



The Report of the Independent Actuary

Report of the Independent Actuary on the Proposed Scheme to transfer certain insurance business of

Zurich International Life Limited ("ZILL")

to

Monument International Life Assurance Company Limited ("MILAC")

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1 INTRODUCTION

Background

- 1.1 The Monument Group¹ ("**Monument**") announced on 17 February 2021 that it has completed the acquisition of the Charles Taylor Group's Isle of Man life and investment operations (including LCL International Life Assurance Company Limited), following receipt of regulatory approval from the Isle of Man Financial Services Authority ("**IOMFSA**") and non-objection from the Bermuda Monetary Authority. LCL International Life Assurance Company Limited has been renamed Monument International Life Assurance Company Limited ("**MILAC**").
- 1.2 MILAC has agreed to acquire the Singapore portfolio of insurance policies ("**the Transferring Policies**") from Zurich International Life Limited ("**ZILL**") to Monument International Life Assurance Company Limited ("**MILAC**") (collectively "**the Companies**"). The insurance policies are all issued by a branch of ZILL established and regulated in Singapore ("**ZILL Singapore**").
- 1.3 Monument Re Limited ("**Monument Re**") is a Bermuda based reinsurance group with insurance subsidiaries in various European countries and the UK Crown Dependencies (Isle of Man and Guernsey). Monument Re and ZILL entered into a Transfer Agreement ("**the Transfer Agreement**") on 22 December 2020 setting out the agreed arrangements that would be entered into in order to effect the transfer of the portfolio from ZILL to an appropriate subsidiary of Monument Re. At that time Monument Re was finalising its acquisition of MILAC. Under the terms of the Transfer Agreement, Monument Re and ZILL agreed that the rights and obligations of Monument Re in the Transfer Agreement would be novated to MILAC after completion of the acquisition of MILAC by Monument Re.
- 1.4 The acquisition of MILAC by Monument Re completed in February 2021. The novation of the Transfer Agreement from Monument Re to MILAC completed in November 2021.
- 1.5 Both MILAC and ZILL are authorised and regulated as insurance companies in the Isle of Man. The conduct of insurance business in the Isle of Man is regulated by the IOMFSA under the 2008 Insurance Act ("**the 2008 Act**"). The 2008 Act contains a mechanism for the Isle of Man Court to sanction a scheme to transfer long term insurance business carried on by Isle of Man authorised insurers or permitholders in certain circumstances.
- 1.6 In order to complete the acquisition, an Isle of Man Court-approved portfolio transfer is required ("**the Proposed Scheme**"). The Transferring Policies in question will be transferred to MILAC via the Proposed Scheme approved by the High Court of Justice of the Isle of Man (Civil Division).
- 1.7 The Proposed Scheme covers policies issued by a Singapore branch of ZILL. The Monetary Authority of Singapore ("**MAS**") is the regulator for insurance business, including branches, established in Singapore. The MAS and the General Division of the High Court of the Republic of Singapore must also approve the Proposed Scheme.

The role of the Independent Actuary

- 1.8 Under section 21(1) of and Schedule 2 to the 2008 Act, any scheme which provides for the whole or part of the long-term business carried on by an insurer to be transferred to another insurer, requires the prior sanction of the Isle of Man Court.
- 1.9 The Isle of Man Court will consider such a scheme on the basis of a petition by one, or both, of the parties. The petition must be accompanied by a report on the terms of the scheme by an Independent Actuary approved by the IOMFSA. This Report fulfils the requirements for the Independent Actuary in the petition process in the Isle of Man.
- 1.10 Under Section 49FB of the Insurance Act, Chapter 142 of Singapore, any scheme which provides for the whole or part of the life assurance business carried on by an insurance company or branch to be transferred to another body, requires the prior sanction from MAS and the General Division of the High Court of the Republic of Singapore.
- 1.11 Under Singapore legislation a report by an Independent Actuary is not mandatory for a portfolio transfer approved by MAS unless MAS instructs that a report on the scheme must be made by an actuary independent of the parties to the scheme. I understand no such direct instruction was made by MAS, but in any case this Report is available to MAS and the High Court in Singapore as well as impacted policyholders as defined in the communication plan and as agreed by the Courts in both the Isle of Man and Singapore.

¹ This report contains technical language and terminology, and abbreviations of certain terms and references and legal entities. A glossary of terms is included in Appendix C.

Instructions

- 1.12 The Companies have instructed me to act as the Independent Actuary who is required to report to the Isle of Man Court on the terms of the Proposed Scheme, pursuant to section 21(1) of and Schedule 2 to the 2008 Act.
- 1.13 This Report will also be shared with MAS as branch regulator in Singapore and will be included in the Singapore Court process.
- 1.14 My appointment as the Independent Actuary has been notified to IOMFSA which has confirmed to the Companies that it has approved my appointment. My appointment has also been notified to MAS. Under the terms of the Singapore Insurance Act, the MAS does not approve Independent Actuary appointments.
- 1.15 My report has been prepared in accordance with the terms of our statement of work dated 30 April 2021 and the terms of our engagement letter to which that statement of work refers.
- 1.16 The costs and expenses associated with my appointment as Independent Actuary and the production of this Report will be met equally by the Companies.
- 1.17 Throughout the remainder of this Independent Actuary's Report, the term "**the Proposed Scheme**" is used to cover all the proposals included in the scheme of transfer, including any documents referred to therein relating to the proposed implementation and operation of the scheme of transfer.
- 1.18 It is anticipated that the Proposed Scheme will be presented to the Isle of Man Court in 2022 pursuant to section 21(1) of and Schedule 2 to the 2008 Act, with a proposed effective date on or around 1 September 2022.
- 1.19 It is anticipated that the Proposed Scheme will also be presented to the Singapore High Court in parallel with the submission dates to the Court in the Isle of Man.
- 1.20 I have interpreted my instructions as requiring me to consider the likely effects of the Proposed Scheme on the Companies' policyholders including, but not limited to, the security of their benefits and their reasonable expectations. In preparing the Independent Actuary's Report, I have had regard to the security of the benefits in each company both before and after the implementation of the Proposed Scheme, and the policyholders' reasonable expectations created by the past practices employed or statements made by each company. I have compared the status quo to the position that will apply after the completion of the proposed transfer. I also comment on the possible impacts of the Proposed Scheme not being approved by the Courts. I expand further on these topics in Section 7 of this Report.
- 1.21 As far as I am aware, there are no matters that I have not taken into account in undertaking my assessment of the Proposed Scheme and in preparing the Independent Actuary's Report but which nonetheless should be drawn to the attention of the Isle of Man Court and the Singapore Court in its consideration of the terms of the Proposed Scheme.
- 1.22 I have also reviewed and considered the contents of the Circulars that will be made available to policyholders in relation to the Proposed Scheme.
- 1.23 I will prepare a Supplementary Report prior to the final Court hearings (expected in 2022) to provide an update for the Courts on my conclusions in respect of the effect of the Proposed Scheme on the different groups of policyholders in light of any significant events subsequent to the date of the finalisation of this Report.

Qualifications and disclosures

- 1.24 I am a Fellow Member of the SAI, and have been so since 1998. I am a Principal of Milliman and am a consulting actuary based in the firm's Irish insurance practice at 7 Grand Canal Street Lower, Dublin 2.
- 1.25 I have more than 30 years' experience in the insurance industry, including experience of acting as the Appointed Actuary and/or Head of Actuarial Function for a number of Irish life assurance companies and acting as the Independent Actuary in relation to a number of previous transfers of life assurance business in Ireland. I have experience of cross-border life insurance both within Europe and internationally including the Isle of Man and Singapore.
- 1.26 I am not a policyholder of MILAC or ZILL, nor do I have any financial interests in the shares of the Zurich Group, nor in the Monument Group. I have an in-force unit linked single premium pension policy with another Zurich company (Zurich Life Assurance plc) in Ireland. Its value is less than €50,000 and it relates to my previous employment with Zurich Life Assurance plc in Dublin from 1990 to 1998.
- 1.27 I am not, and have not been, employed by either of the Companies as an employee, officer or director. For completeness I have listed some of my other past assignments with the wider Monument and Zurich Group below:

- As a consultant with Milliman since 2005, I have discharged various roles in my consulting responsibilities across a range of clients over time. These roles are not exclusive as I was (and currently am) Head of Actuarial Function for more than one company at a time.
- From 2007 to 2018 (as a consultant with Milliman) I held the role of Head of Actuarial Function (and, prior to the introduction of Solvency II, of Appointed Actuary) with Laguna Life in Ireland, which has since been subsumed into Monument Life DAC in Ireland.
- From 2008 to 2013 (as a consultant with Milliman) I held the role of Appointed Actuary with Eagle Star European Life Assurance Company in Ireland, which has since been subsumed into Zurich Life Assurance plc in Ireland.

- 1.28 I do not consider that these previous assignments prevent me from acting independently in my assessment of the Proposed Scheme. I have also discussed this with senior management of ZILL and MILAC and they have confirmed that they are of the same opinion. In addition, as noted above, the IOMFSA and MAS has been informed of my appointment and have made no objection.
- 1.29 Consultants from the Milliman office in Ireland and in other Milliman offices provide, or have provided, services to Zurich Group and Monument Group. However, having checked within the Milliman organisation worldwide, I do not believe that any work undertaken by Milliman with either of the Companies, or with any other subsidiaries or affiliates of either Zurich Group or the Monument Group, would create a conflict of interest for me in my role as Independent Actuary.
- 1.30 Based on the foregoing I consider that I am in a position to act independently in my assessment of the Proposed Scheme.
- 1.31 I have been assisted in preparing this report by my colleagues in Milliman, Robert Frize and Conor Callaghan. However, the report is written in the first person and the opinions expressed are mine alone.

Parties for whom my report has been prepared

- 1.32 The Independent Actuary's Report has been prepared for use by the Isle of Man Court and the Singapore Court in approving the Proposed Scheme but will also be of interest to the following interested parties:
- Policyholders of ZILL and MILAC
 - The Directors and senior management of ZILL and MILAC and their parent companies
 - The IOMFSA or any other governmental department or agency having responsibility for the regulation of insurance companies in the Isle of Man
 - The MAS or any other governmental department or agency having responsibility for the regulation of insurance branches in Singapore
 - The introducers and financial advisors of ZILL Singapore policyholders impacted by the Scheme
 - The professional advisers of any of the above with respect to the Proposed Scheme.

Reliances and limitations

- 1.33 In preparing the Independent Actuary's Report, I have had access to certain documentary evidence provided by ZILL and MILAC, the principal elements of which I list in Appendix A to this report. In addition, I have had access to, and discussions with, the senior management of both ZILL and MILAC. 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.
- 1.34 I have relied on the work of the external auditors of ZILL and MILAC in gaining confidence in the financial information as at 31 December 2020 as summarised in this report.
- 1.35 I have relied on the Companies' Appointed Actuaries in relation to the calculation of the technical provisions as at 31 December 2020 (as submitted to the IOMFSA). I have provided each of the Appointed Actuaries of the Companies with a copy of this Report to ensure the actuarial information I have presented in this Report relating to ZILL and MILAC is consistent with their valuation reports. No issues were raised by either Appointed Actuary.
- 1.36 Neither I, nor any member of my team, is a qualified legal or tax expert. I have relied on the opinions and assurances of the Companies' internal and external legal experts in these matters and I have not sought independent expert advice.

- 1.37 The Independent Actuary's Report is based on the information available to me at, or prior to, 29 March 2022, and takes no account of developments after that date.
- 1.38 The Independent Actuary's Report, and any extract or summary thereof, has been prepared specifically and solely for the purposes of section 21(1) of and Schedule 2 to the 2008 Act.
- 1.39 Other than placing a copy on the Companies' websites, neither the Independent Actuary's Report, nor any extract from it, may be published without my specific written consent having first been given, save that copies of the Independent Actuary's Report may be made available for inspection at the Isle of Man offices of both ZILL and MILAC and copies may be provided to any person requesting the same in accordance with legal requirements. In the event such consent is provided, the Independent Actuary's Report must be provided in its entirety.
- 1.40 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.
- 1.41 The Independent Actuary's Report has been prepared within the context of the assessment of the terms of the Proposed Scheme. No liability will be accepted by Milliman, or me, for any application of the Independent Actuary's 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 Independent Actuary's Report (or any summary thereof). Judgments as to the conclusions contained in the Independent Actuary's Report should be made only after studying the report in its entirety. Furthermore, conclusions reached by the review of a section or sections on an isolated basis may be incorrect.
- 1.42 The Independent Actuary's Report should be read in conjunction with the other documents that pertain to the Proposed Scheme.

Professional guidance

- 1.43 There are no specific local actuarial standards in the Isle of Man. This Independent Actuary's Report has been prepared under the terms of the guidance set out in version 2.3 (effective 1 September 2021) of the ASP LA-6 ("Transfer of long-term business of an authorised insurance company – role of the independent actuary") issued by the Society of Actuaries in Ireland.
- 1.44 In addition, ASP PA-2 ("General Actuarial Practice") version 1.1 (effective 1 April 2021), as issued by the SAI, requires members to consider whether their work requires an independent peer review. In my view this report does require independent peer review and, in accordance with Milliman's internal quality assurance requirements, this report has been peer reviewed by another Milliman Principal.

Terminology

- 1.45 My report contains various technical terms which I need to use in assessing the Proposed Scheme. Those terms are not always highlighted in my report (for ease of readability) but are listed in the glossary in Appendix C.

Structure of this report

- 1.46 The remainder of this report is structured as follows:
- Section 2 provides an executive summary of my report.
 - Section 3 lists my key assumptions in assessing the Proposed Scheme.
 - Section 4 provides a summary of the business of ZILL.
 - MILAC's business is summarised in section 5.
 - Section 6 summarises the Proposed Scheme.
 - I assess the Proposed Scheme in sections 7 to 9.
 - My conclusions are set out in section 10.
 - Appendix A lists the principal data sources I relied upon in carrying out my work.
 - Appendix B provides an overview of the regulatory and solvency regime in the Isle of Man and Singapore.
 - A glossary of terms is provided in Appendix C.

2 EXECUTIVE SUMMARY

Key assumptions and dependencies in assessing the Scheme

- 2.1 In December 2020 Monument agreed to acquire the entire book of long-term insurance business carried on by ZILL Singapore. To facilitate this Monument Re and ZILL entered into a Transfer Agreement which included an agreement to support and facilitate a Court approved Scheme of Transfer of the Singapore Branch business from ZILL to a suitable insurance entity within the Monument Group.
- 2.2 In preparing my Report as Independent Actuary to assess the Proposed Scheme I have assumed the following changes have been completed by MILAC.
- MILAC's application to MAS (as insurance regulator in Singapore) for authorisation as a branch presence ("**MILAC Singapore**") and granting of an insurance licence in Singapore is successful.
 - MILAC enters into an intra-group reinsurance agreement between MILAC and Monument Re. This will materially reduce the capital requirements of MILAC.
 - The pricing of intra-group reinsurance was on a commercial (arms-length) basis agreed by MILAC and Monument Re and the terms and conditions of the Proposed Scheme do not alter the commercial basis of the intra-group reinsurance. Therefore as Independent Actuary I have not assessed the impact of the intra-group reinsurance on the policyholders and cedants of Monument Re.
- 2.3 ZILL has a range of intra-group and external reinsurance treaties where the scope includes ZILL Singapore branch business. ZILL has confirmed that the scope and cover of these treaties remains unchanged for the non-transferring business in ZILL following the Proposed Scheme of Transfer. None of the existing ZILL outward reinsurance treaties are transferring (or novating) to MILAC.
- 2.4 I discuss these points and some other less material assumptions and dependencies in Section 3 of this Report. For the purposes of my assessment of the Scheme I describe ZILL and MILAC in Sections 4 and 5 of this Report.

Motivation for the Scheme

- 2.5 ZILL Singapore closed to new business in Singapore at the end of 2015. ZILL now believes that the transfer of the Singapore business to an insurer with a strategy focused on the management of closed books of long term life insurance business and an operating model developed in line with this strategy is appropriate.
- 2.6 Monument's business strategy is to acquire and administer portfolios of insurance policies in run-off. MILAC is authorised and regulated in the Isle of Man and therefore is the most suitable legal entity within Monument to acquire the portfolio from ZILL. MILAC's strategy before being acquired by Monument in 2021 was also to acquire and administer portfolios of insurance policies in run-off.

Summary of the Scheme

- 2.7 The entire book of long-term insurance business carried on by ZILL Singapore will be transferred to MILAC Singapore via the mechanism of the Proposed Scheme, subject to the approval of the Courts in the Isle of Man and Singapore.
- 2.8 It is envisaged that the Proposed Scheme will become effective and the transfer take place at [00:01 hours on 1 September 2022], or such other date as may be agreed between ZILL and MILAC and consented to by the Courts (the "**Effective Date**").
- 2.9 The Proposed Scheme is conditional on a number of conditions being fulfilled, including:
- obtaining the non-objection of the IOMFSA and MAS
 - the approval of MAS for the establishment of MILAC Singapore as a branch of MILAC and the licencing of the branch to carry on insurance activity
 - the sanction of the Courts in both the Isle of Man and Singapore.

If one or both Courts do not approve the Scheme, the Scheme will not progress and no change will occur.

