

## ***Introduction***

An Independent Actuary's Report ("Report") dated 11 August 2020 has been prepared in order that the Irish High Court, the Central Bank of Ireland ("CBI"), the policyholders and other affected parties may properly assess the impact of the proposed transfer of the insurance policy liabilities and associated assets from Inora Life Designated Activity Company ("Inora") into Monument Life Insurance DAC ("MLIDAC") via a Portfolio Transfer (the "Scheme"). Inora and MLIDAC are referred to collectively herein as the "Scheme Companies". The Scheme arises as Inora has decided to transfer the liabilities of its insurance business in line with its strategy (and the strategy of the Monument Re Limited ("Monument Re") Group) to run-off insurance business as efficiently as possible. MLIDAC is a closed-book consolidator and the acquisition of the Inora book aligns with MLIDAC's strategic plans to grow and develop its unit-linked product offering.

This Summary Report describes the Scheme and considers the potential impact and benefits on affected policyholders (of the Scheme Companies), including on the security of their policies. This Summary Report is a summary of the full Independent Actuary's Report. The full Report is available on request from the offices of Inora, MLIDAC, the relevant legal advisors (Matheson), on the Inora website: <http://www.inoralife.com/ie.html> and on the MLIDAC website: <https://www.monumentregroup.com/about-monument-re/about-ie/monument-life-insurance-dac/>

The proposed transfer of insurance business from one Irish insurer to another must be approved by the Irish High Court. In addition, the CBI, as the regulator of both Scheme Companies, will be consulted. The terms covering the proposed Scheme are set out in the Scheme document that will be presented to the Irish High Court. I refer to that document as the "Scheme of Transfer". It is anticipated that the Scheme of Transfer will be presented to the Irish High Court under Section 13 of the Assurance Companies Act 1909, Section 36 of the Insurance Act 1989 (as amended) and SI No. 485/2015 – European Union (Insurance and Reinsurance) Regulations 2015 on 8 September 2020, at which time the directions of the Irish High Court will be sought. It is intended that the Sanctions Hearing will take place on 8 December 2020, when final approval of the Scheme of Transfer will be sought with a proposed effective date of 31 December 2020 (the "Effective Date").

## ***About the Independent Actuary***

I am a partner in KPMG Ireland. I am a Fellow of the Society of Actuaries in Ireland with more than 25 years of experience of working in the insurance industry. I have previously conducted similar Independent Actuary roles with respect to businesses in Ireland. My full biography is included in the Report.

## ***Use and Limitations***

This Summary Report covers the main conclusions of the full Report. However, this Summary Report must be considered in conjunction with that Report and reliance must not be placed solely on this Summary Report. Both this Summary Report and the full Report must be considered in their entirety. Individual sections, if considered in isolation, may be misleading. This Summary Report is subject to the same limitations on its use as are set out in the full Report. In the event of any real or perceived conflict between this Summary Report and the full Report, my Report contains the definitive description.

Neither the full Report, nor any extract from it, may be published without my specific written consent having been given, save that copies of the Report may be made available for inspection by policyholders and shareholders of the Scheme Companies and copies may be provided to any person requesting the same

in accordance with legal requirements or any order of the Court. In the event such consent is provided, the full Report must be provided in its entirety. A summary of my Report is set out below.

### ***Background to MLIDAC***

MLIDAC is a designated activity company regulated in Ireland. MLIDAC is registered in Ireland under company number 325795, which was incorporated in Ireland on 31 July 2000. MLIDAC commenced writing business in September 2000 under the name of CitiLife Financial Limited, a subsidiary of Citigroup Insurance Holdings Corporation. In March 2011, MLIDAC was sold by Citigroup Insurance Holdings Corporation to Enstar. MLIDAC was then sold by Enstar to the Monument Re Group on 29 August 2017. Since its acquisition, MLIDAC has acted as the consolidation vehicle for the Monument Re Group of companies for Irish transactions, involving the acquisition of portfolios of life insurance businesses in run-off. MLIDAC previously traded as Laguna Life DAC (“Laguna”), having been re-branded with effect from 2 April 2020, and is a subsidiary of another Monument Re Group entity in Ireland, Monument Assurance DAC (“MADAC”). MADAC is in the process of surrendering its licence to the CBI and following this it is intended that it will be wound up by way of member’s voluntary liquidation, a solvent winding up process. As part of this process, it is intended that the liquidator of MADAC will transfer its shareholding in MLIDAC to Monument Re so that MLIDAC will become a directly held subsidiary of Monument Re.

