer of Engagement between Family Assurance Friendly Society Limited and Scottish Friendly Assurance Society Limited - Litera Compare Redline - 1b

Project Meridian - Agreed Form IoT CMS170726 CLEAN(716636410.37) and Project Meridian - Agreed Form I received 25 August 2026

- The Independent Actuary Report, Project Meridian Independent Actuary Report, dated September 2026
- Information on the proposed communication strategy and draft communications received 25 August 2026.

5.3 Limitations

- 5.1 The Report has been prepared by WTW on an agreed basis to meet the specific purposes of Family Assurance Friendly Society Limited, and must not be relied upon for any other purpose. The Report has been prepared for use by persons technically competent in the areas covered. Except with the written consent of WTW, the Report and any written or oral information or advice provided by WTW must not be reproduced, distributed or communicated in whole or in part to any other person, or be relied upon by any other person. Any reference to WTW in any report, accounts or other published documents is not authorised without our prior written consent.
- 5.2 The Report must be considered in its entirety as individual sections, if considered in isolation, may be misleading. Draft versions of the Report must not be relied upon by any person for any purpose. No reliance should be placed on any advice not given in writing. If reliance is placed contrary to the guidelines set out above, WTW disclaim any and all liability which may arise.
- 5.3 This Report was based on data available to WTW at, or prior to, 9 October 2026, and takes no account of developments after that date. WTW is under no obligation to update or correct inaccuracies which may become apparent in the Report.
- 5.4 This report has been performed on an outsourced basis under the terms of the Statement of Work for outsourced actuarial services dated 4 December 2015 (the Engagement Letter), Change Controls A1, A2, A3, A4, A5, A6 and A7 with Effective Dates 1 July 2020, 30 June 2021, 23 June 2023, 1 July 2024, 20 December 2024, 16 April 2025 and 13 November 2025 respectively.

Legal jurisdiction

- 5.5 This report will be governed by and construed in accordance with English law and the parties submit to the exclusive jurisdiction of the English courts in connection with all disputes and differences arising out of, under or in connection with this report. If any part of a provision of this report is held invalid, illegal, or unenforceable then the remainder of such provision shall remain valid and enforceable to the fullest extent permitted by law.