



---

# Supplemental Report to the Report of the Independent Actuary

**Supplemental Report of the Independent Actuary on the  
proposed Scheme to transfer certain insurance business  
of Athora Ireland plc to Monument Life Insurance dac**

Prepared by:  
**Mr Michael Culligan, FSAI**

7 Grand Canal  
Grand Canal Street Lower  
Dublin 2  
Ireland  
[milliman.ie](http://milliman.ie)

## TABLE OF CONTENTS

<b>1</b>	<b>INTRODUCTION</b>	<b>3</b>
	Purpose of this report	3
	Reliances and limitations	3
<b>2</b>	<b>ANALYSIS AND CONCLUSIONS</b>	<b>4</b>
	Approach	4
	Developments since the completion of the Independent Actuary's Report	4
	Conclusion	6
<b>3</b>	<b>APPENDIX – LIST OF PRINCIPAL ADDITIONAL DATA SOURCES</b>	<b>8</b>
	Athora Ireland	8
	MLIDAC	8
	Other	8

## 1 INTRODUCTION

### Purpose of this report

- 1.1 I have previously prepared a report (the "**Independent Actuary's Report**") dated 8 June 2021 on the terms of the proposed transfer of a run-off portfolio of insurance policies from Athora Ireland plc ("**Athora Ireland**") to Monument Life Insurance dac ("**MLIDAC**") (together "**the Companies**") pursuant to an insurance business scheme of transfer under Section 13 of the Assurance Companies Act 1909 (the "**1909 Act**").
- 1.2 The Independent Actuary's Report summarises the terms of the proposed transfer and sets out my conclusions on its likely effects on both the security of benefits and the fair treatment and reasonable benefit expectations of the Companies' policyholders.
- 1.3 This report (the "**Supplemental Report**") provides an update on my conclusions as set out in the Independent Actuary's Report in the light of further information now available to me.
- 1.4 I understand that a copy of the Supplemental Report will be made available to the Court and will also be made available on both the Athora Ireland website ([www.athora.com/ie/Sale-of-guarantees-portfolio-to-Monument-Life](http://www.athora.com/ie/Sale-of-guarantees-portfolio-to-Monument-Life)) and the MLIDAC website (<https://www.monumentregroup.com/about-monument-re/about-ie/monument-life-insurance-dac-va>).

### Reliances and limitations

- 1.5 The statements in the Independent Actuary's Report regarding qualifications and disclosures; the parties for whom my report has been prepared; reliances and limitations; and, professional guidance, also apply to this Supplemental Report, except that this Supplemental Report is based on the information available to me at, or prior to, 22 October 2021, and takes no account of developments after that date.
- 1.6 All abbreviations and technical terms used in this report have the same meaning as in the Independent Actuary's Report unless otherwise indicated.
- 1.7 This Supplemental Report should be read in conjunction with the Independent Actuary's Report, as reading this report in isolation may be misleading. Both reports must be considered in their entirety as individual sections, if considered in isolation, may be misleading.
- 1.8 The Supplemental Report should also be read in conjunction with the other documents that pertain to the proposed Scheme.
- 1.9 In preparing the Supplemental Report, I have had access to certain documentary evidence provided by Athora Ireland and MLIDAC, the principal elements of which I list in the Appendix to this report. In addition, I have had access to, and discussions with, the senior management of both Athora Ireland and MLIDAC. I have relied on the accuracy of the information which has been provided to me in written or electronic form or verbally. My conclusions depend on the substantial accuracy of this information, and I have relied on this information without independent verification. There are no documents or other information that I have requested and that have not been provided.
- 1.10 Neither the Supplemental Report, nor any extract from it, may be published without my specific written consent having first been given, save that copies of the Supplemental Report may be made available on the Companies' respective websites, and copies may be provided to any person requesting the same in accordance with legal requirements. In the event such consent is provided, the Supplemental Report must be provided in its entirety. In addition, a summary of this report may not be made without my written consent and, in particular, a summary of this report may not be distributed to policyholders without my prior approval.
- 1.11 The Supplemental Report has been prepared within the context of the assessment of the terms of the proposed Scheme and specifically and solely for the purposes of Section 13 of the 1909 Act. No liability will be accepted by Milliman, or me, for any application of the Supplemental Report to a purpose for which it was not intended, nor for the results of any misunderstanding by any user of any aspect of the Supplemental Report (or any summary thereof).

