

## Certificate of both the With-profits Actuary and the Chief Actuary of the Independent Order of Oddfellows Manchester Unity Friendly Society on the opinion of the proposed amendment to the Instrument of Transfer for the Ideal Sub-Fund

1. I (Karen Miller) have been appointed by the Independent Order of Oddfellows Manchester Unity Friendly Society Limited (“the Society”) to act as With-Profits Actuary since July 2016. I am a Fellow of the Institute and Faculty of Actuaries and an employee of Willis Towers Watson, a leading global advisory, broking and solutions company. I am not a policyholder of the Society.
2. I (Michael Green) have served as the Chief Actuary to the Society since July 2016. I am a Fellow of the Institute and Faculty of Actuaries, and an employee of Willis Towers Watson. I am not a policyholder of the Society.
3. The Instrument of transfer between the Ideal Benefit Society and the Independent Order of Oddfellows Manchester Unity Friendly Society Limited was agreed in May 2007 (the “2007 IoT”).
4. Following discussions with the Financial Conduct Authority, the Society has proposed changes to the 2007 IoT in consultation with their own legal advisor with the aim of clarifying clause 20.2 of the 2007 IoT which deals with the cessation of the Ideal Sub-Fund and has asked us in our capacity as both With-profits Actuary and Chief Actuary to opine on these changes in line with the requirement in clause 23.2 of the 2007 IoT, which states that

*“If at any time the provisions of this Instrument prove impossible, impracticable or inequitable to implement, the Oddfellows shall be at liberty to apply to the FSA for consent to amend its terms, provided that in any such case such application shall be accompanied by a certificate from the Actuary to the effect that in his opinion the proposed amendment will not adversely affect the reasonable expectations of, or reduce the protections conferred by the Instrument on the holders of the Transferred Policies allocated to the Ideal Sub-Fund or the Ideal Insurance Company Sub-Fund or of a particular section or class of such holders disproportionately. If such consent is granted, the Oddfellows may amend the terms of this Instrument in accordance with such consent.”*

5. This document is intended to satisfy the requirements of clause 23.2 of the 2007 IoT.
6. The Society proposes to include the following two additional clauses, 20.3 and 20.4, within the 2007 IoT:

*“20.3 On the cessation of the Ideal Sub-Fund pursuant to clause 20.2, the surplus of the Ideal Sub-Fund shall be distributed or allocated to those policies within the Ideal Sub-Fund which were in force as With Profits Policies on the date of cessation on a basis determined, taking into account the advice of the Oddfellows’ Actuary, the Oddfellows’ With-Profits Actuary, and the Oddfellows With-Profits advisory arrangement (the Insurance Committee), in a manner that complies with Oddfellows regulatory and legal obligations including the requirements to treat customers fairly (taking into account policyholders’ reasonable expectations) (subject always to any charges for implicit capital support under clauses 7.2 and 7.3), upon which no further allocation of surplus will be made to those policies.*

*20.4 On the cessation of the Ideal Sub-Fund all ex-Ideal policies (whether these had been with-profit or non-profit) will be charged expenses using a fair and reasonable basis, and reflecting the approach that Oddfellows uses for its other Long Term Business funds.”*

7. Clause 20.3 retains the Ideal with-profits policyholders' entitlement to all of the surplus within the Ideal Sub-Fund subject to a charge for providing capital support to these policyholders following the cessation of the Ideal Sub-Fund. The clause also notes that following the cessation of the Ideal Sub-Fund the Ideal policyholders would no longer be able to participate in future surplus. Under the cessation of the Ideal Fund, the Society will consider the distribution of the surplus in the Ideal Fund to with-profits policyholders. The impact of including a charge for capital support is that some of the surplus, which would otherwise be available for distribution to with-profits policyholders, will be retained by the Society, in order for it to manage the risks associated with the run-off of the Ideal business post cessation. It is our opinion that the proposed addition of Clause 20.3 will not adversely affect the reasonable expectations of, or reduce the protections conferred by the Instrument, because the Ideal with-profits policyholders will benefit from the capital support provided by the Society for their guaranteed benefits, following the cessation of the fund. However the actual terms and conditions of the surplus distribution, including the level of any charge, would still need to be determined by us in our roles as With-profits Actuary and Chief Actuary having regard to the requirements to treat customers fairly and policyholders' reasonable expectations (in line with the requirements set out under clause 20.3).
8. Clause 20.4 requires that after the cessation of the Ideal Sub-Fund and following the final distribution of surplus as envisaged in clause 20.3, all ex-Ideal policies (whether these had been with-profits or non-profit) will be charged expenses using a fair and reasonable basis, reflecting the approach used for other Long term business funds. This is reasonable and would in any event be taken into account when assessing the basis for distribution of the remaining surplus under clause 20.3 in our roles as With-profits Actuary and Chief Actuary.
9. On the basis of our interpretation of clauses 20.3 and 20.4 as set out above, in our opinion the proposed addition of clauses 20.3 and 20.4 will not adversely affect the reasonable expectations of, or reduce the protections conferred by the Instrument on the holders of the Transferred Policies allocated to the Ideal Sub-Fund or of a particular section or class of such holders disproportionately.
10. In particular, as noted above, the actual basis to be used for the cessation of the Ideal Sub-Fund is subject to separate consideration by the With-profits Actuary and Chief Actuary as required to assess the fairness of the approach and to ensure customers are treated fairly which in our opinion meets the requirements set out under clause 23.2.

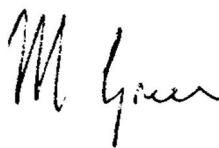
## **Reliances & Limitations**

11. In carrying out our work and producing this certificate, we have relied without independent verification on the changes to the 2007 IoT being limited to the addition of new clauses 20.3 and 20.4 as described in this certificate.
12. The opinions expressed in this certificate are based upon our interpretation of clauses 20.3 and 20.4 as actuaries. Nothing in this certificate should be construed as legal advice.
13. The certificate has been prepared by Willis Towers Watson on an agreed basis to meet the specific purposes of the Society, and must not be relied upon for any other purpose. This certificate has been prepared for use by persons technically competent in the areas covered. Except with the written consent of Willis Towers Watson, the certificate and any written or oral information or advice provided by Willis Towers Watson 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 Willis Towers Watson in any report, accounts or other published documents is not authorised without our prior written consent.
14. This certificate does not extend to any other changes that may be made to the 2007 IoT.

15. This certificate is subject to the terms and limitations, including limitation of liability, set out in our engagement letter of 25 January 2013.

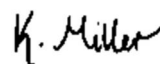
### **Legal jurisdiction**

16. This certificate 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 certificate. If any part of a provision of this certificate is held invalid, illegal or unenforceable then the remainder of such provision shall remain valid and enforceable to the fullest extent permitted by law.



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