

Summary of PPFM changes

The table below sets out how the PPFM that applied prior to the Implementation Date will be updated to reflect the changes implemented under the Proposal. For each section in the existing and updated PPFM, details of the changes are noted. The table also shows whether changes have been made to background text, principles or practices. In the table and updated PPFM, the Proposal is referred as the 2020 Restructure. This reflects the fact that the PPFM will only apply if the Proposal has been implemented and hence is no longer “proposed”. Changes made to the formatting of the PPFM are not noted in this summary.

Current PPFM section	New PPFM section	Changes made / comments	Type of change
1. Introduction	1. Introduction	Description added of the with-profits business covered by the PPFM, together with other minor changes.	Background
2 Strategy	n/a	The section in the PPFM setting out the plans to restructure the business has been deleted, as this version of the PPFM takes effect after this strategy has been effected.	Background
n/a	2. Background 2020 Restructure	This is a new sub-section within the background section of the PPFM. It provides high level details of the 2020 restructure.	Background
3. Background Information on Equitable Life 3.1. Constitution and Membership of the Society a) Members of the Society	2. Background Constitution and Membership of the Society	Prior to the 2020 Restructure, the owners of the Society were With-Profits policyholders. The 2020 Restructure makes Utmost Life the owner as sole member. The text has been updated to reflect this.	Background
3. Background Information on Equitable Life 3.1. Constitution and Membership of the Society b) Participation in the	2. Background Participation in the profits and losses of the Society	Prior to the 2020 Restructure, the With-Profits policyholders participated in the profits and losses of the whole of the Society. Following the 2020 Restructure, the With-Profits policyholders participate in the profits and losses of the With-Profits Fund only. Part of the profits and losses of the With-Profits Fund are also transferred to the Main Fund through the Inter-Fund Reinsurance. The PPFM has been updated to reflect this.	Background

profits and losses of the Society			
3. Background Information on Equitable Life 3.1. Constitution and Membership of the Society c) Liability of members for the debts of the Society	n/a	Following the 2020 Restructure, With-Profits policyholders are no longer members of the society and therefore this section is no longer relevant to them. It has been deleted.	Background
3. Background Information on Equitable Life 3.2. Types of with-profits policy issued by the Society	2. Background Types of with-profits policy in the Society's With-Profits Fund	Following the 2020 Restructure all the With-Profits business covered by this PPFM is Recurrent Single Premium business with 0% Guaranteed Investment Return. Descriptions of other with-profits business that has been converted to unit-linked have been deleted.	Background
3. Background Information on Equitable Life 3.3 The concept of Policy Values	2. Background The concept of Asset Share	Since the 2020 Restructure target payouts are based on Asset Share, replacing the previous concept of Policy Value plus Capital distribution. The text has been updated to reflect this.	Background
3. Background Information on Equitable Life 3.4. The concept of Capital Distribution		Following the 2020 Restructure, With-Profits policyholders are no longer members of the society and therefore this section is no longer relevant to them. It has been deleted.	Background
3. Background Information on Equitable Life 3.5. Other with-profits business	n/a	Following the 2020 Restructure the business described by this section is no longer with-profits, so this text has been deleted.	Background