My full Report contains details about the Monument Re Group. I have not reproduced the detail in this Summary Report, as my full Report is available on request from the Scheme Companies.

### ***Background to Inora***

Inora is registered in Ireland under company number 329745 and is regulated by the CBI. Inora received regulatory approval in 2001 to operate as a life assurance head office undertaking in Ireland. Inora is authorised to conduct life insurance business in Class III and Class VI, both with associated Class I. Inora sold a range of unit-linked products, written on both single premium and regular premium bases in France, Belgium, Austria, Germany, Italy and Ireland. Resulting from a lack of new business, the decision by mutual agreement was taken at a Board meeting on 16 February 2012, to close Inora to new business and to place it into run-off. Société Générale initiated a process in 2019 with the intention of selling Inora to a third party. On 13 September 2019, Inora was acquired by Monument Re, through its European subsidiary MLIDAC, following receipt of regulatory approval from the CBI.

My full report contains a summary of the products offered by the Scheme Companies. I have not reproduced the detail in this Summary Report.

### ***Details of the Scheme***

The Scheme proposed is one for the transfer of the insurance policies of Inora by order of the Irish High Court. The Scheme provides for the transfer of the insurance policies, incorporating the underlying insurance contracts, together with the associated liabilities and assets as at the Effective Date to MLIDAC, such that Inora has no further liabilities to policyholders.

The Scheme proposes on the Effective Date:

- To transfer the insurance liabilities from Inora to MLIDAC.
- That MLIDAC will establish regulatory technical provisions in respect of the transferring liabilities and associated capital requirements under the Solvency II regulatory basis and methodology.

- That the administration, reinsurance, investment manager, custodian and any other contracts will transfer over from Inora to MLIDAC.
- That the portfolio transfer will be made on an arm's length basis and will include the transfer of assets to support the maintenance of the portfolios post the portfolio transfer.
- To maintain policyholder terms and conditions, i.e. there will be no changes to policyholders' terms and conditions across any of the entities (Inora and MLIDAC).
- To maintain the same type, number and overall value of units in the Inora unit-linked funds for the policies transferring as part of the Scheme (i.e. the operation of the Inora unit-linked funds will remain unchanged).
- To maintain the operation of the insurance contracts, i.e. the operation of the policies will not change and all supporting contractual arrangements such as scheme administration should remain unchanged. However, I note that MLIDAC is considering a change to the policy and fund administration arrangements in August 2020. I have not considered this further as this is prior to the Scheme.

The Effective Date of the Scheme is expected to be 31 December 2020.

### ***Independent Actuary's Approach***

My approach to assessing the likely effects of the Scheme on policyholders is to:

- Understand the businesses of the companies affected by the Scheme; and
- Understand the effect of the Scheme on the assets, liabilities and regulatory capital of the companies involved.

Having identified the effects of the Scheme on the various companies, I then:

- Identify the groups of policyholders directly affected;
- Consider the impact of the Scheme on the security of each group of policyholders;
- Consider the impact of the Scheme on the benefit expectations of each group of policyholders; and
- Consider other aspects of the impact of the Scheme (for example, policyholder service).