- 2.10 The business to be transferred covers:
- The rights, benefits, powers and obligations of ZILL under or by virtue of the Transferring Policies.

- All liabilities (categorised as unit-linked and non-linked) attributable to or in connection with the Transferring Policies.
- Assets underlying (and matching) the transferring unit-linked liabilities held by ZILL, or an equivalent value thereto.
- The rights, benefits and powers of ZILL under or by virtue of the relevant TOBAs with introducers and forms with advisors in connection with the Transferring Policies.
- All liabilities attributable to or in connection with the relevant TOBAs with introducers and forms with advisors in connection with the Transferring Policies.
- Records and data protection consents relating to the Transferring Policies.

2.11 A transfer of business can also include transfer of other legal agreements outside the policyholder insurance contracts.

- The Proposed Scheme also seeks to transfer from ZILL to MILAC the introducer, intermediary, advisor and agency terms of business agreements ("**TOBAs**") and fund investment advisor agreements ("**Advisory Forms**") that are associated with the Transferring Policies. The TOBAs and Advisory Forms are described in paragraph 4.44 below.
- The (approximately seven) current ZILL Singapore employees in Singapore will transfer to become employees of the newly established MILAC Singapore.

MAINTENANCE AND OPERATION OF INTERNAL FUNDS

2.12 ZILL maintains a number of notional funds for its Unit-linked Business ("**internal linked funds**"). Policyholder benefits are linked to these internal linked funds. After the Effective Date, ZILL's internal linked funds within the scope of the Proposed Scheme will be replaced by equivalent funds in MILAC.

2.13 The product and policyholder fund charges on the internal funds will be unchanged by the Proposed Scheme.

PAYMENT OF PREMIUMS

2.14 Any ongoing or regular premiums payable in respect of Transferring Policies to ZILL will become payable to MILAC from the Effective Date.

EXERCISE OF OPTIONS

2.15 Any policy options that currently exist under ZILL policies will continue to exist. If the exercise of such options requires the issuance of an additional or replacement policy, MILAC will issue any new policies required to be issued under the terms of the policy options in place of ZILL, or if such policies are not available, the nearest available alternative policies.

COSTS OF THE PROPOSED SCHEME

2.16 Each of the Companies will bear its own costs incurred in connection with the preparation and carrying into effect of the Proposed Scheme, other than certain agreed costs relating to the implementation of the Proposed Scheme which shall be shared equally between the Companies.

2.17 No costs or expenses will be borne by policyholders of either of the Companies.

MODIFICATION OR ADDITIONS

2.18 Modifications and additions to the Proposed Scheme, or further conditions to the Proposed Scheme or the transfer of business, may be imposed by the Courts.

POLICYHOLDER COMMUNICATIONS

2.19 The 2008 Act requires that, unless the Court otherwise directs, certain materials must be transmitted to each policyholder of both ZILL and MILAC. These materials include a statement summarising the Proposed Scheme together with an abstract summarising the Independent Actuary's Report (together the "**Circular**").

2.20 MILAC will send a copy of the Circular to all its existing policyholders (with some limited exceptions described in Section 6.36 of this Report).

Independent Actuary's Report

In respect of the proposed Scheme to transfer certain insurance business of Zurich International Life Limited to Monument International Life Assurance Company Limited
29 March 2022

- 2.21 ZILL will send a copy of the Circular to all transferring policyholders of ZILL Singapore (with some limited exceptions described in Section 6.36 of this Report).
- 2.22 However the Companies intend to petition the Court for a direction to dispense with the requirement to provide the Circular to the non-transferring policyholders of ZILL (the **"Non-Transferring Policyholders"**), except at the request of an individual policyholder (or their agent).
- 2.23 The non-transferring policyholders of ZILL represents the vast majority of ZILL's policyholders as ZILL has approximately 430,000 policyholders who are non-transferring and 6,500 in ZILL Singapore who are transferring. The Companies' principal arguments for not automatically sending the Circular to the Non-Transferring Policyholders of ZILL are that:
- There will be no changes to the terms and conditions for the Non-Transferring Policyholders as a result of the Proposed Scheme.
 - Non-Transferring Policyholders will continue to have their policies administered in the same way following the implementation of the Proposed Scheme.
 - Non-Transferring Policyholders may become aware of the Proposed Scheme through website updates and press advertisements, and will be able to contact ZILL for further information.
 - Non-Transferring Policyholders could be unduly concerned by receiving the Circular as policies held by these policyholders are not transferring under the Proposed Scheme.
 - As Independent Actuary, I have concluded within this Report that the Proposed Scheme would not have any material adverse effect on: (i) the security of benefits under the policies of such policyholders; (ii) the reasonable expectations of such policyholders with respect to their benefits; or (iii) or the standards of administration, service, management and governance that apply to the policies of such policyholders.
- 2.24 I further understand that the Companies will publish notice of the proposed transfer of business in at least two national newspapers in the Isle of Man and Singapore, as well as the Singapore legal gazette. In addition, the materials will be available on both the ZILL website (www.zurich.com.sg/businesstransfer) and the MILAC website (www.monumentregroup.com/transfers).
- 2.25 I consider and describe the Scheme in more detail in Section 6 of this Report.

Summary of my assessment of the Proposed Scheme

- 2.26 In Sections 7 to 9 of this Report I have documented my assessment of the impact of the Scheme on policyholders, and in particular my assessment of the financial security of benefits and the fair treatment and policyholder benefit expectations.
- 2.27 I also assess the impact of the Scheme on the introducers and financial advisors that are impacted by the Proposed Scheme as their agreements will be transferred from ZILL to MILAC.
- 2.28 In my assessment I also comment on the communication plan to policyholders and interested parties and I also comment on who incurs the costs of the Proposed Scheme and the impact on policyholders.

Summary and conclusions

- 2.29 In Section 10 of this Report I confirm my conclusions from my assessment of the Proposed Scheme.
- 2.30 I confirm that I have considered the effects of the Proposed Scheme on the following groups of policyholders:
- Policyholders transferring to MILAC Singapore from ZILL Singapore;
 - Policyholders remaining in ZILL; and
 - Existing (pre-Effective Date) policyholders of MILAC.
- 2.31 I further confirm that I do not consider further subdivisions to be necessary.
- 2.32 In summary, 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 ZILL and MILAC;
 - the reasonable expectations of the policyholders of MILAC and ZILL with respect to their benefits; and

- the standards of administration, service, management and governance that apply to the ZILL and MILAC policies.

- 2.33 I believe that the impact of the Proposed Scheme on the introducers and financial advisors under the transferred TOBA and the Advisory Forms should not be materially adverse. The payment amounts are not expected to change and the financial security provided by an authorised and regulated insurance company in the Isle of Man to introducers and financial advisors is similar (but not identical) for ZILL and MILAC.
- 2.34 I confirm that I am satisfied that the arrangement with regard to the costs of the Proposed Scheme are fair to all the categories of policyholders in both ZILL and MILAC.
- 2.35 I am also satisfied with the proposed approach to policyholder communications in respect of the Proposed Scheme.
- 2.36 I will prepare a Supplementary Report prior to the final Court hearings (expected in 2022) to provide an update for the Courts on my conclusions in respect of the effect of the Proposed Scheme on the different groups of policyholders in light of any significant events subsequent to the date of the finalisation of this Report.

3 KEY ASSUMPTIONS AND DEPENDENCIES IN ASSESSING THE PROPOSED SCHEME

Transaction Agreements

- 3.1 In 2020 Monument agreed to acquire the entire book of long-term insurance business carried on by ZILL Singapore as a branch of ZILL. To facilitate this, in December 2020, Monument Re and ZILL entered into a Transfer Agreement which included:
- Agreement to support and facilitate a Court approved Scheme of Transfer of the ZILL Singapore business from ZILL to a suitable insurance entity within the Monument Group. The Courts in the Isle of Man and Singapore have to approve the proposed Scheme of Transfer.
 - Commitment by Monument to acquire LCL International Life Assurance Company Limited from the Charles Taylor Group (thus adding an Isle of Man authorised insurer to the Monument Group).
 - Commitment by Monument to gain all necessary authorisations to acquire LCL International Life Assurance Company Limited and to establish an insurance Branch presence in Singapore.
 - Commitment by Monument to use LCL International Life Assurance Company Limited as the insurance entity within the Monument Group to acquire the entire book of long-term insurance business carried on by ZILL Singapore.
 - Payment of an amount of consideration (purchase price) to ZILL in respect of ZILL Singapore business on completion of the Scheme of Transfer. The basis for the calculation of this amount is set out in the Transfer Agreement.

MILAC assumptions

- 3.2 The acquisition by Monument of LCL International Life Assurance Company Limited completed in February 2021. The entity within Monument was renamed MILAC. The novation of the Transfer Agreement from Monument Re and ZILL to MILAC and ZILL completed in November 2021.
- 3.3 To facilitate the Proposed Scheme, MILAC applied to MAS (as insurance regulator in Singapore) for authorisation as a branch presence and sought granting of an insurance licence in Singapore ("**MILAC Singapore**"). I have been informed by MILAC that this process is almost complete and will be in place if the Proposed Scheme is approved.
- 3.4 In preparing this Report to assess the Proposed Scheme I have assumed the following changes have been completed by MILAC. I will comment on the status of these points again in my Supplementary Report to the Court (as explained in Section 1.23 of this Report).
- MILAC is entering into an intra-group reinsurance agreement between MILAC and Monument Re. This will materially reduce the capital requirements of MILAC.
- 3.5 The Proposed Scheme will bring additional changes to the intra-group reinsurance and the possible use of external reinsurance within MILAC. These items are considered in Section 6 of this Report.

ZILL assumptions

- 3.6 ZILL has a range of intra-group and external reinsurance treaties where the scope includes ZILL Singapore business. ZILL has confirmed that the scope and cover of these treaties remains unchanged for the non-transferring business in ZILL following the Proposed Scheme of Transfer. None of the existing ZILL outward reinsurance treaties are transferring (or novating) to MILAC.
- 3.7 I have no other material assumptions or dependencies relating to ZILL not addressed in this Report to be highlighted here.

Proposed Scheme assumptions

- 3.8 These are documented in Section 7.21 of this Report.

4 BACKGROUND TO ZURICH INTERNATIONAL LIFE LIMITED

History and background

- 4.1 ZILL is a company incorporated in the Isle of Man under registered number 020126C whose registered office is at Zurich House, Isle of Man Business Park, Douglas, Isle of Man IM2 2QZ. It is a wholly owned subsidiary of Zurich Insurance Company Ltd, Switzerland ("**ZIC**"), its immediate parent. Through intermediate holding companies, its ultimate parent company and controlling party is Zurich Insurance Group Ltd. Both of these companies are incorporated in Switzerland. ZILL was established as Eagle Star (International Life) Limited on 20th May 1982.
- 4.2 ZILL is authorised by the IOMFSA to carry on insurance business in Classes 1 (linked long-term), 2 (long-term) and 9 (personal miscellaneous, including accident, health and disability) under the Insurance Regulations 2018. The company has written a range of products in the above-mentioned classes, some unit-linked business and others non-linked business. A small proportion of ZILL policyholders participate in profits in the Guaranteed Accumulation Funds (about 3% of the Technical Provisions) where distributable earnings are allocated to policyholders.
- 4.3 ZILL has established branches in Argentina, Hong Kong, Bahrain, United Arab Emirates, Qatar and Singapore.
- 4.4 The ZILL Singapore Branch ("**ZILL Singapore**") was established in November 2005 and is licenced by the MAS under Section 8 of the Insurance Act. Following a strategic market review, ZILL Singapore was closed to new business in December 2015. As reflected in the run-off conditions agreed with the MAS, retention of the Singapore branch licence does not offer ZILL or Zurich Group an opportunity for future growth or development of new propositions in the Singapore market. ZILL Singapore has around 6,500 policies (at end 2020), mostly unit-linked savings with around 300 term assurance policies. It represents approximately 5% of ZILL's value of in-force business as at the end of 2020.

The Zurich Group

- 4.5 ZILL is ultimately owned by Zurich Insurance Group Ltd. The Group is headquartered in Zurich, Switzerland, where it was founded in 1872. The holding company, Zurich Insurance Group Ltd (ZURN), is listed on the SIX Swiss Exchange.
- 4.6 Zurich Group is a global multi-line insurance group that serves its customers in global and local markets. With about 55,000 employees, it provides a wide range of property and casualty, life insurance products and services in more than 215 countries and territories. Zurich's customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations.
- 4.7 The publicly available Zurich Group Annual Report 2020 indicates that the Zurich Group currently has a healthy solvency position.

Nature of business written by ZILL

- 4.8 Table 1 below summarises the Technical Provisions for each line of business in ZILL as at 31 December 2020.
- 4.9 The Technical Provisions comprise the Best Estimate Liabilities ("**BEL**") and Risk Margin and form part of the liability side of the Isle of Man Risk Based Capital ("**RBC**") Framework balance sheet. To the extent that some business is externally reinsured, there are reinsurance recoverables (which sit on the asset side of the balance sheet) as an offset to the BEL.
- 4.10 In summary, as at 31 December 2020, the Technical Provisions of ZILL totalled £10.5 billion in respect of some 439,000 policies. The Proposed Scheme only impacts on policies issued by ZILL Singapore. The Transferring Policies were all issued via ZILL Singapore and represent approximately 4% of the total ZILL Technical Provisions. Further details on the Transferring Policies are included in Section 4.40 below.

Table 1: ZILL – Technical Provisions for in-force business as at 31 December 2020 (£ millions)

Product	Unit-linked	GAF*	Non-unit	BEL**
Unit Linked				
Vista	3,391	75	(293)	3,173
IPP	4,407	8	(89)	4,327
IWA	754	-	(25)	729
Futura	833	46	(302)	578
FCP & Global Choice	220	-	(5)	215
Profile (Argentina)	362	27	-	390
Other Corporate Savings	240	67	(48)	259
Enterprise (Argentina)	242	18	-	260
Options (Argentina)	49	4	(93)	(40)
ING (Argentina)	21	-	-	21
Other	167	75	28	271
Unit-linked funds reinsurance accepted	53	-	-	53
Non-Linked				
Term Assurance	-	-	(65)	(65)
IGRS	-	-	95	95
Total	10,740	321	(796)	10,265
Risk Margin				214
Technical Provisions				10,479

* Guaranteed Accumulation Funds

** Best Estimate Liabilities

Source: ZILL Actuary's Report 202012 (internal document)

The table above shows the total Technical Provisions of all ZILL business. See Section 4.40 for the Technical Provisions of the Transferring Policies.

Solvency position

RECENT SOLVENCY POSITION

4.11 At end 2019 and end 2020 ZILL had an excess of eligible Own Funds over its SCR, as shown in Table 2.

Table 2: ZILL – Solvency position at 31 December 2020 and 31 December 2019 (£ millions)

	31-Dec-20	31-Dec-19
(1) Net Assets before deducting Technical Provisions	11,607	10,044
(2) Technical Provisions	10,687	9,241
(3) Other adjustments to arrive at eligible own funds	-	-
(4) Total eligible own funds (= (1) - (2) + (3))	920	803
(5) Solvency Capital Requirement (SCR)	468	580
(6) Minimum Capital Requirement (MCR)	164	203
(7) Relevant RBC Framework capital requirement (= Higher of 5 & 6)	468	580
(8) Coverage ratio (= (4) / (7))	197%	138%
(9) Excess of eligible own funds over capital requirement (= (4) - (7))	452	223

Source: ZILL Actuary's Report 202012 (internal document)

- 4.12 At end 2020 Own Funds (i.e. the assets of ZILL in excess of its liabilities) were £920 million (2019: £803 million). Own Funds exceeded the relevant regulatory capital requirement by £452 million (2019: £223 million). In percentage terms the company's solvency coverage ratio at end 2020 was 197% (2019: 138%).
- 4.13 ZILL entered into a mass-lapse reinsurance agreement ("MLR") in December 2020 with Zurich Insurance Company Ltd to provide certain cover from 1 January 2021 relating to the possible adverse financial impact of a material mass lapse of in-force ZILL policies (including the Singapore Branch business). The MLR is a risk mitigant as it transfers risk to Zurich Insurance Company Ltd and also reduces the capital requirement (i.e. the SCR) of ZILL. Solvency cover at end 2020 without the MLR would have been 158%, with Own Funds increasing to £922m and SCR increasing to £582m.
- 4.14 The solvency ratio of 197% at end 2020 is above the IOMFSA's current guideline limit of 150%, above which dividend payments may be made. At end 2020 the ZILL Board proposed paying a dividend of £48m. The £48m dividend was subsequently paid in April 2021. Post-dividend, the solvency ratio at end 2020 would have been 186%. This solvency ratio is above the target level in ZILL's internal capital management policy (which includes commercially sensitive information and is not in the public domain).
- 4.15 The increase in solvency ratio over the year is due to a combination of the impact of the mass lapse reinsurance treaty and the increase in Own Funds. The main reasons for the increase in Own Funds over the course of the year were higher than expected fund performance and lower than expected maintenance expenses incurred.
- 4.16 I have also been provided with ZILL's (unaudited) financial position as at 31 December 2021 based on the draft IOMFSA quarterly solvency returns. Solvency returns to the regulator include any planned or anticipated dividends that may be "reasonably foreseen". This typically includes dividends that have been approved by the Board for payment subject to IOMFSA approval as regulator. The 31 December 2021 draft quarterly solvency returns (that are not in the public domain and are unaudited) include a liability for a reasonably foreseen dividend for payment later in 2022 and show that ZILL's own funds were £828 million. Own Funds exceeded the relevant regulatory capital requirement by £337 million. In percentage terms the company's solvency coverage ratio at Q4 2021 was 169%.
- 4.17 The formal audited 31 December 2021 annual solvency returns must be finalised, board approved and submitted to the IOMFSA within four months of the financial year-end (i.e. by end April 2022). I will comment on any material changes to the reported solvency position at end 2021 in my Supplementary Report to the Court (as explained in Section 1.23 of this Report).