## 2 ANALYSIS AND CONCLUSIONS

### Approach

- 2.1 I have sought and received additional information from the Companies in order to consider if any event or change in circumstances has occurred that would cause me to alter the conclusions expressed in the Independent Actuary's Report.
- 2.2 The information I have requested has been selected based on my knowledge of developments in the insurance industry and from the wider economic environment, which I consider likely to have a direct or indirect impact on the Companies.
- 2.3 In particular, I have considered developments in the following areas:
- The Directions Hearing and subsequent order of the Court;
  - any changes in the Companies' business;
  - whether the assumptions noted in the Independent Actuary's Report remain valid;
  - current issues in the life insurance industry, including changes to the regulatory or legal environments; and,
  - relevant communications received from policyholders relating to the proposed Scheme.
- 2.4 Having received such additional information, I have then considered what impact, if any, this would have on the opinions I expressed in the Independent Actuary's Report.
- 2.5 The main pieces of additional information received are listed in the Appendix.

### Developments since the completion of the Independent Actuary's Report

- 2.6 In the following paragraphs, based on the information provided to me by the Companies, I provide a summary of what I consider to be the key developments during the period since the Independent Actuary's Report was issued.

### COURT HEARINGS AND DIRECTIONS

- 2.7 On 13 July 2021 the Companies petitioned the Court seeking the sanction by the Court of the proposed Scheme. The proposed Scheme, as set out in that petition, was unchanged from that summarised in the Independent Actuary's Report and there have been no subsequent changes to the proposed Scheme.
- 2.8 On 19 July 2021 the Court directed that the communications plan, as set out in the petition, be put into effect as proposed and ordered that the petition be served on the Central Bank.
- 2.9 The Court set the next hearing date for 26 November 2021 and directed that anyone intending to appear at that hearing and/or object to the Scheme must inform the Companies' solicitors in writing no later than 19 November 2021 and provide their reasons for doing so.
- 2.10 Based on the information provided to me, I am satisfied that the Companies either have taken or are taking the necessary actions to comply with the Court's directions.

### UPDATES ON THE COMPANIES' CIRCUMSTANCES

- 2.11 I have been provided with updates on both Companies' circumstances. Each company's ownership, strategy, risk profile and capital management policy remain either entirely or substantially unchanged from the position as set out in the Independent Actuary's Report. Neither company has engaged in any further acquisitions or disposals of business lines in the period since completion of the Independent Actuary's Report, and both companies have traded broadly in line with expectations (see below for information on the Companies' updated solvency positions).

### ASSUMPTIONS MADE IN THE INDEPENDENT ACTUARY'S REPORT

- 2.12 In the Independent Actuary's report, I listed a number of key assumptions that I had made when assessing and reaching my conclusions on the proposed Scheme. I also noted that I had discussed my assumptions with the Companies, and they had not raised any objections.
- 2.13 However, I also noted that, if any of those assumptions were incorrect, it was possible that my conclusions on the proposed Scheme could change as a result.

2.14 The key assumptions made were as follows:

- MLIDAC will take over, and maintain in force, the reinsurance arrangements currently in place between Athora Ireland and New Re in respect of the ULG business.
- MLIDAC will reinsure 90% of the residual cashflows on the ULG business (after allowance for the New Re reinsurance) with Monument Re.
- MLIDAC will maintain all other existing reinsurance arrangements that it has in place with Monument Re.
- MLIDAC will exit the Temporary Permissions Regime without seeking authorisation for a UK branch, thereby entering Supervised Run-Off under the Financial Services Contracts Regime ("FSCR").
- Those transferring UK policyholders who are currently covered by the UK Financial Services Compensation Scheme ("FSCS") will remain covered post-transfer, subject to the time limitation imposed by the FSCR.
- MLIDAC will retain its permanent establishment in the UK (which was established to facilitate a small number of UK "onshore bond" policies that transferred to MLIDAC from MetLife). However, the Transferring Policies will be administered from Ireland, with no activities taking place in the UK in respect of the Transferring Policies.
- MLIDAC will ultimately use the services of SS&C to administer the ULG business. In the interim, the administration will continue to be provided by Athora Group under the terms of a Transitional Services Agreement ("TSA"). Approximately 18 employees will transfer to SS&C or the Monument Group from within the Athora Group as a result of the transfer of administration services.
- Athora Ireland will make the agreed payment to MLIDAC to take on the transferring ULG business, as agreed in the Business Sale Deed.
- Each of the Companies will follow the business strategy as articulated in its most recent ORSA.
- Each of the Companies will continue in its current ownership.