### ***Policyholder impacts***

The Assumptions underpinning my analysis are set out in Section 2.1.4 in my Report. The assumptions underlie the analysis and conclusions in my Report, and, at this stage, these assumptions correctly represent the current intentions of the Scheme Companies. If any of these assumptions were to change, my opinion may also change. I will formally assess the assumptions again as part of my preparation of a Supplementary Report ahead of the Sanctions Hearing in December 2020. Whilst my full Report captures all of the detail, below I have summarised some of the more significant assumptions:

*Security of benefits at portfolio transfer date*

I have considered the relative capital strength of MLIDAC and Inora prior to and post the transfer and in respect of all groups of policyholders. I have based my analysis on the most recent audited financial information as at 31 December 2019, including regulatory returns to the CBI, projected financial information and interim results prepared by the Scheme Companies over 2020 thus far.

The MLIDAC proforma position is complicated by the various portfolio transfers which have been completed subsequent to 31 March 2020 and are planned to be completed over the rest of 2020 but prior to the Inora portfolio transfer.

The projected capital and solvency position of MLIDAC pre- and post-transfer is set out in Table 1 below, based on pro-forma results as at 31 March 2020. In addition, for comparison purposes, the solvency position of Inora is provided:

<b>Table 1: Inora and MLIDAC Illustrative Solvency Position (€m)</b>					
	<b>Inora - Pre-Transfer</b>	<b>MLIDAC - Pre-Transfer</b>	<b>MLIDAC – Pre-Transfer but post various Schemes*</b>	<b>MLIDAC – Post Transfer (Gross)**</b>	<b>MLIDAC – Post Transfer (Net)**</b>
Own Funds	13.1	27.9	30.7	29.7	30.0
Solvency Capital Requirement	3.1	8.8	16.6	18.4	15.9
Capital required	3.7	8.8	16.6	18.4	15.9
Excess of Own Funds over Solvency Capital Requirement	9.4	19.1	14.1	11.3	14.0
<b>Solvency Coverage Ratio</b>	<b>353%</b>	<b>317%</b>	<b>185%</b>	<b>161%</b>	<b>188%</b>

*Note: MLIDAC results are pro-forma results prepared by MLIDAC management.*

*These various Schemes include Project Trinity, Project CARP HNW, Project Boris and Project Puma.*

*\*\* These reflect the Gross and Net positions after implementation of the intragroup reinsurance arrangement.*

MLIDAC has an internal capital management target of 140% of Solvency Coverage Ratio (“SCR”) plus an intragroup reinsurance capital buffer. The proforma results above include a capital management action of a dividend payment from Inora to MLIDAC. This dividend payment serves to reduce MLIDAC’s solvency capital requirements and ensures that MLIDAC is capitalised to meet its internal capital management target at the Scheme date. This is a key capital management action and an assumption in my assessment.

I have considered below the effects of the Scheme on the security of the transferring Inora policyholders and the existing MLIDAC policyholders.

Inora Policyholders

For the Inora policyholders, I note the following impacts of the Scheme based on the analysis above:

- There are no remaining policyholders in Inora post the Scheme. Inora will surrender its licences to the CBI and will then be liquidated. I have no further considerations in that regard.
- Post-transfer, the Inora policyholders are part of MLIDAC, with Own Funds of €30.0m and a solvency coverage ratio of 188%. Although the solvency position is lower, the Inora policyholders become part of a company with a higher level of Own Funds (and a higher excess of Own Funds over the regulatory capital requirements) and a more diversified risk profile. I note that the current level of regulatory capital

coverage that Inora policyholders currently enjoy reflects the transfer being executed, as without it the solvency position of Inora as a stand-alone entity would be threatened.

#### Existing MLIDAC Policyholders

For existing MLIDAC policyholders, I note the following impacts of the Scheme based on the analysis above:

- Part of the MLIDAC's regulatory capital position already reflects its investment in Inora i.e. contribution to Own Funds of €13.1m and contribution to SCR (undiversified) of €2.9m.
- Post transfer of Inora and other various Scheme, the available Own Funds is €30.0m, whilst the regulatory capital requirement is projected to be €15.9m. Therefore, MLIDAC's coverage of the regulatory capital requirement increases from 185% to 188%. The solvency position reflects a €5.0m dividend payment from Inora to MLIDAC and the implementation of intragroup reinsurance arrangement with Monument Re that serves to ensure that MLIDAC is capitalised to meet its internal capital management target at the Scheme date. Given these dividend and reinsurance actions, MLIDAC policyholders' financial position is materially unchanged as a result of the Scheme.