PROJECTED SOLVENCY POSITION

- 4.18 In addition to looking at the recent solvency position, it is also useful to look at the projected future solvency development. These projections were prepared by ZILL and include assumptions on future market conditions, sales volumes, expenses and policyholder behaviour (such as surrender rates and withdrawals).
- 4.19 The internal risk management system of an IOMFSA authorised insurance company must include an annual Own Risk and Solvency Assessment ("ORSA"). ZILL's 2020 ORSA report was approved by the ZILL Board on 15 December 2020. It is a commercially sensitive document and not publicly available.
- 4.20 The annual ORSA process includes forward looking solvency projections for internal use and capital planning. The projections are prepared by management and not audited. This is done mid-year based on an end June opening position.
- 4.21 The 2020 ORSA included a projection of the future solvency development assuming the proposed sale and transfer of ZILL Singapore policies to MILAC did not occur. This is shown in the table below. The projections are based on the business plan for ZILL which reflects their stated strategy of organic growth in existing and identified new markets to become a leading insurance company in ZILL's target international markets. The outlook in ZILL if the transfer does occur is considered in Section 8 of this Report.

Table 3: ZILL – Projected future solvency development, including ZILL Singapore (£ millions)

	30-Jun-20	30-Jun-21	30-Jun-22	30-Jun-23
(1) Eligible own funds	904	941	961	978
(2) Solvency Capital Requirement (SCR)	614	474	468	467
(3) Coverage ratio (= (1) / (2))	147%	199%	205%	209%
(4) Excess of eligible own funds over capital requirement	290	467	493	511

Source: ZILL ORSA Report 2020 (internal document)

- 4.22 The material increase in projected solvency coverage ratio from June 2020 to June 2021 includes the expected once-off positive impact of the mass lapse reinsurance treaty which was signed at end 2020 (as explained in paragraph 4.13)

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above). The projection from June 2021 onwards shows a steady increase in the solvency coverage ratio, however the projections assume no dividends. In practice the Company would expect to pay dividends where the solvency coverage is above the upper limit (of 150% solvency cover) set in the capital management policy (described in paragraph 4.34 below). Paying dividends decreases the solvency coverage percentage. The ORSA report notes that the key risks to the projected increase in solvency coverage over time are: worse than expected lapse / expense / claims experience and adverse market conditions (in particular negative equity market performance and adverse currency movements against sterling).

- 4.23 The 2020 ORSA report also investigates the projected solvency development on a range of alternative adverse scenarios and concludes that ZILL's solvency position would be satisfactory in all but the most extreme events. The only scenario that resulted in a reduction of the solvency coverage percentage below the IOMFSA's intervention limit of 125% was the extreme financial shock scenario in the reverse stress test².

Risk profile

- 4.24 The range of risks to which ZILL is exposed includes market/financial risk, credit risk, counterparty risk, insurance risk, business/operational risk, regulatory compliance risk and fiscal risk. As required under the Isle of Man RBC Framework, the company has in place a risk management framework to monitor and manage risks on an ongoing basis.
- 4.25 The composition of ZILL's Solvency Capital Requirement ("SCR") as at 31 December 2020 is set out in the table below. The SCR is calculated on a basis prescribed by the IOMFSA and it seeks to measure the loss on Own Funds in an extreme stress over a 12 month time horizon (i.e. assuming a 1 in 200 year adverse event occurs).

Table 4: ZILL – Solvency Capital Requirement 2020 and 2019

	31-Dec-20 £ million	31-Dec-19 £ million
Market risk	216	221
Counterparty default risk	10	6
Life underwriting risk	322	442
Diversification	(140)	(154)
Operational risk	60	65
Solvency Capital Requirement	468	580

Source: ZILL Actuary's Report 202012 (internal document)

- 4.26 Each of the risk categories shown in the SCR table above is composed of a number of submodules within each risk heading. These submodules (and the calibrations of each stress to be applied within each submodule) are prescribed by the IOMFSA regulatory regime. The more detailed SCR breakdown (shown in the table below) gives a better insight into the risks of the business.

² A "reverse stress test" is where a company adjusts the input assumptions into the scenario model and identifies what set of assumptions would result in the company falling below a target solvency minimum. It seeks to identify what conditions could lead to insolvency.

Table 5: ZILL – SCR breakdown into submodules

	31-Dec-20 £ million	31-Dec-19 £ million
Market risk		
Interest	0	0
Equity	181	165
Property	1	1
Spread	22	19
Currency	46	90
Concentration	11	-
<i>Diversification Benefit</i>	<i>(46)</i>	<i>(54)</i>
Market risk capital	216	221
Life underwriting risk		
Mortality	47	44
Longevity	2	2
Disability/Morbidity	122	111
Lapse	187	338
Expense	100	100
Revision	-	-
Catastrophe	23	23
<i>Diversification Benefit</i>	<i>(158)</i>	<i>(175)</i>
Underwriting risk capital	322	442
Counterparty default risk		
Type I	9	6
Type II	1	2
<i>Diversification Benefit</i>	<i>0</i>	<i>0</i>
Counterparty default risk capital	10	7
Operational risk capital	60	65
<i>Diversification Benefit</i>	<i>(140)</i>	<i>(154)</i>
Solvency Capital Requirement	468	580

Source: ZILL Actuary's Report 202012 (internal document)

- 4.27 As can be seen from Tables 4 and 5, the largest contributor's to ZILL's SCR are the capital requirements for life underwriting risk and (financial) market risk. These values are calculated on a prescribed regulatory basis that applies to all Isle of Man based insurers.
- 4.28 Diversification refers to a situation where an insurer is exposed to a number of unrelated/unconnected risks, which means that they are less likely to be materially affected by the manifestation of any single risk. By contrast, an insurer with a small number of risks is more likely to be materially affected by the manifestation of a single risk, all other things being equal. The "diversification benefit" is an adjustment to allow for this issue. The diversification benefit calculation is prescribed by the IOMFSA regulatory regime.
- 4.29 Life underwriting risks include (in order of impact for ZILL) lapse risk, disability/morbidity risk, expense and mortality (including catastrophe) risk. Lapse risk (i.e. policyholder surrenders and lapses being materially higher than expected) is the single greatest contributor to ZILL's capital requirement for underwriting risk.
- 4.30 Market risks (in order of impact for ZILL) include equity market risk, currency risk property risk, spread risk (i.e. the spread on yields between corporate bond investments and low risk government bonds), and concentration risk. The largest contributor to ZILL's capital requirement for market risk at 31 December 2020 was equity market risk, followed by currency risk and spread risk.
- 4.31 In addition, ZILL is exposed to other risks including counterparty risk (such as reinsurers and intermediaries) and operational risk. Counterparty risk is relatively low when compared to the other contributors to capital requirements.

Risk management

- 4.32 ZILL has adopted a risk management framework centred around four core components:

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- i. ZILL's Risk Strategy, which targets an appropriate balance of risks in achieving its business plan objectives, whilst seeking to reduce or eliminate those risks that do not support these objectives. ZILL's overall Risk Strategy is set out in its Risk Appetite Statement which includes tolerance limits, risk preferences and Key Risk Indicators, which are monitored during the risk management cycle.
 - ii. ZILL aims to manage individual risks through a risk management cycle structured for continuous improvement.
 - iii. The ZILL risk and capital position is monitored quarterly within the quarterly Risk Management Report which is reported to the management and the Board Audit Committee. The Risk Management Report is a key input into the ORSA Risk Profile assessment.
 - iv. ZILL has a clear governance structure used to support ZILL's Enterprise Risk Management framework, including the responsibilities and authorities for taking and managing risks.
- 4.33 ZILL has adopted a 'three lines of defence' approach which runs through ZILL's risk governance structure so that risks are clearly identified, assessed and owned. The "three lines of defence" have independent reporting lines into the ZILL Board, with the aim of providing the ZILL Board with the assurance of strong governance and controls for every business decision.

Capital management policy

- 4.34 ZILL manages its capital so that it meets regulatory minimum capital requirements at all times. ZILL's Capital Management Policy which has been adopted by the ZILL Board sets out the following parameters for managing the company's solvency position:
- ZILL holds a capital buffer above its regulatory minimum to protect it against adverse short-term volatility. The maximum size of the capital buffer corresponds to the difference between the lower boundary and the upper boundary set by the Company.
 - The lower boundary is set to 100% of the SCR. The IOMFSA has advised Isle of Man based insurance companies verbally that they are seeking a buffer of 50% of the SCR when determining dividend or distribution policies. ZILL has set its upper solvency boundary at 150%.
- 4.35 ZILL's Capital Management Policy states that excess capital above the upper solvency boundary is remitted to Zurich Group (typically as dividends) as soon as permissible from a legal, regulatory, and business perspective. The Capital Management Policy also sets the local capital management approach for each branch.
- 4.36 ZILL Singapore has a separate Capital Management Policy for the Branch in Singapore. ZILL Singapore targets to hold, in addition to prescribed minimum capital amounts by MAS, an adequate buffer to ensure that it meets business needs. The capital adequacy ratio of ZILL Singapore as at 31 December 2020 was 444%. This is in excess of the minimum regulatory Capital Adequacy Ratio for the branch specified by the MAS of 100%.
- 4.37 Table 6 below sets out the composition of ZILL Singapore's solvency capital requirement in Singapore for the branch as at 31 December 2020. The Solvency Capital Risk Requirement is calculated on a basis prescribed by the MAS and it seeks to measure the loss on Own Funds in an extreme stress over a 12 month time horizon (i.e. assuming a 1 in 200 year adverse event occurs).

Table 6: ZILL Singapore – Solvency Capital Risk Requirement (Singapore only)

	31-Dec-20 £ million
Market risk	
Interest	0.1
Equity	7.0
Property	0.0
Spread	0.4
Currency	2.7
Concentration	-
<i>Diversification Benefit</i>	<i>(2.1)</i>
Market risk capital	8.1
Life underwriting risk	
Mortality	0.1
Longevity	0.0
Disability/Morbidity	0.2
Lapse	0.5
Expense	0.3
Revision	-
Catastrophe	0.3
<i>Diversification Benefit</i>	<i>(0.5)</i>
<i>Provision for Adverse Deviation</i>	<i>(0.5)</i>
Underwriting risk capital	0.4
Counterparty default risk	
Type I	0.0
<i>Diversification Benefit</i>	<i>(0.0)</i>
Counterparty default risk capital	0.0
Operational risk capital	0.8
<i>Diversification Benefit</i>	<i>(0.4)</i>
Solvency Capital Requirement	8.9

Source: ZILL MAS Returns Form A4

The Transferring Policies

- 4.38 ZILL Singapore has around 6,500 in-force (live) policies as at 31 December 2020, mostly unit-linked savings with around 300 term assurance policies and has been closed to new business since 2015. It represents approximately 5% of ZILL's value of in-force business (and approximately 4% of the Technical Provisions).
- 4.39 The ZILL Singapore business is categorised as Class 1 (linked long-term) and Class 2 (long-term) under the Isle of Man Insurance Regulations 2018.
- 4.40 The Transferring Policies may be grouped into two blocks as follows:
- ZILL Unit-linked Business: This block comprises both regular and single premium Unit-linked Business.
 - ZILL Non-linked Business: This block comprises life, critical illness and disability term assurance protection policies.

Table 7: ZILL – Snapshot of in-force policies within scope of Proposed Scheme as at 31 December 2020

	Number of Policies	Unit Reserves £ million	Technical Provisions £ million
Unit Linked			
Single Premium	30	2.2	2.2
Regular Premium	6,184	479.2	458.0
Non Linked			
Term Regular Premium	314	-	0.4
TOTAL	6,528	481.4	460.6

Source: ZILL MAS Returns Form L6

- 4.41 None of the Transferring Policies participate in the profits of, or are linked to, the Guaranteed Accumulation Funds of ZILL. Any profits and losses of the Singapore business do not contribute to the performance or returns on the Guaranteed Accumulation Funds of ZILL.
- 4.42 The Transferring Policies are currently administered by ZILL's third-party administration service provider, Capita Life and Pensions, using Harvest which is an insurance system developed and owned by ZILL.
- 4.43 In relation to the ability to exercise discretion in respect of aspects of the terms and conditions applicable to the Transferring Policies, ZILL has informed me that it has not exercised any discretionary powers on the Transferring Policies in the past in relation to aspects of their terms and conditions such as adjusting the level of product or fund charges levied.
- 4.44 For some policies, ongoing fee or commission payments are made by ZILL to introducers, insurance intermediaries and financial advisors where policyholders are getting ongoing advice relating to their ZILL policy. These advisory services may include ongoing financial advice or investment related advice. There are two categories of these arrangements:
- TOBAs that govern the payment of initial and ongoing commissions that are in place between ZILL and these introducers.
 - Policies may also have fund investment advisors appointed to provide ongoing advice on the make-up of individual policy fund selections and portfolios. In these cases the policyholder has authorised and instructed ZILL (in the Advisory Forms) to pay investment advisor fees from their policy to the fund investment advisors.
- 4.45 ZILL Unit-Linked Business policies are managed in three categories of funds:
- Mirror Funds are ZILL funds that directly invest in funds managed by external fund managers. They are subject to an additional ZILL Mirror Fund annual management charge over the charge levied by the external fund manager.
 - Internal Funds are typically "funds of funds" that are invested under a discretionary asset management agreement by Columbia Threadneedle as fund manager, but this category also includes some directly invested funds such as the money market funds that directly invest in cash and near cash instruments selected by the fund manager.
 - External Funds are ZILL funds that directly invest in funds managed by external fund managers. Unlike Mirror Funds, they are not subject to an additional ZILL annual management charge.

Table 8: ZILL – Snapshot of in-force policies within scope of Proposed Scheme - Funds as at 31 December 2020

Fund Type	No. of Funds	Amount Invested £ million
Mirror Funds	123	332
Internal Funds	24	147
External Funds	38	2
TOTAL	185	481

Source: Data provided by ZILL.

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- 4.46 Protection benefits provided on the Transferring Policies are currently reinsured with a combination of ZIC and Munich Re as reinsurer within the overall reinsurance strategy of ZILL. The reinsurance treaties cover all ZILL business and not just Singapore. ZILL's retention on its protection benefit risks (per life) is USD\$250,000 (i.e. the maximum individual net loss on a protection claim that ZILL will incur is USD\$250,000).
- 4.47 The Transferring Policies include a small number of cases that have significant protection benefits. The five largest cases by sum assured are all non-linked term assurance policies and are detailed below.

Table 9: ZILL – Snapshot of in-force policies within scope of Proposed Scheme - Large Benefit Policies as at 31 December 2020 (£ millions)

Term Remaining	Death Benefit Cover	Critical Illness Cover
3	5.00	0.50
3	3.00	0.50
2	2.65	-
16	2.50	0.85
15	2.24	0.28

Source: Data provided by ZILL.

Policyholders Compensation Scheme – Isle of Man

- 4.48 ZILL is a member of the Isle of Man Policyholders Compensation Scheme ("PCS") governed by the Life Assurance (Compensation of Policyholders) Regulations 1991. The objective of the Scheme is to provide a compensation scheme for policyholders should an authorised insurer be unable to satisfy its long term-insurance liabilities.
- 4.49 The PCS can be considered to be a fund of 'last resort', coming into effect only when the IOMFSA's comprehensive framework of statutory protection measures has been unable to prevent the failure of an insurer. Because of this the likelihood of the PCS being invoked is considered remote.
- 4.50 The PCS does not provide protection against investment or other financial losses arising out of the investments which may be held within a long-term insurance contract. It is designed to deal only with the failure of a Participant Insurer.
- 4.51 Compensation is payable by the PCS up to a maximum of 90% of the value of the protected contract, determined at the date of the failure of the Participant Insurer.
- 4.52 Money is not collected in advance to fund compensation payments. Compensation is paid out of contributions (as a levy) collected from the other Participant Insurers in the Isle of Man after any failure of an individual PCS member insurer.
- 4.53 In the event of a levy being charged on PCS members ZILL would be obliged to satisfy the liability arising at that time. The maximum levy payable under the scheme in respect of the insolvency of any Participant Insurers is 2% of their insurance and investment contract liabilities. No levy is currently payable by any PCS members.
- 4.54 Participant Insurers may decide to pass on the cost of any PCS funding levy to their own policyholders, where their terms and conditions allow. It has been confirmed to me that the current ZILL policyholders' terms and conditions for Transferring Policies include the option to pass any levy on to policyholders.