2.15 I have discussed these assumptions once more with the Companies and they have confirmed that all of my assumptions remain valid. Note that in relation to the assumption above regarding the TSA period, MLIDAC has advised me that a more precise wording for that assumption is that whilst integration activities are being completed (which have been initiated and are expected to last for a period of approximately 6 months from the Effective Date), SS&C will provide ongoing administrative services to MLIDAC under MLIDAC's outsourcing framework and an agreed schedule of services (mainly IT support) will be provided by Athora Ireland Services under the agreed TSA. That update does not impact on the conclusions reached in my Independent Actuary's Report.

#### THE TRANSFERRING POLICIES

2.16 I have been provided with an updated summary of the Transferring Policies as at 31 August 2021. The information shows that the number and total value of the policies in question has moved broadly in line with expectations, considering that the block in question is in run-off.

#### ATHORA IRELAND'S REINSURANCE CEDANTS

2.17 I understand that both of Athora Ireland's ULG reinsurance cedants have been formally engaged in relation to the proposed Scheme, and a full transfer proposal has been outlined to them. I further understand that neither has raised any objection to the transfer proposal. La Mondiale has indicated that it is agreeable to signing a deed of novation, whereas Aegon UK has indicated that it would prefer to have its reinsurance contract novated via the proposed Scheme (rather than use a deed of novation). I understand that this approach has been confirmed as acceptable by the Companies' legal advisors.

#### THE COMPANIES' SOLVENCY POSITIONS

2.18 At 30 June 2021, the solvency coverage ratio reported by Athora Ireland to the Central Bank was 296%, with an excess of eligible own funds over the relevant regulatory capital requirement of €107.0 million. This represented a substantial increase on the 155% coverage ratio, and €60.2 million of excess own funds reported at 31 December 2020. The 30 June 2021 reported position was also quite different from (i.e. not on track to meet) the projected position for 31 December 2021 (169% coverage ratio and €121 million of excess own funds) that had been set out in the ORSA report from December 2020.

2.19 At 30 June 2021, the solvency coverage ratio reported by MLIDAC to the Central Bank was 184%, with an excess of eligible own funds over the relevant regulatory capital requirement of €13.8 million. This was very similar position to

the 182% coverage ratio, and €13 million of excess own funds, reported at 31 December 2020. It was also broadly in line with the projected position set out in the plan that the MLIDAC Board submitted to the Central Bank on 31 May 2021 in connection with its application for approval of a material change in its business plan.

- 2.20 In summary, MLIDAC's solvency position has developed broadly in line with, whereas Athora Ireland's solvency position has developed quite differently from, the respective solvency projections in the Independent Actuary's report. However, Athora Ireland's solvency development is broadly in line with the alternative set of projections, which were included in the December 2020 ORSA (but not reproduced in my Independent Actuary's report), which showed how Athora Ireland's solvency position was expected to develop in a scenario where no new business was written (which is what has transpired).
- 2.21 In my view, the important point is that MLIDAC's solvency position has developed in line with the expectations set out in the Independent Actuary's Report. This means that any conclusions reached in my Independent Actuary's Report with regard to the adequacy of the solvency position of MLIDAC, as the transferee, when considering the security of benefits for the Transferring Policies remain valid. It is also important to note that although Athora Ireland's solvency coverage has increased substantially, it is only obliged to retain surplus funds to the extent required by its capital management policy (which targets a solvency coverage ratio of 135%).