#### *Security of benefits on projected basis*

I have been provided with the projected solvency positions for Inora and MLIDAC, with these projections prepared as part of the Own Risk and Solvency Assessment ("ORSA") processes in each of the Scheme Companies. These projections illustrate how the solvency positions of Inora and MLIDAC are anticipated to evolve over this time horizon, in a number of both benign and adverse stressed cases.

Based on this financial analysis provided I do not believe that the implementation of the Scheme will have a material adverse effect on the security of the transferring Inora policyholders or existing MLIDAC policyholders.

MLIDAC management is preparing a new ORSA to reflect all the various portfolio transfers including the Inora portfolio transfer. The stress and scenario testing and solvency projections are not ready at this stage. However, this is a key assessment area and will be reviewed in the Supplementary Report.

#### *Risk profile analysis*

The primary differences here arise due to the mix of business of the two Scheme Companies and I have considered the impacts for the relevant policyholder groups below.

The transferring Inora business is not materially different in terms of design features, operation and key risks to those already on MLIDAC's balance sheet. The Inora book of business is closed with no new business being added. The policies are now being transferred to a closed-book consolidator, who specialises in acquiring and running-off such portfolios.

Inora policyholders will be exposed to certain different risks than they are currently exposed to. There will be some exposure to non-life risks that form part of MLIDAC's balance sheet as a result of the transfer of MIDAC business. However, these non-life risks are not material, are well understood by MLIDAC and are anticipated to run-off quite quickly. Furthermore, there are regulatory capital buffers and risk management processes in place to manage these risks. I am comfortable that this does not materially impact the financial security of the Inora policyholders.

MLIDAC's risk profile does not change as Inora is consolidated onto the MLIDAC balance sheet as a subsidiary.

I also note:

- Inora and MLIDAC are all ultimately 100% owned by Monument Re. Therefore, the capital support that was available to Inora and MLIDAC pre-transfer continues to be available if required post transfer.
- Inora and MLIDAC operate under broadly similar Monument Re mandated governance, risk management and capital management arrangements and so there will be no change in the standards of governance which will apply.

#### *Fair treatment of policyholders*

I have also considered the effects of the Scheme on the fair treatment of the transferring Inora and existing MLIDAC policyholders, including Policyholders Reasonable Expectations, focusing on the following aspects:

- *Fund range:* All the funds which are available to Inora policyholders will still be available after the Scheme completes. I also note that it is MLIDAC's intention to maintain the breadth of offering currently provided by Inora under consideration of applicable local regulatory requirements. In my opinion, the implementation of the Scheme will not have an adverse effect on the fair treatment of policyholders in this regard.
- *Entitlement to Benefits:* Existing practices in respect of surrender, maturity, transfer, or death will remain in place post-transfer. Claims which are settled as part of the normal course of business will be dealt with in the same way post-transfer.

I note that there are some German policies in force where an annuity must be paid under the regulations i.e. a payment of capital is not permitted. The general approach has been to communicate with these policyholders in the lead up to policy maturity and I expect this to continue post transfer. As for Inora, MLIDAC do not have a ready annuity offering so there will be no change to practice and the exposure still remains. Work continues to ensure a suitable solution is in place for the policyholders, so policyholders are in no worse a position as a result of the Scheme.

I further note that existing contractual mechanisms in place in respect of French policyholders will remain in place post the transfer.

I note that Inora currently receive rebates from investment managers in respect of some structured fund products. These fund rebate arrangements will novate to MLIDAC upon execution of the Scheme.

Therefore, in my opinion, the implementation of the Scheme will not have an adverse effect on the fair treatment of policyholders in this regard. Therefore, in my opinion, the implementation of the Scheme will not have an adverse effect on the fair treatment of policyholders in this regard.