Policyholders Compensation Scheme – Singapore

- 4.55 A Policy Owners' Protection ("PPF") Scheme has been set up in Singapore to protect policy owners in the event of a failure of a life or general insurer which is a PPF Scheme member. The PPF Scheme is administered by the Singapore Deposit Insurance Corporation ("SDIC").
- 4.56 ZILL Singapore is a member of the PPF Scheme. The PPF Scheme covers guaranteed benefits (to a stated maximum as defined in the PPF Scheme) where the insurance company fails (for example if the insurance company becomes insolvent).
- 4.57 Guaranteed benefits that are covered by the PPF Scheme are defined within the PPF Scheme but would include death benefits payable on ZILL term assurance policies (up to the guarantee limit which varies by product type in a range up to a maximum of SGD\$500,000 per life). The PPF Scheme would not cover surrender values on unit-linked policies (as these surrender values are based on the value of the underlying assets and are not guaranteed).

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- 4.58 PPF Scheme members pay annual levies to the PPF Fund, depending on the type of license held by the PPF Scheme member.

5 BACKGROUND TO MONUMENT INTERNATIONAL LIFE ASSURANCE COMPANY

History and background

- 5.1 On 16 February 2021, Monument Re acquired LCL International Life Assurance Company Limited from the Charles Taylor Group and subsequently, on 17 February 2021, renamed the entity as Monument International Life Assurance Company ("MILAC").
- 5.2 MILAC is a company incorporated in the Isle of Man under registered number 27082C whose registered office is at St George's Court, Upper Church Street, Douglas, Isle of Man IM1 1EE. It is a wholly owned subsidiary of Monument Re which is a company incorporated in Bermuda.
- 5.3 MILAC is authorised by the IOMFSA to carry on insurance business in Classes 1 (linked long-term), 2 (long-term) and 10 (reinsurance of contracts within Class 1 and Class 2) under the Insurance Regulations 2018. MILAC is currently in the process of establishing a branch in Singapore.
- 5.4 MILAC commenced operations in 1985 as Equity & Law International Life Assurance Limited and has changed ownership on a number of occasions, with these changes of ownership being reflected through the following respective name changes:
 - AXA Equity & Law International Life Assurance Company Limited - 1993
 - Old Mutual International (Isle of Man) Limited - 1997
 - Aberdeen International (IoM) Life Assurance Limited - 2002
 - LCL International Life Assurance Company Limited - 2005
 - Monument International Life Assurance Company Limited - 2021.
- 5.5 MILAC closed to new business in 1999 and since 2006 has been a consolidator of other closed book offshore life assurance companies on the Isle of Man. The following life assurance companies have been acquired and their portfolios transferred into MILAC (year of transfer included in brackets):
 - Aberdeen International Limited (2006)
 - Aberdeen International Assurance (Isle of Man) Limited (2006)
 - Premium Life International Limited (2006)
 - Finistere Life Assurance Company Limited (2010)
 - Alico Isle of Man Limited (2012)
 - Global Life Assurance Limited (2013)
 - Nordea Life and Pensions Limited (2017)
 - Scottish Widows International Limited (2017).
- 5.6 In addition to the above company acquisitions, MILAC also acquired and transferred a closed book of single premium Unit-linked Business from ZILL in December 2017.
- 5.7 On 22 December 2020, Monument Re signed an agreement with ZILL, that Monument Re would acquire the run-off portfolio of insurance policies that is the subject of the Proposed Scheme. MILAC has been identified as the most appropriate subsidiary in the Monument Group to acquire the business of ZILL Singapore.
- 5.8 The Monument Group's intention is to use MILAC as one of its vehicles for acquiring further blocks of life insurance business in the future. The volume, nature and timing of any such future deals is difficult to predict. Any such deals that involve a transfer of business to MILAC under the provisions of the 2008 Act will be subject to the same oversight and approval process as apply to the Proposed Scheme in order to ensure that MILAC's policyholders are not materially adversely affected.
- 5.9 I am aware that MILAC is concurrently preparing for another scheme of transfer of another book of business, the name of which is not currently in the public domain. It could occur over 2022. I have reviewed the scope of that proposed transfer to assess its impact on the Proposed Scheme. The two transfers are independent and involve different jurisdictions of policyholders. In any case the other scheme will require its own publication of the Scheme of Transfer

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and Court and regulatory approval. If relevant, I will comment on the status of any other MILAC or ZILL schemes of transfer in my Supplementary Report to the Court (as explained in Section 1.23 of this Report).

The Monument Group

- 5.10 MILAC is ultimately owned by Monument Re. Monument Re is a Bermudan reinsurer which was licenced by the BMA in February 2017 and, either directly or through its subsidiaries (including MILAC), is an acquirer of asset-intensive European insurers (i.e. life companies with material long term holdings of assets to match liabilities), often in run-off. Monument Re is backed by shareholders including Hannover Re, the world's third largest reinsurer; NYSE-listed Enstar, a leading consolidator of property & casualty insurers in run-off; and E-L Financial, the parent company of Canadian life insurer Empire Life, each of which has a 20% stake.
- 5.11 Monument Re operates regulated insurance or reinsurance companies in Bermuda, Ireland, Belgium, Luxembourg, the Netherlands, Guernsey and the Isle of Man and continues to pursue further opportunities in a number of countries.
- 5.12 A summary of Monument Re's material acquisitions since inception is set out below:

Table 10: Monument Re – Acquisitions to date

Seller	Target	Country	Completion
Barclays Bank	Barclays Insurance and Barclays Assurance, payment and short-term income protection.	Ireland	March 2017 (renamed Monument Assurance and Monument Insurance, respectively).
Enstar	Laguna Life, term life protection.	Ireland	August 2017. Laguna renamed Monument Life Insurance DAC.
MetLife Europe	A run-off portfolio of linked and traditional business.	Ireland	Reinsured in June 2018. Section 13 transfer to Laguna in April 2019.
Société Générale	Inora Life, unit-linked savings.	Ireland	September 2019.
ABN AMRO Bank	ABN AMRO Life Capital, traditional savings.	Belgium	March 2018 (renamed Monument Assurance Belgium).
Ethias	FIRST A portfolio, traditional savings.	Belgium	September 2018. Transferred to Monument in Ireland.
Enstar	Portfolio of Alpha Insurance traditional and credit life business.	Belgium	May 2019. Portfolio transfer.
Talanx	Aspecta Assurance International Luxembourg, unit-linked savings.	Luxembourg	October 2018 (renamed Monument Assurance Luxembourg).
Amerborgh	Robein Leven, traditional and unit linked products.	Netherlands	March 2019.
Storebrand	Nordben, unit-linked and traditional savings.	Guernsey	June 2019.
Rothsay Life	Annuity portfolio.	United Kingdom	Reinsurance in-force March 2019; portfolio transfer September 2020.
Curalia	Portfolio of traditional business.	Belgium	December 2019.
Cattolica Life DAC	A life insurer.	Ireland	June 2020. Renamed Omega Life DAC.
GreyCastle	Greycastle, annuity and protection business.	Bermuda	May 2020.
Zurich Ireland	Closed portfolio Bond Book.	Ireland	December 2020. Portfolio transfer.
Allianz	Closed book portfolio transaction.	Belgium	Regulatory approval received February 2021. Completion April 2021.
Charles Taylor	IOM operations LCL International Life Assurance Company Limited and Charles Taylor Holdings (IOM) Limited. Linked.	Isle of Man	February 2021. (Insurer renamed Monument International Life Assurance Company Limited – MILAC).
Athora Ireland	Closed portfolio of variable annuities.	Ireland	March 2021. Portfolio transfer.
Intégrale	The entire portfolio and all the staff of the insurance company Intégrale	Belgium	Purchased by Monument Assurance Belgium. Completed December 2021.

- 5.13 In December 2021 Monument Re announced, through its subsidiary Monument Assurance Belgium, it had agreed with AXA Belgium for the transfer of a run-off life insurance portfolio, with provisions on the financial statements of €2.6bn, subject to regulatory approvals.

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- 5.14 I have been provided with the most recent (April 2021) Group Solvency Self-Assessment report for Monument Re. This report, which is a requirement of the Bermudian regulatory regime for insurers and reinsurers, is a risk assessment report. The report is not in the public domain, but it indicates that Monument Re currently has a healthy solvency position.

Nature of business written by MILAC

- 5.15 As at 31 December 2020, the majority of MILAC's business consisted of unit-linked business, with the portfolio also containing a small amount of unitised with-profits and non-linked business. MILAC is closed to new business, with additional contributions accepted to some policies in accordance with policy conditions. The table below summarises the Technical Provisions at 31 December 2020.

Table 11: MILAC – Summary of in-force business as at 31 December 2020 (£ millions)

Product	Unit-linked	Non-unit	BEL
Personalised Bond Business	766	(8)	758
Pooled Business	146	(0)	146
Total	912	(8)	904
Risk Margin			5
Technical Provisions			909

Source: MILAC Actuary's Report 202012 (internal document)

- 5.16 In summary, at end 2020 MILAC had some 4,200 policies in force. Total Technical Provisions amounted to £909 million.

Solvency position

REPORTED SOLVENCY POSITION

- 5.17 At 31 December 2020, MILAC had an excess of eligible Own Funds over its regulatory capital requirement, as shown in the table below.

Table 12: MILAC – Reported solvency position (£ millions)

	31-Dec-20	31-Dec-19
(1) Net Assets before deducting Technical Provisions	932	922
(2) Technical Provisions	909	900
(3) Other adjustments to arrive at eligible own funds	(2)	-
(4) Total eligible own funds (= (1) - (2) + (3))	21	21
(5) Solvency Capital Requirement (SCR)	14	13
(6) Minimum Capital Requirement (MCR)	5	5
(7) Relevant RBC Framework capital requirement (= Higher of 5 & 6)	14	13
(8) Coverage ratio (= (4) / (7))	154%	163%
(9) Excess of eligible own funds over capital requirement (= (4) - (7))	7	8

Source: MILAC 31 December 2020 RER submission to IOMFSA

- 5.18 As at 31 December 2020, the company's assets exceeded its liabilities by £21 million (31 December 2019: £21 million). The eligible Own Funds exceeded the regulatory capital requirement by £7 million (31 December 2019: £8 million). This translated into a solvency coverage ratio of 154% at 31 December 2020.
- 5.19 The eligible own funds figure allows for a £2 million foreseeable dividend adjustment (entry (3) above) which was paid in February 2021. This dividend payment was conditional on the repayment of a £4.6 million loan made by MILAC to its previous owner Metrowise Limited. If the repayment of this loan was also allowed for in the year end 2020 calculations, the solvency ratio would have risen from 154% to 162%. The loan to Metrowise was fully repaid in February 2021 and the £2m dividend was paid at the same time.

RECENT SOLVENCY POSITION AND CHANGES OVER 2021

- 5.20 I have also been provided with MILAC's (unaudited) financial position as at 31 December 2021 based on the draft IOMFSA quarterly solvency returns. The 31 December 2021 draft quarterly solvency returns (that are not in the public domain and are unaudited) show that MILAC's own funds were £22 million and the SCR was £14m. Own Funds exceeded the relevant regulatory capital requirement by £8 million. In percentage terms the company's solvency coverage ratio at Q4 2021 was 165%.
- 5.21 The formal audited 31 December 2021 annual solvency returns must be finalised, board approved and submitted to the IOMFSA within 21 days of the date on which the annual financial statements are approved by the board and no later than 30 June 2022. The MILAC financial statements and solvency returns are scheduled to be approved at a board meeting in March 2022. I will comment on any material changes to the reported solvency position at end 2021 in my Supplementary Report to the Court (as explained in Section 1.23 of this Report).
- 5.22 As part of the overall Monument Re capital management strategy, MILAC plans to enter into an intra-group reinsurance agreement with Monument Re as soon as possible, subject to IOMFSA approval. It is intended that MILAC will enter into a 90% quota share intra-group reinsurance with Monument Re. MILAC will pay a reinsurance premium on treaty inception to Monument Re and Monument Re will pay claims to MILAC based on 90% (i.e. the reinsurance quota share) of the emerging future profits³ and losses (on a IOMFSA solvency basis) of MILAC.
- 5.23 The exact financial value/cost of the intra-group reinsurance agreement depends on the signing date of the treaty. By entering into the intra-group reinsurance agreement, MILAC cedes 90% of future profits which are expected to be in the order of £12m to Monument Re and MILAC capital needs are expected to reduce by approximately £8m (from approximately £14m to £6m).
- 5.24 The reinsurance treaty with its parent transfers most of MILAC's residual financial and insurance risk to Monument Re in Bermuda. On the unit-linked business of MILAC, all financial risks related to the performance of the unit-linked assets (i.e. the internal funds) remain with the relevant policyholders.

PROJECTED SOLVENCY POSITION

- 5.25 In addition to looking at the recent solvency position, it is also useful to look at the possible future solvency development. For MILAC this can be considered in two key steps.
- MILAC has recently joined the Monument Group (in early 2021), and will transition from its previous parent's approach to group capital management to Monument Group's capital management approach. Planned changes include using intra-group reinsurance from MILAC to Monument Re.
 - MILAC is also preparing for the Proposed Scheme. MILAC also has plans to complete additional portfolio transfers in the future. Each such transaction and transfer will impact on the capital management approach of MILAC. This includes the possibility of using external financial reinsurance to support new acquisitions in the future.
- 5.26 Therefore projecting the future solvency position of MILAC incorporates aspects of becoming a Monument Group subsidiary in early 2021 and also consequences of future acquisitions of insurance portfolios. Some aspects of MILAC capital management (for example the planned use of intra-group reinsurance from MILAC to Monument Re in Bermuda) require MILAC Board approval and confirmation of non-objection by the IOMFSA.
- 5.27 Baseline financial projections were prepared by MILAC and include assumptions on future market conditions, sales volumes, expenses and current MILAC policyholder behaviour (such as surrender rates and withdrawals). These projections do not include the transfer of the ZILL Singapore business to MILAC and assume no payment of future dividends. I consider the projected solvency position of MILAC assuming the Proposed Scheme is approved in Section 7 of this Report.
- 5.28 The table below was extracted from the 2021 MILAC ORSA process which included projections of the future solvency position of MILAC for the period to 2025 assuming the Proposed Scheme does not occur.

³ The reinsurance claims are defined in the treaty and are based on the MILAC emerging surplus (or deficit) measured on UK GAAP methodology and valued under the Isle of Man Risk Based Capital ("IoM RBC") basis.

Table 13: MILAC – Projected future solvency development (£ millions)

	31-Dec-20 (reported)	31-Dec-20 (Rebase)	31-Dec-21	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25
(1) Eligible own funds	21.0	14.6	14.5	15.3	15.5	15.6	15.7
(2) Solvency Capital Requirement (SCR)	13.0	5.3	5.4	4.0	3.6	3.5	3.2
(3) Coverage ratio (= (1) / (2))	162%	277%	270%	387%	426%	451%	484%
(4) Excess of eligible own funds over capital requirement	8.0	9.3	9.1	11.3	11.9	12.1	12.5

Source: MILAC ORSA 2021 (internal document)

- 5.29 The table above shows the end 2020 position (as reported) and a pro-forma position at end 2020 (“rebase”) to allow for the dividend paid in February 2021 and the loan repayments to the previous owners (as outlined in Section 5.19). The 2020 rebase column also assumes the intra-group reinsurance was put in place (as outlined in Section 3.4) at year end 2020. This shows the positive impact on the solvency coverage ratio of the intra-group reinsurance.
- 5.30 In 2019 MILAC completed its annual ORSA process which included projections of the possible future solvency position of the company at that time. This was before the acquisition by Monument Group (and therefore not anticipating any intra-group reinsurance or joining the Monument Group). The solvency projections undertaken in 2019 showed an estimated solvency coverage for MILAC of approximately 170% at end 2020 (which in solvency coverage terms is relatively similar to the 162% reported figure as shown in Table 13 above). The 2019 ORSA also showed a projected solvency coverage of 280% at end 2025 (i.e. an improving ratio over the 5 year projection).
- 5.31 The latest solvency projections indicate that, in the absence of any further dividends being paid, MILAC’s solvency position is expected to improve over the coming years – from an assumed rebased 277% at end 2020 to over 480% at end 2025. Note the projected increase in solvency cover is mainly a result of the declining Solvency Capital Requirement as the business in-force runs off.
- 5.32 MILAC’s 2021 ORSA report notes that the dominant risk to ongoing solvency now arises from the reliance on the intra-group reinsurance to Monument Re, and the default or failure of Monument Re would materially adversely impact the solvency of MILAC. The ORSA also identifies how other key risks to the projected solvency coverage over time (for example future interest rates, equity market prices and policyholder persistency/lapses) are now significantly reduced as a result of the intra-group reinsurance to Monument Re.

Risk profile

- 5.33 The range of risks to which MILAC is exposed includes market/financial risk, credit risk, counterparty risk (including to Monument Re once the proposed intra-group reinsurance becomes effective in 2021), insurance risk, business/operational risk, regulatory compliance risk and fiscal risk. As required under the RBC Framework, the company has in place a risk management framework to monitor and manage risk on an ongoing basis.
- 5.34 The table below sets out the composition of MILAC’s SCR at end 2019 and 2020 (as reported), and also (on a pro-forma basis) assuming the intra-group reinsurance to Monument Re was in place at end 2020 (“rebased column”). The SCR is calculated on a basis prescribed by the IOMFSA and it seeks to measure the loss on Own Funds in an extreme stress over a 12 month time horizon (i.e. assuming a 1 in 200 year event occurs).