4. Principles	3. Principles	This section has been updated reflecting the changes to the Principles set out below.	Principles
	4. The amount payable under a with-profits policy Principles	This is a new section, which sets out the use of Asset Share as the basis for the target payout on the policies following the 2020 Restructure. Key aspects include, the initial level of the Asset Share at the date of the 2020 Restructure and the charges that can be taken from it.	Principles
	4. The amount payable under a with-profits policy Practices	This section explains how the Asset Share is used to target payouts, replacing the previous use of a heavily smoothed Policy Value and Capital Distribution Amount. The practices explain that payouts are targeted at 100% of Asset Share and should be within the range set in the PPFM. This section includes an updated version of the text from Section 7 of the previous PPFM describing payouts on early surrender.	Practices
5 Bonus Policy 5.1. Principles	5. Bonus policy and smoothing Principles	This covers both bonus policy and smoothing which were separate sections in the previous PPFM. The existing principle that for the foreseeable future new distributions will be in non-guaranteed form has been retained. The other principles reflect the changes implemented by the 2020 Restructure, in particular the move away from highly smoothed benefits to little smoothing.	Principles
5 Bonus Policy 5.2. Practices	5. Bonus policy and smoothing Practices	The practices provide more detail, particularly with regards to the changes to smoothing.	Practices
6. Smoothing	n/a	Relevant text has been combined with bonus policy text and is now included in section 5.	Principles
7. Payouts on early surrender	n/a	Where appropriate text from this section has been included in other sections. Section 4, the amount payable under a with-profits policy, explains the targeting of 100% of Asset Share on maturity and surrender. Section 5, bonus policy and smoothing, notes the potential for a financial adjustment to be made on surrender. Given the intention to target 100% of Asset Share without smoothing, it is not necessary to include much text regarding financial adjustment for surrenders. However, a sentence has been added in section 5.	Practices

8. Investment Policy 8.1. Principles	6. Investment Policy Principles	This has been updated reflecting the additional investment freedom created by the 2020 Restructure and the need for a separate pool of assets backing the Asset Shares. Previous principles of a conservative strategy and close matching of assets, to enable earlier capital distribution are no longer required for the assets backing Asset Shares. The concept of careful management has been retained, but with recognition of the potential for investment seeking a real return.	Principles
8. Investment Policy 8.2. Practices	6 Investment Policy Practices	Some wording in the practices has been retained, for example relating to governance, use of investment managers and asset types. However, there are material changes reflecting the increased investment freedom following the 2020 Restructure and expectation of investment of assets backing Asset Shares in return seeking assets going forward. Key areas of change include description of the requirements of the business and the potential for future charges for guarantees. This recognises changes to the potential conflicts of interests. Prior to the 2020 Restructure the potential for conflict was primarily between groups of With-Profits policyholders and following the 2020 Restructure the potential conflict between With-Profits policyholders and the owners needs to be recognised to ensure that it is appropriately managed.	Practices
9. Business Risks 9.1 Principles	7. Business Risks Principles	Prior to the 2020 Restructure, the With-Profits policyholders were directly exposed to all the business risks faced by the Society. Following the 2020 Restructure, the majority of these risks are borne by the Main Fund and new principles have been written to explain this.	Principles
9. Business Risks 9.1 Practices	7. Business Risks Practices	The practices reflect the direct exposures to risks through Asset Shares, primarily investment risk, and the management of other risks which could have an indirect impact. Amended to split the direct and indirect exposures. There is less detail than the previous PPFM reflecting the reduction in risk exposure. This section provides detail on the Inter-Fund Reinsurance.	Practices
n/a	8 Inherited Estate	This is a new section which has been added reflecting the fact that the With-Profits fund created by the 2020 Restructure will not have an estate and that capital is provided by the Main Fund.	Principles and Practices

n/a	9 New Business	This new section has been included which sets out that it is not expected that any new business will be written in the With-Profits fund created by the 2020 Restructure. It is not expected that it will be necessary to write any new With-Profits business and any new non-profit business would be written in the Main Fund.	Principles and Practices
n/a	10 Equity between Policyholders and Shareholder	This section has been added, explicitly recognising the potential for conflict of interests between the With-Profits policyholders and the Society's owner.	Principles and Practices
	Appendix A – Types of contracts in the With-Profits Fund	An appendix has been added setting out the names of UK style With-Profits policies and products covered by the German Business Plan.	Background
	Appendix B – Key terms from the legal scheme	The key terms from the legal scheme used in the 2020 Restructure, which relate to the fair treatment of UK style With-Profits policies, have been included for reference.	Background
n/a	Appendix C - Glossary	A glossary has been added to explain terms like the '2020 Restructure' and 'Asset Shares'.	Background
Appendix	n/a	This appendix, which showed historic levels of increases to Policy Value and the levels of Capital Distribution Amount has been deleted as these concepts are not used for target payouts following the 2020 Restructure.	Background