### OBJECTIONS AND COMPLAINTS

- 2.22 In accordance with the directions of the Court, a copy of the petition together with supporting documentation (including the Independent Actuary's Report) has been made available on the Companies' websites and for inspection at the Companies' registered offices.
- 2.23 In addition, the Companies' plans to communicate with the holders of the Transferring Policies (as summarised in the Independent Actuary's Report) were approved by the Court and have been put into effect.
- 2.24 As at the date of this Supplemental Report, I have been informed by the Companies that no objections to the proposed Scheme have been received from any policyholders.
- 2.25 Athora Ireland has informed me that it had received queries from a number of policyholders and/or their financial advisors in the UK, which could be classified as relating to one or more of the following categories: continued access to policy information online; whether MLIDAC intends to obtain a financial strength rating from an independent third party; will the proposed Scheme have any implications for the range of available funds; and, whether the FSCS will continue to apply for the next 15 years.
- 2.26 MLIDAC has informed me that it has not received any queries from its policyholders in relation to the proposed Scheme.

### REGULATORY AND OTHER MATTERS

- 2.27 The proposed Scheme is deemed to constitute a material change of MLIDAC's business plan. Therefore, under MLIDAC's conditions of authorisation, it requires formal approval from the Central Bank. As mentioned in paragraph 2.19, MLIDAC has applied for such approval and is awaiting a formal response from the Central Bank. I note that the proposed Scheme includes a requirement to obtain the non-objection of the Central Bank and that a copy of the petition has been served on the Central Bank. Accordingly, it is my understanding that the proposed Scheme cannot proceed unless and until the Central Bank approves the material change of business plan and gives its non-objection to the proposed Scheme. At the date of writing this Supplemental Report, the Central Bank's approval had not yet been forthcoming.
- 2.28 Other than a new requirement, introduced by the Central Bank, for all Irish insurers to prepare pre-emptive recovery plans, I am not aware of any new regulatory, or other similar, matters impacting on either of the Companies in the period since the completion of the Independent Actuary's Report. Note that MLIDAC had already produced a pre-emptive recovery plan (at the request of the Central Bank) which I reviewed and considered in the course of preparing my Independent Actuary's Report.

### Conclusion

- 2.29 Having taken account of the updated information as set out in this Supplemental Report, I believe there is no reason for me to amend or qualify any of the conclusions set out in the Independent Actuary's Report.
- 2.30 For reference, my conclusions in the Independent Actuary's Report were that I am satisfied that the implementation of the proposed Scheme would not have a material adverse effect on:
- the security of benefits under the policies of Athora Ireland and MLIDAC;

- the reasonable expectations of the policyholders of Athora Ireland and MLIDAC with respect to their benefits; and
- the standards of administration, service, management and governance that apply to the Athora Ireland and MLIDAC policies.



**Michael Culligan**  
Fellow of the Society of Actuaries in Ireland

22 October 2021

### 3 APPENDIX – LIST OF PRINCIPAL ADDITIONAL DATA SOURCES

- 3.1 In carrying out my work and producing this report, reliance has been placed upon documents and information provided to me. All items have been provided directly to me by either Athora Ireland or MLIDAC unless otherwise noted.
- 3.2 In addition to those listed in the Independent Actuary's Report, these included, but were not limited to, the following:

#### Athora Ireland

- Solvency II balance sheet and SCR as at 30 June 2021, as included in the quarterly reporting pack submitted to the Central Bank
- Updated details on the Transferring Policies as at 31 August 2021

#### MLIDAC

- Solvency II balance sheet and SCR as at 30 June 2021, as included in the quarterly reporting pack submitted to the Central Bank
- An update on status of the submission to the Central Bank in relation to a material change in MLIDAC's business plan, including copies of correspondence with the Central Bank.

#### Other

- Court Order dated 19 July 2021, following the Directions Hearing on 19 July 2021
- Updates on the actions taken by the Companies to comply with the various requirements imposed in the Court Order.
- Details of any policyholder complaints and objections received.
- Draft Supplemental Affidavit of Tadhg Clandillon (draft dated 14 October 2021).
- Draft Supplemental Affidavit of Carlo Elsinghorst (draft dated 15 October 2021).