Table 14: MILAC – Solvency Capital Requirement (£ millions)

£ million	reported	reported	rebased
Capital needs (SCR)	31-Dec-19	31-Dec-20	31-Dec-20
Market risk	6.7	7.6	1.8
Counterparty default risk	1.3	1.1	0.5
Life underwriting risk	6.0	6.6	1.3
Diversification	-5.2	-5.1	-1.7
Operational risk	4.3	3.4	3.4
Solvency Capital Requirement	13.1	13.6	5.3

Source: MILAC ORSA 2021 (internal document)

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- 5.35 As can be seen from the table above, the largest contributors to MILAC's SCR are the capital requirements for life underwriting risk and (financial) market risk.
- 5.36 Life and health underwriting risks include mortality risk (including catastrophe risk), longevity risk, expense risk and lapse risk. Lapse risk is the single greatest contributor to MILAC's capital requirement for underwriting risk, followed by expense risk.
- 5.37 Market risks include equity market risk, property risk, spread risk, currency risk and concentration risk. The largest contributor to MILAC's reported capital requirement for market risk at end 2020 was equity market risk, followed by concentration risk and currency risk. At end 2020 the concentration risk included the exposure to Metrowise on the loan to the parent at the time (as explained in Section 5.19). This was repaid in February 2021 and therefore the allocation of capital to concentration risk has reduced relative to the other risks.
- 5.38 In addition, MILAC is exposed to other risks including counterparty risk and operational risk.
- 5.39 The introduction of the intra-group reinsurance to Monument Re reduces the market and life underwriting risk. The treaty has collateral arrangements in place that also reduces the counterparty default risk to MILAC. Overall the impact of the intra-group reinsurance is a material reduction in the SCR of MILAC.

UNIT-LINKED BUSINESS

- 5.40 MILAC's unit-linked business consists of a range of single and regular premium products across whole of life and endowment offerings. Depending on the product, policies can be denominated in Pounds Sterling, Swedish Krona, Danish Krone, US Dollar or Euro.
- 5.41 Unit-linked business passes all investment risk to the policyholder, but some operational risks remain with MILAC. In particular, errors in unit pricing, fund administration or policy administration can result in compensation payable to policyholders and can also result in additional resource needs (and heightened regulatory scrutiny).
- 5.42 The other main risks associated with unit-linked business is the potential volatility of the future net income stream for the company (particularly as revenues are largely dependent on the level of fund values whereas expenses may be largely independent of movements in financial markets). This risk within MILAC is reduced by the use of intra-group reinsurance to its parent, Monument Re.

UNITISED WITH-PROFITS BUSINESS

- 5.43 MILAC's unitised with-profits business consists of a small range of single and regular premium products across whole of life and endowment offerings. The products no longer accept additional new single contributions or increases in regular contributions into the with-profits funds. Depending on the product, policies can be denominated in Pounds Sterling, US Dollar or Euro.
- 5.44 Most of the unitised with-profits funds are reinsured either with Aviva Life & Pensions UK Limited (the Amulet range of products) or Scottish Widows Limited (International Investment Bond product). MILAC retains some investment risk for guaranteed benefits on a small tranche of ex-Global Life Assurance Limited with-profits policies, which totalled 71 policyholders and £2 million funds under management as at year-end 2020.

NON-LINKED BUSINESS

- 5.45 MILAC has a small amount of non-linked business (5 policies in total) which covers areas such as whole of life annuities, permanent health insurance, term and whole of life assurance, and savings and retirement products. The proportion of the total net of reinsurance technical provisions at 31 December 2020 represented by these policies is less than 0.1% of the total net of reinsurance long-term liabilities.

FUTURE ACQUISITIONS

- 5.46 MILAC's stated strategy is to acquire run-off blocks of life insurance business which is the same as Monument Group's strategy. This strategy should not result in the introduction of any new types of risk, beyond those already discussed above in connection with life insurance business.
- 5.47 The Monument Group's strategy is based on creating a critical mass of in-force policies to give economies of scale in terms of operating expenses, and then to add new portfolios to the Group to replace lost economies of scale as the in-force business runs-off over time and reduces in size. In addition, the strategy seeks to create capital efficiency by combining portfolios of insurance risk.

Risk management

- 5.48 MILAC has adopted the Monument Group's risk management framework which includes the following components:
- risk strategy and appetite, aligned to the company's business strategy;
 - risk tolerances, limits and triggers; and
 - risk management policies and ongoing processes to identify, measure, monitor, manage and report risk.
- 5.49 The Risk Management Framework provides for the continuous and forward-looking identification and assessment of the company's risks. On an annual basis, MILAC performs an ORSA to assess whether it has sufficient capital to meet solvency capital requirements over the business planning period under specific risk scenarios or stressed business conditions (which are designed based on the company's risk profile). The MILAC Board reviews the conclusions drawn from the ORSA and agrees potential actions to be taken.
- 5.50 MILAC has a number of external reinsurance arrangements in place, with 100% reinsurance on a number of with-Profits funds placed with Aviva Life & Pensions UK Limited and Scottish Widows Limited, material protection benefits reinsured with Swiss Re Europe S.A. and protection benefits on the Ex-Nordea book of business being reinsured with QBE RE (Europe) Limited.
- 5.51 As explained in Section 3, for the purposes of my assessment, I have assumed MILAC has an intra group reinsurance agreement in place with its parent Monument Re for its existing business, whereby MILAC reinsures 90% of all cashflows to Monument Re via a quota share arrangement.

Capital management policy

- 5.52 MILAC manages its capital so that it meets regulatory minimum capital requirements at all times. MILAC's current Capital Management Policy which has been adopted by the MILAC Board sets out the following "ladder of intervention" for managing the company's solvency position. Note the Board can revise its stated policy at any time.
- Eligible Own Funds in excess of 165% of SCR plus £1m would allow consideration of dividends or capital payment to parent ("surplus capital" position)
 - Eligible Own Funds less than 125% of SCR plus £1m requires notification to the IOMFSA and more regular monitoring and a Board approved plan required to restore coverage to 125% of SCR plus £1m within twelve months ("focus range" position)
 - Eligible Own Funds less than 125% of SCR requires a Board approved plan required to restore coverage to 125% of SCR within six months, and 125% of SCR plus £1m within 18 months ("rectification range" position)
 - Eligible Own Funds less than 100% of SCR requires a Board approved plan with IOMFSA to restore coverage to 100% of SCR with three months ("recovery range" position).

Operational arrangements

- 5.53 MILAC outsources its insurance administration activities to another Monument Group subsidiary called Monument Insurance Services (IOM) Limited, ("**MIS**"), via an intra-group outsourcing arrangement governed by a Master Services Agreement. MIS is a registered insurance manager in the Isle of Man and provides insurance services to support the administration requirements of MILAC in respect of its business. MIS uses a proprietary IT system call LIFE *fit* for the administration of life insurance business.
- 5.54 MILAC's IT infrastructure is outsourced to Monument's central IT function. The company's internal audit function is under the remit of the Monument Re Group Head of Internal Audit.
- 5.55 MILAC currently outsources a number of other key functions to external third parties, including the role of Appointed Actuary and investment management.
- 5.56 MILAC has identified a 'target operating model' for how it intends to organise its activities following the Proposed Scheme, and how it intends to organise itself in the medium to long-term, on the assumption of further acquisitions.
- 5.57 MILAC is in the process of setting up a branch in Singapore to ensure existing activities undertaken in ZILL Singapore around compliance monitoring and customer and broker contact are maintained. If the Proposed Scheme is approved, MILAC will implement a hybrid operating model, whereby insurance administration activities are undertaken by MIS in the Isle of Man in conjunction with MILAC Singapore branch staff.

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Policyholders Compensation Schemes

- 5.58 MILAC is a member of the Isle of Man Policyholders Compensation Scheme ("**PCS**") governed by the Life Assurance (Compensation of Policyholders) Regulations 1991. Further details on the PCS are included in paragraphs 4.48 to 4.54 above.
- 5.59 When MILAC Singapore is established as an authorised and regulated branch in Singapore, I have been informed (based on legal advice) it will become a member of the Singapore Policy Owners' Protection ("**PPF**") Scheme. Further details on the PPF are included in paragraphs 4.55 to 4.56 above.

6 THE PROPOSED SCHEME

Introduction

- 6.1 The Transferring Policies will be transferred to MILAC Singapore via the mechanism of the Proposed Scheme, subject to the approval of the Courts in the Isle of Man and Singapore. I have been provided with a copy of the Proposed Scheme and, in this section, I summarise its principal features.

Business rationale for the Proposed Scheme

- 6.2 Following a strategy review of its global insurance activities, ZILL Singapore closed to new business at the end of 2015.
- 6.3 As reflected in the run-off conditions agreed by ZILL Singapore with MAS, retention of the branch licence does not offer ZILL or the Zurich Group an opportunity for future growth or development of new propositions in the Singapore market. It is considered that transfer of a book to an insurer with a strategy focused on management of closed books of long term life insurance business and an operating model developed in line with this strategy is potentially beneficial for policyholders by ensuring that the maintenance of levels of service throughout the life of their policies are, at a minimum, in line with those that they currently receive from ZILL Singapore.
- 6.4 The ZILL Board has determined to sell the transferring business in preference to alternatives such as outsourcing administration of the book, or entering into a reinsurance arrangement, as neither alternative delivers an equivalent benefit to ZILL in reduction of regulatory and organisational complexity.
- 6.5 If the Proposed Scheme is approved, ZILL Singapore intends to apply to the MAS to surrender its licence held under the Singapore Insurance Act.
- 6.6 Monument Group's business strategy is to acquire and administer portfolios of insurance policies in run-off. The Proposed Scheme is consistent with this strategy. MILAC is authorised and regulated in the Isle of Man and therefore is the most suitable legal entity within the Monument Group to acquire the portfolio from ZILL. MILAC's strategy before being acquired by Monument Group in 2021 was also to acquire and administer portfolios of insurance policies in run-off.
- 6.7 The policies within the Proposed Scheme include products within Monument's risk appetite. Furthermore, Monument believes the acquisition of the ZILL Singapore business will enable possible further acquisitions in the Isle of Man and in Singapore. Monument intends to operate the business effectively and efficiently with a strong focus on continued policyholder satisfaction.

Effective date

- 6.8 It is envisaged that the Proposed Scheme will become effective and the transfer take place at [00:01 hours on 1 September 2022], or such other date as may be agreed between ZILL and MILAC and consented to by the Courts (the "Effective Date").

Pre-conditions

- 6.9 The Proposed Scheme is conditional on a number of conditions being fulfilled, including:
- obtaining the non-objection of the IOMFSA and MAS
 - satisfying all relevant pre-transfer policyholder notification requirements (see paragraph 6.33 below)
 - the sanction of the Courts in both the Isle of Man and Singapore.

If both Courts do not approve the Scheme, the Scheme will not progress and no change will occur.

Business to be transferred

- 6.10 The scope of the transfer is the entire book of long-term insurance business carried on by ZILL Singapore. This covers a range of different products issued by ZILL Singapore since 2005.
- 6.11 The business to be transferred covers:
- The rights, benefits, powers and obligations of ZILL under or by virtue of the Transferring Policies.

- All liabilities (categorised as unit-linked and non-linked) attributable to or in connection with the Transferring Policies.
 - Assets underlying (and matching) the transferring unit-linked liabilities held by ZILL, or an equivalent value thereto.
 - The rights, benefits and powers of ZILL under or by virtue of the relevant TOBAs with introducers and Advisory Forms in connection with the Transferring Policies.
 - All liabilities attributable to or in connection with the relevant TOBAs with introducers and Advisory Forms in connection with the Transferring Policies.
 - Records and data protection consents relating to the Transferring Policies.
- 6.12 The Transferring Policies are listed (by their internal ZILL reference policy number) in Schedule 1 of the Proposed Scheme. The Transferring Policies are equivalently described as follows:
- In-force policies issued by ZILL Singapore as at 1 July 2020 (which is the reference date used in the Transfer Agreement signed in December 2020)
 - Plus policies reinstated from 1 July 2020 to the Effective Date of the Scheme of Transfer
 - Plus any policies with outstanding death claims in process at the Effective Date of the Scheme of Transfer.
- 6.13 In effect, this means that the Transferring Policies include all the in-force policies of ZILL Singapore on the Effective Date of the Scheme. It also includes any policies surrendered, matured, lapsed or claimed (and terminated) between 1 July 2020 and the Effective Date of the Scheme of Transfer (the “**Inactive Policies**”). Even though the Inactive Policies are no longer in-force, as a result of being included within the scope of the Scheme of Transfer, any residual liability of ZILL under or in connection with such policies shall be transferred to MILAC.
- 6.14 Under the terms of the Transfer Agreement, commercial performance of the Transferring Policies transfers from ZILL to the Monument Group with effect from 30 June 2020. This is achieved by adjusting the consideration (purchase price) payable from the Monument Group to ZILL on the Effective Date of the Scheme. The consideration is adjusted by the ‘Net Income’ (as defined in the Transfer Agreement) attributable to the Transferring Policies for the period between 30 June 2020 and the Effective Date of the Scheme. ‘Net Income’ includes an allowance for, among other items, premium and management charges received and claims and fund management charges paid in the interim period.
- 6.15 Subject to satisfying the necessary pre-conditions as set out in the Proposed Scheme, the Transferring Policies are scheduled to be transferred in their entirety on the Effective Date to MILAC Singapore, which will become the insurer of those contracts from the Effective Date of the Scheme.
- 6.16 Under the Proposed Scheme, any rights, benefits, powers, obligations and liabilities of ZILL under, or by virtue of, such policies will be transferred to MILAC.
- 6.17 All property and assets held by ZILL in respect of the Transferring Policies as defined in the Proposed Scheme will also be transferred to MILAC. These assets comprise the external funds and assets underlying the ZILL internal linked funds described in paragraph 6.20 below, and also comprise of records, files and data relating to the business. For clarity - the Proposed Scheme will not transfer any assets covering the solvency capital requirements relating to the Transferring Policies or any matching assets in relation to non-linked liabilities.
- 6.18 A transfer of business can also include transfer of other legal agreements outside the policyholder insurance contracts.
- The Proposed Scheme also seeks to transfer from ZILL to MILAC the introducer, insurance intermediary, financial advisor and agency agreements (TOBAs and Advisory Forms) that are associated with the Transferring Policies. The TOBAs and Advisory Forms are described in paragraph 4.44 above.
 - No reinsurance contracts currently with ZILL relating to the Transferring Policies will transfer to MILAC. MILAC will have alternative but similar reinsurance treaties relating to the Transferring Policies. I have been informed that ZILL has agreed with the existing reinsurers that no amendment is required to the current treaties to reflect the removal of the ZILL Singapore business.
 - The (approximately seven) current ZILL Singapore employees in Singapore will transfer to become employees of the newly established MILAC Singapore.
- 6.19 The Proposed Scheme includes the transfer of the TOBAs and Advisory Forms as follows:

- For introducers party to a TOBA which relates to Transferring Policies only, their current TOBAs with ZILL will be transferred to MILAC as part of the Proposed Scheme and approved by the Courts.
- For introducers party to a TOBA which relates to Transferring Policies and other ZILL policies, the existing TOBA will be split and the relevant rights and obligations under the TOBA relating to Transferring Policies will be transferred to MILAC as part of the Proposed Scheme and approved by the Courts, while ZILL will continue to be responsible for payment of fees and commission payments relating to other ZILL policies not transferring.
- In a minority of cases, the relevant TOBA is not governed by Isle of Man law and is therefore not capable of being transferred by the Proposed Scheme. In these minority of cases, the Companies will seek to agree the novation and, if applicable, split of the TOBA with the relevant introducer outside of the Proposed Scheme.
- For advisors connected to the Transferring Policies and giving ongoing investment related advice, any existing Advisory Forms between the advisor and the policyholder relating to Transferring Policies will continue to be recognised by MILAC. The authorisations and undertakings given by policyholders and fund investment advisors to ZILL under the Advisory Forms will be transferred from ZILL to MILAC as part of the Proposed Scheme and approved by the Courts.

Maintenance and operation of funds

- 6.20 ZILL maintains a number of notional funds for its Unit-linked Business ("**internal linked funds**"). Policyholder benefits are linked to these internal linked funds. After the Effective Date, ZILL's internal linked funds within the scope of the Proposed Scheme will be replaced by equivalent funds in MILAC.
- 6.21 The assets appropriated to each ZILL internal linked fund immediately prior to the Effective Date will be appropriated on the Effective Date to an equivalent internal linked fund within MILAC. This will be achieved by transferring ownership ("in-specie") of the ZILL assets underlying each internal linked fund from ZILL to MILAC, and by putting in place the necessary fund management agreements with external fund managers and fund administrators and custodians.
- 6.22 MILAC and ZILL will work closely together to ensure the internal funds are replicated appropriately and efficiently in MILAC. For efficiency and continuity, MILAC will use the same external custodian and will use the same banking provider for policyholder payments – this will aid in the smooth transition from ZILL to MILAC.
- 6.23 The rules of operation (including unit pricing) of the internal linked funds following the Effective Date will comply with the following principles:
- MILAC may exercise any discretion formerly available to ZILL under the terms and conditions of any policy, but will do so in accordance with the applicable principles and having regard, as appropriate, to such considerations as are from time to time in use in relation to such business in MILAC
 - MILAC may modify the terms and conditions of any policy or internal linked fund to the same extent as ZILL formerly could, but will do so in accordance with the applicable principles and having regard, as appropriate, to such considerations as are from time to time in use in relation to such business in MILAC
- subject in every case to the provisions of the applicable policy conditions and the rules of any relevant internal linked fund and, where relevant, to the opinion of MILAC's Appointed Actuary and the MILAC Board.
- 6.24 The product and policyholder fund charges on the internal funds will be unchanged by the Proposed Scheme and all the existing internal funds in ZILL will be replicated in MILAC. As explained above, the existing assets within the internal funds in ZILL will transfer to MILAC and the custodian providing record keeping on those assets is the same provider for ZILL and MILAC.
- 6.25 Neither ZILL nor MILAC operate any "ring-fenced funds", as defined under the Isle of Man RBC Framework; all asset and liabilities of ZILL relating to the Transferring Policies will transfer to MILAC's ownership, without any allocation or ring-fencing to any particular fund.