- *Policy terms and conditions:* There will be no change to policy terms and conditions of the transferring Inora policies or the existing MLIDAC policies.
- *Servicing of policies:* Inora intends to migrate the finance, policy administration and fund administration services from the existing service provider, DST, effective 31 August 2020. Policy administration

services will migrate to Equiniti and this will take effective from 10 August 2020. Fund administration and finance services will migrate to MISL and will take effective from 31 August 2020. I have no issues to note as this is expected to be completed prior to the Scheme.

- *Expenses and charges:* These will remain unchanged as a consequence of the Scheme for all policyholders. Overall, with regard to expenses and charges, I have no issues to note.
- *Costs of the Scheme:* All costs associated with the Scheme will be borne by the shareholders of Inora and MLIDAC or by Inora and MLIDAC directly. No costs will be borne by policyholders. Therefore, in my opinion the implementation of the Scheme will not have an adverse effect on the fair treatment of policyholders in this regard. I have no issues to note.
- *Discretion:* With regard to the management of the Inora policies, the levels of discretion available to management are limited, relating to the charges levied, the funds offered and the approach to unit-pricing. There are some minor areas of discretion where Inora has the right to vary charges on some policies sold in Belgium. I have been advised that Inora has never exercised these discretionary powers. I expect that this practice will not change. The Head of Actuarial Function of MLIDAC has noted my comments in this regard.
- *Complaints and redress:* I note that the complaints handling procedures adopted by both entities at present are well aligned. Both Inora and MLIDAC policyholders currently escalate claims to the Financial Services and Pensions Ombudsman. There will be no changes as a result of the Scheme for the policyholders. I have no issues to note.

Overall, I am comfortable that transferring Inora policyholders and existing MLIDAC policyholders will be treated fairly post-transfer and their reasonable expectations will not be adversely affected due to the transfer.

### *General aspects*

I have also considered some more general aspects:

- *Taxation:* It is expected that the transferring Inora policyholders and the existing MLIDAC policyholders will be unaffected by the Scheme in respect of taxation.
- *Policyholder communications:* I have reviewed the intended communications strategy and note that it is aligned to what I would reasonably expect.
- *Legal risk:* In considering any legal risks, I have relied on the fact that Inora and MLIDAC have followed the advice of their legal advisers and Counsel in finalising the legal agreements in relation to this transaction. Thus, in my opinion, all reasonable steps have been taken to reduce the legal risks arising from the Scheme to a minimum.
- *Pending legal proceedings:* I understand that there are no material legal proceedings pending or current against Inora and MLIDAC at the date of this Report.

Overall, I do not consider that these aspects will have a material adverse impact on policyholders' entitlements.

I expect that a Supplementary Report will be required from me containing an update on any developments that may have occurred in the period between the Court Directions hearing and the formal order sanctioning the portfolio transfer to proceed. I understand that this Supplementary Report will be made available on the website of the respective Companies.

### **Conclusions**

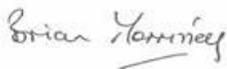
Having considered the impact of the Scheme on both the transferring policyholders of Inora and the existing policyholders of MLIDAC, it is my opinion that:

- The Scheme will not have a material adverse effect on the reasonable benefit expectations of any of the policyholders involved; and
- The risk to policyholder security is remote. Therefore, in my view, policyholders will not be materially adversely affected by the proposed Scheme.

My opinion in relation to Inora and MLIDAC policyholders is based on:

- My review of all the pertinent historic, current and projected information provided by Inora and MLIDAC;
- The investigations completed by the respective Inora and MLIDAC Heads of Actuarial Function and their respective conclusions based on those investigations, as set out in their actuarial assessments; and
- Discussions with the management of Inora and MLIDAC on what will happen post-transfer.

My assessments are made in the context of the Solvency II regulatory regime.



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**Brian Morrissey, FSAI**

*Independent Actuary, KPMG in Ireland*

11 August 2020

Date