Payment of premiums

- 6.26 Any ongoing or regular premiums payable in respect of Transferring Policies to ZILL Singapore will become payable to MILAC Singapore from the Effective Date. The Companies will ensure direct debit mandates and other standing instructions for premium payments are updated as necessary where possible to do so.
- 6.27 MILAC Singapore has agreed to use the same bank provider as ZILL Singapore for premium collection and the Companies are working with that bank to ensure the premium collection bank accounts change ownership from ZILL to MILAC to minimise any inconvenience for Transferring Policies. In the unlikely event this is not possible new regular

premium payment mandates will be distributed to the policy owners by MILAC for completion in advance of the Proposed Scheme Effective Date.

Exercise of options and operational arrangements

- 6.28 Any policy options that currently exist under ZILL Singapore policies will continue to exist. If the exercise of such options requires the issuance of an additional or replacement policy, MILAC Singapore will issue any new policies required to be issued under the terms of the policy options in place of ZILL, or if such policies are not available, the nearest available alternative policies.
- 6.29 The Proposed Scheme includes the transfer of insurance administration from ZILL systems to MILAC's sibling service company, MIS. This includes a migration of existing client information and data from the ZILL administration platform to the MIS administration platform. The functionality detail of the MIS systems differs slightly from those of ZILL, which will result in some minor changes in the way the Transferring Policies are administered within MILAC. These are listed and explained in the policyholder communication package. I consider these changes in Section 9.23 below.

Costs of the Proposed Scheme

- 6.30 Each of the Companies will bear its own costs incurred in connection with the preparation and carrying into effect of the Proposed Scheme, other than certain agreed costs relating to the implementation of the Proposed Scheme which shall be shared equally between the Companies.
- 6.31 No costs or expenses will be borne by policyholders of either of the Companies.

Modification or additions

- 6.32 Modifications and additions to the Proposed Scheme, or further conditions to the Proposed Scheme, may be imposed by the Courts. Other additions and modifications to the Proposed Scheme are permitted if ZILL and MILAC both agree, subject to the appropriate Court approval. In limited circumstances, as set out within the Scheme, ZILL and MILAC can agree an amendment without Court approval. This includes amendments to the Proposed Scheme that are minor or technical or are in respect of manifest errors.

Policyholder communications

- 6.33 The 2008 Act requires that, unless the Court otherwise directs, certain materials must be transmitted to each policyholder of both ZILL and MILAC. These materials include a statement summarising the Proposed Scheme together with an abstract summarising the Independent Actuary's Report (together the "**Circular**").
- 6.34 MILAC will send a copy of the Circular to all its existing policyholders (with some limited exceptions described below).
- 6.35 ZILL will send a copy of the Circular to all transferring policyholders of ZILL Singapore (with some limited exceptions described below).
- 6.36 I understand, however, that the Companies intend to petition the Court for a direction to dispense with the requirement to provide the Circular to the following categories of policyholders, except at the request of an individual policyholder (or their agent) :
- Non-transferring policyholders of ZILL (the "**Non-Transferring Policyholders**")
 - Transferring Policyholders in ZILL and current policyholders in MILAC for whom a current address is not known as at a date as close as practicable to the mailing date (such date being shortly after the Isle of Man Directions Court Hearing targeted for late 2021) ("**Goneaway Policyholders**")
 - Transferring Policyholders for whom a notice of policyholder decease has been received with no personal representative appointed ("**Deceased Policyholders**").
- 6.37 The non-transferring policyholders of ZILL represents the vast majority of ZILL's policyholders as ZILL has approximately 430,000 policyholders who are non-transferring and 6,500 within ZILL Singapore who are transferring. The Companies' principal arguments for not automatically sending the Circular to the Non-Transferring Policyholders of ZILL are that:
- There will be no changes to the terms and conditions for the Non-Transferring Policyholders as a result of the Proposed Scheme.

- Non-Transferring Policyholders will continue to have their policies administered in the same way following the implementation of the Proposed Scheme.
- Non-Transferring Policyholders may become aware of the Proposed Scheme through website updates and press advertisements, and will be able to contact ZILL for further information.
- Non-Transferring Policyholders could be unduly concerned by receiving the Circular as policies held by these policyholders are not transferring under the Proposed Scheme.
- As Independent Actuary, I have concluded within this Report that the Proposed Scheme would not have any material adverse effect on: (i) the security of benefits under the policies of such policyholders; (ii) the reasonable expectations of such policyholders with respect to their benefits; or (iii) or the standards of administration, service, management and governance that apply to the policies of such policyholders.

- 6.38 The number of Goneaway Policyholders and Deceased Policyholders is expected to be low. The Companies are putting extra effort into minimising the number of policyholders in these categories by also contacting the relevant distributors and intermediaries where they exist.
- 6.39 I further understand that the Companies will publish notice of the proposed transfer of business in at least two national newspapers in the Isle of Man and Singapore, as well as the Singapore legal gazette.
- 6.40 In addition, the materials will be available on both the ZILL website (www.zurich.com.sg/businessstransfer) and the MILAC website (www.monumentregroup.com/transfers).
- 6.41 The proposed communication plan, as summarised above, is subject to any amendment directed by the Courts.

7 ASSESSMENT OF THE PROPOSED SCHEME - OVERVIEW

Introduction

7.1 In this section, I set out my assessment of the Proposed Scheme.

Context of assessment

- 7.2 My assessment is conducted within the context of the Proposed Scheme, and only the Proposed Scheme, and considers its likely effects on the policyholders of ZILL and MILAC.
- 7.3 My assessment will also be of interest to other parties, including the introducers, insurance intermediaries, agencies and financial advisors connected to the Transferring Policyholders. However my primary assessment is on the impacts on the various categories of policyholders alone.
- 7.4 My assessment considers the position immediately before and immediately after the Proposed Scheme, and in particular where MILAC is a subsidiary of Monument Re. For clarity and to prevent misunderstanding, my assessment presented in this Report does not include any assessment of the acquisition of MILAC by Monument Re from the Charles Taylor Group (as described in Sections 1.1 and 5.1 of this Report) as this is not within the scope of the Proposed Scheme and is itself a separate transaction that has already completed.
- 7.5 It is not within my remit to consider possible alternative schemes or to form a view as to whether the Proposed Scheme is the best possible scheme.
- 7.6 My assessment of the impact arising from the implementation of the Proposed Scheme on the various affected policyholders is ultimately a matter of expert judgement regarding the likelihood and impact of future possible events. Given the inherent uncertainty of the outcome of such future events and that the effects may differ across different groups of policies, it is not possible to be certain of the effect on the policies.
- 7.7 A Scheme may have both positive and negative effects on a group of policies and the existence of detrimental effects should not necessarily imply that the Court should reject a Scheme as the positive effects may outweigh the negative effects or the negative effects may be very small.
- 7.8 In order to acknowledge this inherent uncertainty, and to be consistent with normal practice in these matters, the conclusions of the Independent Actuary in relation to transfers of long-term insurance business are usually framed using a materiality threshold. If the potential impact under consideration is very unlikely to happen and does not have a significant impact, or is likely to happen but has a very small impact, then it is not considered to have a material effect on the policies.
- 7.9 The assessment of materiality will also take into account the nature of the potential impact so that, for example, the materiality threshold for a change that could have a direct financial impact on policyholders' benefits is likely to be lower than the materiality threshold for a change that does not have a direct financial impact.

Principles of assessment

- 7.10 The conditions to be met by the Proposed Scheme are:
- that the security of policyholders' benefits will not be materially adversely affected; and
 - that the Proposed Scheme treats policyholders fairly and will not materially adversely affect their reasonable benefit expectations.
- 7.11 In the following sections I assess the Proposed Scheme in the context of security of policyholders' benefits, and the fair treatment of policyholders' including their reasonable benefit expectations. In addition, I have considered the impact of other miscellaneous aspects of the Proposed Scheme as set out below. I do not believe that there are any other matters that I have not taken into account that might be relevant to my assessment of the Proposed Scheme.
- 7.12 I consider the implications of the Proposed Scheme separately for the following groups of stakeholders:
- Policyholders transferring from ZILL Singapore to MILAC Singapore;
 - Policyholders remaining in ZILL;
 - Existing (at the Effective Date) policyholders of MILAC; and

- Introducers party to a TOBA which will be transferred, or partially transferred, to MILAC under the Proposed Scheme.

Consequences if the Proposed Scheme is not approved

- 7.13 The Courts of both the Isle of Man and Singapore have to approve the Proposed Scheme for it to occur. If for any reason the Proposed Scheme is not approved, then no transfer of business can occur and both MILAC and ZILL will continue to operate as they operate now. The Transferring Policies will not transfer and will remain in ZILL Singapore.
- 7.14 If the Proposed Scheme is not approved and does not occur, the financial security for policyholders remains unchanged as it stands now – MILAC and ZILL both have existing business in force. The financial position of ZILL and MILAC (based on information supplied by the Companies) is shown in Sections 4 and 5 and this shows the Companies are in a healthy financial position in their current operating model.
- 7.15 The Transfer Agreement agreed in December 2020 between Monument Re and ZILL allows the Companies to extend the target deadline to transfer the business and states both companies will use best endeavours to successfully obtain approval for the Proposed Scheme.
- 7.16 If the Proposed Scheme is not approved (and in any case) the costs incurred by the Companies on the transfer of business project will be paid by the Companies and not the policyholders.

Overview of the Regulatory Regimes

- 7.17 ZILL and MILAC are both life assurance companies incorporated, authorised and regulated in the Isle of Man and are therefore subject to the same prudential regulatory and supervisory regime in respect of the entirety of their business.
- 7.18 The business being transferred was issued by ZILL Singapore established as an authorised and regulated insurance branch of ZILL in Singapore. Insurance branches established and regulated in Singapore must also comply with the Singapore prudential regulatory and supervisory regime. ZILL will transfer the business to MILAC Singapore, which prior to the Courts' approval of the Proposed Scheme is expected to be established as an authorised and regulated insurance branch of MILAC in Singapore.
- 7.19 The regulation and supervision of conduct of business risk depends on the territory where the insurer has written the business. For the business being transferred this was and will continue to be Singapore as well as current Isle of Man conduct of business rules that also apply.
- 7.20 I have attached a high level summary of the regulatory regime for Isle of Man insurance companies and Singapore insurance branches in Appendix B to this Report.

Assumptions made when assessing the Proposed Scheme

- 7.21 MILAC's Capital Management Policy will be adjusted given the materiality (to MILAC) of the Proposed Scheme. This will be adopted by the MILAC Board on approval of the Proposed Scheme.
- 7.22 The "ladder of intervention" documented in MILAC's Capital Management Policy for managing the company's solvency position includes a target percentage of SCR plus a fixed amount (currently £1m) of additional buffer. The current Capital Management Policy of MILAC is set out in Section 5.52 above.
- 7.23 If the Proposed Scheme is approved, the following "ladder of intervention" for managing the company's solvency position will apply. This shows that the fixed amount of the additional buffer will increase from £1m to £6.1m.
- Eligible Own Funds in excess of 165% of SCR plus £6.1m would allow consideration of dividends or capital payment to parent ("surplus capital" position)
 - Eligible Own Funds less than 125% of SCR plus £6.1m requires notification to the IOMFSA and more regular monitoring and a Board approved plan required to restore coverage to 125% of SCR plus £6.11m within twelve months ("focus range" position)
 - Eligible Own Funds less than 125% of SCR requires a Board approved plan required to restore coverage to 125% of SCR within six months, and 125% of SCR plus £6.1m within 18 months ("rectification range" position)
 - Eligible Own Funds less than 100% of SCR requires a Board approved plan with IOMFSA to restore coverage to 100% of SCR with three months ("recovery range" position).
- 7.24 The fixed amount of the additional buffer is expected to be reviewed and potentially changed within the ORSA process of MILAC each year.

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- 7.25 MILAC requires a separate Capital Management Policy for the Branch in Singapore. Within its Singapore Branch, MILAC targets to hold, in addition to prescribed minimum capital amounts by MAS, an adequate buffer to ensure that it meets business needs. It is assumed the amounts defined in the Capital Management Policy listed above are sufficient.
- 7.26 When considering the implications of the Proposed Scheme, I need to make certain assumptions about how the Companies will run their respective businesses. These assumptions are listed below. Separately at the time of writing this Report MILAC has changes underway as it becomes part of the Monument Group that are due to complete before the Proposed Scheme Effective Date (those MILAC changes that I assume will complete are listed in Section 3 of this Report).
- 7.27 The assumptions I have made relating directly to the Proposed Scheme include:
- MILAC will reinsure 90% of the residual cashflows on the transferring business with Monument Re Limited.
 - MILAC Singapore will successfully gain authorisation to establish a branch in Singapore and a licence for insurance activity in order to be in a position to continue to service the transferring business.
 - MILAC will use the services of MIS to administer the transferring business. MIS will successfully on-board the business from the existing insurance administrators - Capita Life and Pensions, and ZILL.
 - Approximately 7 employees will transfer to MILAC Singapore from ZILL Singapore.
 - MILAC will make the agreed payment to ZILL to take on the transferring business, as agreed in the novated Transfer Agreement.
- 7.28 The assumptions I have made following the Proposed Scheme include:
- The transferring policyholders will remain covered by the Isle of Man Policyholders Compensation Scheme post-transfer.
 - The transferring policyholders will remain covered by the Singapore Policy Owners' Protection Scheme post-transfer.
 - 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.
- 7.29 My assumptions are based on my understanding of the issues in question and have been shared with the Companies' respective senior management teams for confirmation. I believe, therefore, that it is reasonable to make the assumptions I have made when assessing the implications of the Proposed Scheme. However, if any of these assumptions were to be invalid, then my assessment of and conclusions on the Proposed Scheme may need to be revised.

High level comparison between ZILL and MILAC

- 7.30 At a high level, the two Companies share many similarities, which makes the assessment of the implications for the Transferring Policyholders more straightforward than would otherwise be the case and also helps to focus on the areas of difference (which are of particular importance to the Transferring Policyholders). Those points of similarity include:
- Both are based in the Isle of Man and subject to the same regulations and the same supervisory regime.
 - Both have a regulatory branch presence in Singapore for the transferring business.
 - Both currently have a mixture of unit-linked and non-linked business.
 - Both have reasonably similar overall risk profiles.
 - Both have similar capital management policies (as Isle of Man authorised insurers).
 - Both employ similar risk management tools. In particular, both have a significant reliance on reinsurance as a risk mitigant, and both reinsure risks to other companies in their groups.
- 7.31 There are also some differences, however, including (but not limited to):
- ZILL is materially larger than MILAC (in terms of total size of balance sheet and total funds under management).
 - The two Companies have different strategic plans.

- The two Companies have different parents (i.e. are part of different groups in different ownership).

8 ASSESSMENT OF THE PROPOSED SCHEME - SECURITY OF POLICYHOLDERS' BENEFITS

Introduction

- 8.1 In assessing the implications of the Proposed Scheme on the security of benefits for the various groups of policyholders, I have considered a number of factors including the risk profiles of the two Companies and the outlook for their respective future solvency development (including consideration of their strategic plans).
- 8.2 The security of policyholders' benefits is provided by the amount by which an insurer's assets exceed its liabilities. In addition, the regulatory regime for Isle of Man insurers requires that this excess of assets over liabilities must in turn exceed a prescribed minimum level (called the Solvency Capital Requirement which is calculated taking account of the risks to which the insurer is exposed), thus providing a minimum level of security. I have outlined the regulatory regimes in Appendix B.
- 8.3 The principal issue with regard to security of benefits for Transferring Policies therefore is whether or not MILAC Singapore will have adequate resources following the completion of the Proposed Scheme and whether this is likely to remain the case over time.
- 8.4 This assessment must also have regard to the corresponding situation which would pertain should the Proposed Scheme not be proceeded with and the Transferring Policies remaining in ZILL Singapore.
- 8.5 In my view, the relevant factors to be considered are the outlook for the two Companies' respective solvency positions, their respective risk profiles and their future capital management plans.

Solvency

- 8.6 I note that, as at 31 December 2020, both Companies had available capital resources in excess of both the regulatory minimum (100% of SCR) and their respective target levels as per their capital management policies.
- 8.7 In addition, projections carried out by both Companies in the context of their ORSAs, indicate that the two Companies are expected to maintain more than adequate solvency levels (in excess of both the SCR and the target levels specified in their capital management policies) over the projection period.

ZILL – PROJECTED SOLVENCY POSITION POST-TRANSFER

- 8.8 The ZILL Singapore business within ZILL is a small proportion of the total balance sheet of ZILL. Therefore the expected impact of the Proposed Scheme is relatively immaterial for the ongoing solvency position of ZILL.
- 8.9 The 2020 ZILL Actuary's report included an estimation of the impact of the proposed transfer as if it happened at end 2020. The impact was a small reduction on the solvency coverage from 197% (as reported) to 194% (on a pro-forma basis assuming the Proposed Scheme had happened at end 2020).
- 8.10 The 2020 ZILL Actuary's report included projections of the future solvency position of ZILL from end 2020 to 2023. The projections include the impact of the proposed sale and transfer of ZILL Singapore policies to MILAC Singapore which for the purposes of the assessment was assumed to complete at end 2021.

Table 15: ZILL – Projected future solvency development (£ millions)

	31-Dec-20	31-Dec-21	31-Dec-22	31-Dec-23
(1) Eligible own funds	920	826	860	898
(2) Solvency Capital Requirement (SCR)	468	435	432	435
(3) Coverage ratio (= (1) / (2))	197%	190%	199%	206%
(4) Excess of eligible own funds over capital requirement	452	391	428	463

Source: ZILL Actuary's Report 202012 (internal document)

- 8.11 The projected movement from end 2020 to end 2021 assumed payment of a dividend of £104m in 2021 (which reduces the Eligible Own Funds and therefore also reduces the solvency coverage ratio). This was an assumption at the time of preparing the 2020 ZILL Actuary's report. ZILL actually paid a dividend of £48m in early 2021.
- 8.12 The projection from end 2021 onwards (and assuming the Proposed Scheme goes ahead), and based on no future dividend payments, shows a steady increase in the solvency coverage ratio.

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- 8.13 Section 4.21 of this Report shows, assuming the Proposed Scheme did not occur, the projected solvency cover at end 2023 was just over 200%. This is similar to the projected solvency cover shown above assume the Proposed Scheme does occur. This shows the relative immateriality of the impact of the Proposed Scheme on the ongoing financial security for policyholders remaining in ZILL.

MILAC – PROJECTED SOLVENCY POSITION POST-TRANSFER

- 8.14 The Proposed Scheme will materially increase the overall size of MILAC in terms of policyholders and funds under management. Therefore the expected impact of the Proposed Scheme is material for the ongoing financial position of MILAC. However the use of intra-group reinsurance means the impact on the solvency position is not that material.
- 8.15 The 2021 ORSA of MILAC included an estimation of the impact of the proposed transfer as if it happened at end 2021. The impact was a small reduction on the solvency coverage from 270% to 263% (on a pro-forma basis assuming the Proposed Scheme had happened at end 2021). This is shown in the table below.
- 8.16 The 2021 ORSA of MILAC also included projections of the future solvency position of MILAC from end 2021 to 2025. The projections include the impact of the Proposed Scheme of transfer which is assumed to complete at end 2021 (for simplicity – the proposed effective date of the Proposed Scheme is in 2022).

Table 16: MILAC – Projected future solvency development (£ millions)

	31-Dec-21 before transfer	31-Dec-21 after transfer	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25
(1) Eligible own funds	14.5	16.9	16.7	16.9	17.0	17.2
(2) Solvency Capital Requirement (SCR)	5.4	6.4	6.4	5.7	5.3	4.8
(3) Coverage ratio (= (1) / (2))	270%	263%	262%	296%	323%	356%
(4) Excess of eligible own funds over capital requirement	9.1	10.5	10.3	11.2	11.7	12.4

Source: MILAC 2021 ORSA (internal document)

- 8.17 The projection from end 2021 onwards (and assuming the Proposed Scheme goes ahead), and based on no future dividend payments, shows a (relatively) steady increase in the solvency coverage ratio.
- 8.18 Section 5.28 of this Report shows, assuming the Proposed Scheme did not occur, the projected solvency cover for MILAC at end 2025 was just over 480%. This represents a projected estimated eligible own funds of £15.7m over an SCR of £3.2m at end 2025, which is an excess of eligible own funds over the capital requirement of £12.5m. In monetary amounts, this is similar to the projected excess of eligible own funds over the capital requirement (at £12.4m) should the Proposed Scheme be approved. These relatively similar outcomes rely on the use of the intra-group reinsurance by MILAC with Monument Re.

Risk profiles

- 8.19 In my view, any consideration of the respective future solvency positions needs to include an assessment of the extent to which the projected future development of the Companies' solvency positions could vary as a result of differences in the Companies' risk profiles and approach to risk management. Comparison of the Companies' respective risk profiles is also an important consideration when examining the impact on the Transferring Policyholders of moving from a company with one particular risk profile to a company with a different risk profile.
- 8.20 The makeup of each company's capital requirement (SCR) provides a good indication of the risks to which the Companies are exposed, and the extent of their exposure. In Sections 4 and 5 above I summarised the key risks for both ZILL and MILAC, based on the composition of the SCR and commentary from the ORSA reports. In summary, the two Companies are exposed to broadly similar types of risk.
- 8.21 In terms of risk management, both Companies adopt similar approaches in terms of risk management policies, frameworks, oversight and governance (as is to be expected as they are both subject to the same regulatory and supervisory regime in this regard).
- 8.22 In terms of risk mitigants, both Companies make substantial use of reinsurance, including external reinsurance. There is a material use of intra-group reinsurance by both Companies. This changes the nature of their risk exposures on the business in question: the underlying risks associated with the business (e.g. financial market risk, mortality risk,

expense risk etc.) are substantially replaced with counterparty default risk i.e. the risk that the reinsurer (including another group company) defaults on its obligations.

- 8.23 Having reviewed the relevant documentation provided to me, and based on my experience of insurance risk management, I am satisfied that both Companies' risk management frameworks, while different, are fit for purpose in assessing the impacts of the Proposed Scheme.

Capital management plans

- 8.24 In my view, the Companies' capital management policies are a very important aspect of the assessment of financial strength and security as ultimately any excess capital resources above the level specified in the capital management policy may be transferred out of the Company (as dividends for example). That specified level of coverage can be used, in my view, to form the basis for assessing the Companies' financial strength.
- 8.25 The two Companies capital management policies are summarised in Sections 4 and 5. They are both reasonably similar in terms of the level of excess capital resources the Companies must hold in excess of the regulatory minimum requirement of 100% of the SCR. This is not surprising as the IOMFSA has publicly stated it expects insurers to ensure solvency cover should be above 150% after the payment of any dividends, and hence this 150% solvency coverage level is used more widely as a target solvency level by Isle of Man insurers.
- 8.26 As the SCR is intended to represent the amount required to ensure that an insurer's assets continue to exceed its liabilities over a one-year time frame with a probability of 99.5%, by maintaining capital resources at significantly higher level than 100% of SCR, the Companies are both reducing the probability of having insufficient assets to meet liabilities to less than 0.5% over that timeframe.
- 8.27 MILAC's capital management policy explicitly recognises the dependence on Monument Re as a result of the intra-group reinsurance arrangements and includes an explicit amount of capital that must be held to reflect the associated risks. I have reviewed the basis on which the buffer has been calculated and am satisfied that it is reasonable (particularly in terms of the credibility and reasonableness of the actions that MILAC has stated it will take in the event of default by Monument Re).
- 8.28 Having examined the two Companies' respective capital management policies (particularly with the Transferring Policyholders in mind), while they differ, I am satisfied that MILAC's policy is not materially weaker than ZILL's in terms of the protection that it affords to policyholders.

Business model sustainability

- 8.29 In assessing the security of policyholders' benefits, I believe it is also necessary to give some consideration to the sustainability of the Companies' business models.
- 8.30 ZILL's business model is the issuing and management of international life insurance in selected territories that give growth opportunities. The closure of ZILL Singapore to new business in 2015 followed a strategic review at the time, and the transfer of the ZILL Singapore business to MILAC Singapore is in line with a more efficient run-off of the business given it is closed to new business.
- 8.31 MILAC's business model is to acquire and integrate portfolios of Isle of Man insurance business and to manage them in run off. In addition, Monument Re Group's business model is to support its subsidiaries in acquiring portfolios of international insurance business and create capital efficiencies within the Group using intra-group reinsurance to the parent Monument Re in Bermuda.
- 8.32 The Companies therefore have different business models, but the proposed transfer is in line with each of the Companies' own business model. On that basis I do not see the proposed transfer resulting in any material implications for policyholders in that regard.

Parental support

- 8.33 Both ZILL and MILAC are capitalised and managed to be self-sufficient on a standalone basis, without needing recourse to their respective parents (except potentially in MILAC's case to fund any material future acquisitions or other similar transactions). Nevertheless, both Companies benefit from the support of their parents, both in terms of reinsurance and in terms of potential access to capital if required (noting that such capital support may or may not be forthcoming depending on the circumstances), which makes parental support an additional factor to consider when evaluating the impact of the Proposed Scheme. Note a parent is not legally obliged to provide new capital to a subsidiary.

- 8.34 I note that Zurich Insurance Group Ltd and Monument Re (the ultimate parent of ZILL and the parent of MILAC, respectively) both reported healthy financial positions as at 31 December 2020 (see paragraphs 4.7 and 5.14 respectively), indicating that both parents have substantial available financial resources (also noting, however, that both parents have other potential calls on those resources). This assessment is relevant to MILAC, notwithstanding that it was only acquired by Monument Re in February 2021.
- 8.35 In my view, the proposed transfer will not change the material nature or character of parental support provided to policyholders of either Company.

Consideration of different groups of policyholders

- 8.36 It is necessary to consider the position separately for each group of policyholders. In the following paragraphs I set out my analysis of the implications of the Proposed Scheme for:
- Policyholders transferring from ZILL Singapore;
 - Policyholders remaining in ZILL; and
 - Existing (on the Effective Date) policyholders of MILAC.
- 8.37 Based on my assessment of the outlook for the solvency position of the two Companies, together with my assessment of the Companies' respective risk profiles and capital management plans, the implications of the transfer for the security of benefits of each of the three identified categories of policyholders are considered further below in paragraphs 8.39 to 8.70.
- 8.38 My assessment below considers the position immediately before and immediately after the Proposed Scheme.

TRANSFERRING POLICYHOLDERS

Solvency

- 8.39 Based on the projections prepared as part of the 2021 ORSA, MILAC's projected solvency development over the coming years (on the assumption that the transfer takes place) is expected to remain strong (and higher than the level required under the company's capital management policy).
- 8.40 Based on the information provided, and based on the establishment and initial capitalisation of MILAC Singapore, I am satisfied that MILAC has a healthy solvency position such that the security of benefits for Transferring Policyholders will not be materially adversely impacted as a result of the Proposed Scheme.

Risk profile

- 8.41 The Transferring Policyholders will be moving from a company whose main risks are currently financial market risk, counterparty (including reinsurers) default risk and lapse (persistency) risk, to one with broadly similar exposures to those risks. However, in MILAC Singapore there is a large reliance on the ongoing solvency of Monument Re as a material reinsurer.
- 8.42 Although the Proposed Scheme would result in some changes to the overall risk profile to which the Transferring Policies will be exposed, the risk profiles of the two Companies are broadly similar. In particular, both Companies will have material exposures to reinsurers (including, in both cases, intra-group reinsurers). In addition, different risk profiles are captured in the solvency regime requiring a risk based approach to capital requirements.

Risk management

- 8.43 MILAC has similar risk management policies, frameworks, oversight and governance to ZILL. Both Companies are based in the Isle of Man and are required to comply with the same regulatory and solvency regime.
- 8.44 As noted above, both Companies make substantial use of reinsurance – both to third-party reinsurers and intra-group reinsurers. This acts as a risk mitigant for MILAC and ZILL, but increases the reliance on the reinsurance providers.
- 8.45 Overall I am satisfied that transferring to MILAC would not lead to any material adverse implications in this regard for the Transferring Policyholders.

Capital management policy

- 8.46 Notwithstanding that ZILL is materially larger than MILAC, I assess MILAC's capital management policy as no weaker than ZILL's. I am therefore satisfied that the change in capital management policy does not weaken the security of benefits for the Transferring Policyholders.

Business model sustainability

- 8.47 The Proposed Scheme is in line with the business model of both Companies. I am satisfied that transferring to MILAC Singapore would not lead to any material adverse implications in this regard for the Transferring Policyholders.

Parental support

- 8.48 Notwithstanding that the Zurich Insurance Group is materially larger than the Monument Re Group, I am satisfied that the proposed transfer will not result in any material adverse change to the nature or character of parental support provided to the Transferring Policyholders.

POLICYHOLDERS REMAINING IN ZILL

- 8.49 Given the overall scale of ZILL with approximately 440,000 policyholders, the Transferring Policyholders at approximately 6,500 policies represent a small proportion of the total scale of ZILL.
- 8.50 The solvency coverage ratio for ZILL (pro forma at 31 December 2020) as if the transfer had taken place on that date is calculated as being similar to ZILL's actual coverage ratio at 31 December 2020 (pro-forma 194% had the transfer occurred at end 2020 versus 197% actual solvency coverage at end 2020).
- 8.51 The remaining policyholders in ZILL are outside ZILL Singapore as an insurance branch and not adversely impacted by the ultimate plan by ZILL to return its ZILL Singapore branch authorisation if the Proposed Scheme is approved.
- 8.52 I am satisfied that the ongoing ZILL approach and situation for solvency, risk profile, risk management, capital management policy, business model sustainability and parental support are not adversely impacted by the Proposed Scheme.
- 8.53 I am satisfied that the Proposed Scheme will not lead to any material adverse implications to the security of benefits for the remaining policyholders in ZILL.

MILAC'S POLICYHOLDERS

- 8.54 MILAC currently has approximately 4,200 policyholders and policyholder liabilities of approximately £900 million. The Transferring Policyholders represent approximately 6,500 additional policies with policyholder liabilities of approximately £460 million. The addition of the Transferring Policies will therefore have a material impact on MILAC.

Solvency

- 8.55 MILAC was not part of the Monument Group at end 2020. Therefore to assess the MILAC solvency position before and after the Proposed Scheme I believe it is more appropriate to examine the pro-forma position as if MILAC was part of the Monument Group at end 2020.
- 8.56 MILAC's pro forma position at 31 December 2020 assuming MILAC had become part of the Monument Group (and that the intra-group reinsurance with Monument Re was in place) shows eligible own funds of £14.6m over an SCR of £5.3m, which is an excess of eligible own funds over the capital requirement of £9.3m. This represents a solvency coverage of 277%.
- 8.57 The solvency coverage ratio for MILAC (pro forma at 31 December 2021) as if the transfer had taken place on that date) is calculated as being 263%, whereas MILAC's pro forma at 31 December 2021 as if the transfer had not occurred is calculated as being 270%.
- 8.58 Based on the projections prepared by MILAC, the projected solvency development over the coming years (on the assumption that the transfer takes place) is expected to remain strong (and higher than the level required under the company's capital management policy).
- 8.59 Based on the information provided, I am satisfied that MILAC has a satisfactory solvency position such that the security of benefits to existing MILAC policyholders will not be materially adversely impacted as a result of the Proposed Scheme.

Risk profile

- 8.60 The addition of the Transferring Policies to MILAC will materially increase the overall size of MILAC and brings new responsibilities for the management of a Singapore Branch. In addition, the capital required for the Singapore branch must be held in Singapore and therefore any excess capital held in the branch may not be available as security for the other MILAC policyholders outside Singapore.

- 8.61 The Transferring Policies are similar in nature as the current products and risks managed by MILAC.
- 8.62 The risk profile of MILAC currently includes material exposures to reinsurers, including material reliance on Monument Re via the intra-group reinsurance. This will continue should the Proposed Scheme be approved.
- 8.63 Overall I am satisfied the risk profile for MILAC is not materially changing due to the Proposed Scheme and existing MILAC policyholders will not be materially adversely impacted as a result of the Proposed Scheme.

Risk management

- 8.64 MILAC's current risk management policies, frameworks, oversight and governance are designed for MILAC's business model as a run-off insurance specialist based in the Isle of Man. The addition of the Transferring Policies does not change this business model.
- 8.65 The addition of a Singapore Branch will bring new regulatory and compliance responsibilities to MILAC and this is addressed by the creation of MILAC Singapore as a permanent branch establishment with Singapore employees based in Singapore.
- 8.66 Overall I am satisfied that the current approach to risk management in MILAC is fit for purpose when considering the addition of the Transferring Policyholders.

Capital management policy

- 8.67 The MILAC Capital Management Policy includes a statement on the "ladder of intervention" should solvency coverage fall below certain set limits. These limits are approved by the Board of MILAC and include a percentage cover of SCR plus an additional monetary (buffer) amount. The monetary amount of the buffer is reviewed and potentially altered each year as part of the MILAC ORSA process. The monetary amount is currently £1m and will increase to £6.1m should the Proposed Scheme be approved. This higher buffer is based on the higher exposure to Monument Re via the group intra-reinsurance agreement and the amount is set within the MILAC Board approved ORSA.
- 8.68 Overall I am satisfied that the current approach to capital management in MILAC is fit for purpose when considering the addition of the Transferring Policyholders.

Business model sustainability

- 8.69 The proposed transfer is in line with the business model of MILAC and Monument Re. I am satisfied that the Proposed Scheme would not lead to any material adverse implications in this regard for the existing policyholders in MILAC.

Parental support

- 8.70 I am satisfied that the proposed transfer will not result in any material adverse change to the nature or character of parental support provided to the existing policyholders in MILAC.

Consideration of transfer of TOBA and Advisory Forms

- 8.71 As an Independent Actuary I have focused my assessment on the impact of the Proposed Scheme for policyholders.
- 8.72 However the Proposed Scheme also includes the transfer of various individual distribution and agency agreements with individual introducers, insurance intermediaries and financial advisors. These so called TOBA and Advisory Forms will transfer from ZILL to MILAC. I described the proposed transfer in paragraphs 6.18 and 6.19 of this Report.
- 8.73 For TOBAs, the security of the ongoing commission payments to introducers depends on the ability of MILAC to make these payments in the future (on the assumption the Proposed Scheme is approved by the Courts).
- 8.74 For TOBAs, the ongoing commission payments to introducers are only made if the associated insurance policy remains in-force. Within the insurance company, the funding of the ongoing commission payments is from the charges applied by the insurance company to the policies, or the premiums contributed to them. Therefore the likelihood of a deficit between policyholder charges deducted from the policy and the outward payments of commission payments due to the introducers is extremely low.
- 8.75 Notwithstanding the above, the introducers are exposed to and reliant on the insurance company alone in getting paid the ongoing commission payments due. My assessment of security of benefits presented in this Report includes, inter alia, an assessment of the future outlook for financial security and strength of ZILL and MILAC within the context of the proposed transfer of business. This assessment, based on information provided by both companies, shows

MILAC's projected financial position relative to ZILL and both sets of projections show sufficient future resources to remain solvent over the projection period.

- 8.76 For Advisory Forms, the ongoing fee payments to the investment advisors are based on standing instructions by the policyholder to ZILL to pay the agreed fees to the investment advisor by encashing sufficient units (as a partial withdrawal) from the policyholder's policy value.
- 8.77 These standing instructions (agreed in the Advisory Forms) are part of the insurance policy that will transfer from ZILL to MILAC under the Proposed Scheme. Therefore the ongoing fee payments to the investment advisors will operate in the same way if the Proposed Scheme is approved.
- 8.78 Note I have assumed the TOBA and Advisory Forms will operate as in the past. I am not a legal expert and I have not assessed (or sought external legal advice) on the contracts themselves and the possibility of any contract amendments or options that may be exercised in the future.
- 8.79 However I confirm I believe that the impact of the Proposed Scheme on the introducers under the transferred TOBA and the Advisory Forms should not be materially adverse. The payment amounts are not expected to change and the financial security provided by an authorised and regulated insurance company in the Isle of Man to introducers and financial advisors is similar (but not identical) for ZILL and MILAC.

Matters not considered

- 8.80 I do not believe that there are any material relevant issues concerning security that have not been considered in this Report.

Summary & Conclusions – Security

- 8.81 I have considered the impact of the Proposed Scheme on the security of benefits for policyholders by considered them in three categories:
- Policyholders transferring from ZILL Singapore;
 - Policyholders remaining in ZILL; and
 - Existing (on the Effective Date) policyholders of MILAC.
- 8.82 Overall I believe the security of benefits for ZILL and MILAC policyholders are not adversely materially impacted by the Proposed Scheme.
- 8.83 I believe that the impact of the Proposed Scheme on the introducers under the transferred TOBA and the Advisory Forms should not be materially adverse. The payment amounts are not expected to change and the financial security provided by an authorised and regulated insurance company in the Isle of Man to introducers and financial advisors is similar (but not identical) for ZILL and MILAC.

9 ASSESSMENT OF THE PROPOSED SCHEME - FAIR TREATMENT AND POLICYHOLDER BENEFIT EXPECTATIONS

Introduction

- 9.1 I must also consider whether the Proposed Scheme treats policyholders fairly and consider the effect of the Proposed Scheme on policyholders' reasonable benefit expectations.
- 9.2 In the case of the Proposed Scheme, this involves consideration of:
- Contractual obligations to policyholders;
 - Any changes that would be caused to the tax treatment of policyholder premiums and/or benefits;
 - Any areas where the Companies are required to exercise discretion in relation to the fulfilment of their contracts with their policyholders. Such areas of discretionary powers may include: in respect of internal linked funds, the investment criteria, unit-pricing rules and the level of charges applicable to those funds; the ability to vary the level of non-guaranteed charges; and the ability to vary premiums on policies with reviewable premium, amongst others; and
 - The levels of customer service to policyholders.
- 9.3 The arrangement with regard to the costs of the Proposed Scheme and the proposed approach to policyholder communications are also relevant factors to be considered.
- 9.4 In the following paragraphs, I set out my views on the impact of the Proposed Scheme on the fair treatment and reasonable benefit expectations of the identified categories of policyholders.

General comments for all groups of policyholders

COSTS OF THE PROPOSED SCHEME

- 9.5 The arrangement with regard to the costs of the Proposed Scheme are set out in paragraphs 6.30 and 6.31 of this Report. No costs or expenses will be borne by policyholders of either of the Companies. I confirm that I am satisfied that the proposals are fair to all the categories of policyholders in both ZILL and MILAC.
- 9.6 The current product charges, fund charges, and annual management fees for policies and funds of non-transferring policyholders are unaffected by the Proposed Scheme. The existing terms and conditions for all policyholders will be unchanged by the Proposed Scheme. Some policyholder ongoing charges applicable to transferring policyholders may reduce as part of the migration to the MIS administration platform arising as a consequence of the acquisition of the ZILL Singapore portfolio by Monument.

POLICYHOLDER COMMUNICATIONS

- 9.7 The proposed communications plan is summarised in paragraphs 6.33 to 6.41 of this Report.
- 9.8 I am satisfied that the proposed approach of sending the Circular to all policyholders of MILAC is reasonable.
- 9.9 I am satisfied that the proposed approach of sending the Circular to only the Transferring Policyholders ZILL Singapore (and not to the other ZILL policyholders remaining in ZILL) is reasonable.
- 9.10 I agree that sending the Circular to the large number of non-transferring policyholders in ZILL may cause undue concern as the Proposed Scheme will not impact on them, and in any case any interested party can get a copy of the Circular on request (to MILAC, ZILL or legal representatives of the Companies) or access it online on the Companies' websites.
- 9.11 I am satisfied that the Companies have endeavoured to minimise the issue of a small number of "goneaway" policies where the Companies are unable to confirm current contact details for policyholders, and for the deceased policyholders for whom ZILL has not been notified that a personal representative has been appointed.
- 9.12 I am also satisfied that the other components of the communication plan, including notification of the proposed transfer of business in newspapers, legal gazette and on the Companies' websites, is reasonable.

Transferring Policyholders

CONTRACTUAL OBLIGATIONS

- 9.13 The Transferring Policyholders' contractual terms and conditions will not change as a consequence of the Proposed Scheme. There are no changes in the cover and benefits provided on the policies.
- 9.14 For unit-linked business, the fund range and choice of investment managers will not change as a result of the Proposed Scheme. However, MILAC Singapore will have the same practice as ZILL Singapore of altering the fund range from time to time. I have reviewed the project plan to transfer and create the internal funds in MILAC. I describe it in paragraphs 6.20 to 6.24 of this Report.
- 9.15 The existing policy options currently available in ZILL Singapore on the Transferring Policies will continue to be available in MILAC Singapore. The ability to pay ongoing premiums and to pay additional non-contractual ad-hoc additional premiums (where available on the product and currently available in ZILL) will continue in MILAC.

TAX TREATMENT OF PREMIUMS AND BENEFITS

- 9.16 ZILL and MILAC have retained external tax experts to review the Proposed Scheme from the perspective of the Value Added Tax ("VAT") and Goods and Services Tax ("GST") implications (if any) on the Companies. The experts conclude that the transfer of the business is exempt to UK VAT and Singapore GST.
- 9.17 The transfer of the business does not change the policy terms and conditions and is not expected to change the treatment of the life insurance policy for policyholders. The Companies have sought external tax advice on this point.
- 9.18 I have been provided with a summary of the VAT/GST advice provided. I do not consider it necessary to seek additional independent tax advice in my role as Independent Actuary in assessing the Proposed Scheme.

EXERCISE OF DISCRETION

- 9.19 MILAC Singapore may exercise any discretion formerly available to ZILL Singapore under the terms and conditions of any policy, but will do so in accordance with the applicable principles and having regard, as appropriate, to such considerations as are from time to time in use in relation to such business in MILAC Singapore.
- 9.20 In relation to the ability to exercise discretion in respect of aspects of the terms and conditions applicable to the Transferring Policies, ZILL has informed me that it has not exercised any discretionary powers on the Transferring Policies in the past in relation to aspects of their terms and conditions such as adjusting the level of product or fund charges levied.

CUSTOMER SERVICE

- 9.21 ZILL outsources some client administration services to Capita Life & Pensions (a specialist insurance third party service provider). ZILL Singapore undertakes distributor (introducer) contact activities and Singapore policyholder contact activities. ZILL Singapore, with some support from other Zurich entities in Singapore, undertakes local compliance and risk management activities. ZILL in the Isle of Man provides head office support as well as a range of insurance administration activities including internal unit pricing for the ZILL Singapore business.
- 9.22 MILAC will consolidate all necessary insurance administration activities relating to the transferring business in MILAC Singapore and in MILAC's services company MIS in the Isle of Man.
- 9.23 In this regard, I note the following:
- A number of employees will transfer from ZILL Singapore to the newly established MILAC Singapore as a consequence of the transaction. This should help in terms of continuity of service and knowledge transfer.
 - MILAC's business model is to outsource administration of its various portfolios to its sister company, MIS, in the Isle of Man. Together MILAC and MIS have identified all activities required for the ongoing administration and servicing of the Singapore business and will be in a position to commence services on the Effective Date of the Proposed Scheme.
 - The services currently provided by Capita Life & Pensions to ZILL Singapore will be undertaken by MIS to MILAC Singapore for the transferring business.

- The transfer of insurance administration to MIS includes a migration of existing client information and data from the ZILL administration platform to the MIS administration platform, LIFEfit. The functionality on this platform covers all necessary life insurance activities and policyholder requirements on the transferring business.
- Some of the precise administration approaches for certain individual transactions or instructions may differ between the two platforms. These changes are summarised in the Policyholder Circular and can be summarised as follows: (a) in some instances the timing of completion of processing may change when a policy matures or a policyholder carries out a transaction, such as cashing in or partially cashing in their policy; (b) where terms and conditions for Transferring Policies allow policyholders to add or remove additional benefits at ZILL's discretion, MILAC will only exercise this discretion to allow policyholders to remove rather than add additional benefits; (c) MILAC will adopt a different policy for applying discretionary bonus allocations so that bonuses are only applied when they are available for policyholder payment; (d) MILAC will not deduct currency switch charges; and (e) MILAC will reduce currency exchange charges where one of the currencies used is Sterling.

From my review of the migration plan I am satisfied that changes in the approach are relatively minor and within the normal ranges of approaches used in life insurance.

- In the unlikely event that MIS is not ready to commence services by the Effective Date, MILAC can agree with MIS to a later commencement date and could implement a contingency plan to use a transitional support arrangement if necessary with ZILL beyond the Effective Date to avoid any adverse impact on policyholders.
- MILAC's business model is to acquire and integrate run-off portfolios of business and it has a successful track record of doing so to date.

9.24 Having considered the relevant facts, as set out above, I am satisfied that there is no reason to believe that the services standards experienced by the Transferring Policies will be materially adversely affected by the Proposed Scheme.

POLICYHOLDER COMPLAINTS PROCESS AND POLICYHOLDER PROTECTION SCHEMES

- 9.25 As the transferring business will continue to be regulated and authorised within a Singapore Branch of an Isle of Man authorised insurance company, transferring policyholders will continue to have the same rights and access to complaints procedures.
- 9.26 It has been confirmed to me that, for the same reasons, the transferring business within MILAC Singapore will continue to have the same protections available within ZILL Singapore as provided by the Isle of Man Policyholders Compensation Scheme ("PCS") governed by the Life Assurance (Compensation of Policyholders) Regulations 1991, and the Policy Owners' Protection ("PPF") Scheme in Singapore. Note the protections are limited in scope but it has been confirmed to me that the scope is unchanged on transferring from ZILL Singapore to MILAC Singapore. I have briefly described the policyholder protection schemes in paragraphs 4.48 to 4.56.

Policyholders remaining in ZILL

- 9.27 There will be no change arising from the Proposed Scheme to the terms and conditions of the policies of ZILL's existing policyholders, nor will there be any changes to the way in which ZILL will exercise its discretionary powers. There will be no change to the administration and customer service arrangements for ZILL's existing policyholders.
- 9.28 I am satisfied that the Proposed Scheme has no material adverse impact on the fair treatment and reasonable benefit expectations of the policyholders remaining in ZILL.

MILAC's Policyholders

- 9.29 There will be no change arising from the Proposed Scheme to the terms and conditions of the policies of MILAC's existing policyholders, nor will there be any changes to the way in which MILAC will exercise its discretionary powers. There will be no change to the administration and customer service arrangements arising directly from the Proposed Scheme for MILAC's existing policyholders.
- 9.30 I am satisfied that the Proposed Scheme has no material adverse impact on the fair treatment and reasonable benefit expectations of the current policyholders in MILAC.

Matters not considered

- 9.31 I do not believe that there are any material relevant issues concerning benefits that have not been considered in this Report.

Independent Actuary's Report

In respect of the proposed Scheme to transfer certain insurance business of Zurich International Life Limited to Monument International Life Assurance Company Limited
29 March 2022

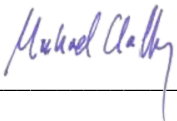
Summary & Conclusions – Fair treatment

- 9.32 In my opinion, for the reasons set out above, I am satisfied that the fair treatment and reasonable benefit expectations of all three identified groups of policyholders will not be materially adversely affected by the Proposed Scheme.
- 9.33 I confirm that I am satisfied that the arrangement with regard to the costs of the Proposed Scheme are fair to all the categories of policyholders in both ZILL and MILAC.
- 9.34 I am also satisfied with the proposed approach to policyholder communications in respect of the Proposed Scheme.

10 CONCLUSIONS ON THE PROPOSED SCHEME

Conclusions

- 10.1 I confirm that I have considered the effects of the Proposed Scheme on the following groups of policyholders:
- Policyholders transferring to MILAC Singapore from ZILL Singapore;
 - Policyholders remaining in ZILL; and
 - Existing (pre-Effective Date) policyholders of MILAC.
- 10.2 I further confirm that I do not consider further subdivisions to be necessary.
- 10.3 In summary, 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 ZILL and MILAC;
 - the reasonable expectations of the policyholders of ZILL and MILAC with respect to their benefits; and
 - the standards of administration, service, management and governance that apply to the ZILL and MILAC policies.
- 10.4 I believe that the impact of the Proposed Scheme on the introducers under the transferred TOBA and Advisory Forms should not be materially adverse. The payment amounts are not expected to change and the financial security provided by an authorised and regulated insurance company in the Isle of Man introducers and financial advisors is similar (but not identical) for ZILL and MILAC.
- 10.5 I confirm that I am satisfied that the arrangement with regard to the costs of the Proposed Scheme are fair to all the categories of policyholders in both ZILL and MILAC.
- 10.6 I am also satisfied with the proposed approach to policyholder communications in respect of the Proposed Scheme.
- 10.7 I will prepare a Supplementary Report prior to the final Court hearings (expected in 2022) to provide an update for the Courts on my conclusions in respect of the effect of the Proposed Scheme on the different groups of policyholders in light of any significant events subsequent to the date of the finalisation of this Report.



Mike Claffey
Fellow of the Society of Actuaries in Ireland

29 March 2022

APPENDIX A – LIST OF PRINCIPAL DATA SOURCES

In carrying out my work and producing this report, reliance has been placed upon, but not limited to, the following information. All items have been provided directly to me by either ZILL or MILAC unless otherwise noted.

Legal documents

- Constitution of ZILL
- Constitution of MILAC
- The scheme of transfer under the provisions of the 2008 Act and other related legal documents
- The Transfer Agreement between Monument Re and ZILL dated in December 2020
- The draft Circulars and associated communications and announcements to be provided to the identified categories of policyholders as set out in the communication plan

Reports from the Appointed Actuaries

- Valuation Reports from the Appointed Actuary to the Board of ZILL in respect of the year ended 31 December 2020
- Valuation Reports from the Appointed Actuary to the Board of MILAC in respect of the year ended 31 December 2020

Own Risk & Solvency Assessment (ORSA) Reports

- ORSA Report for ZILL dated 18 December 2020 and ZILL Singapore dated September 2020
- ORSA Reports for MILAC dated November 2021 (“ORSA 1” covering intra-group reinsurance and “ORSA 2” covering the Proposed Scheme of transfer).

Directors’ Reports and Financial Statements

- Directors’ Report and Financial Statements for ZILL for the financial year ended 31 December 2020
- Directors’ Report and Financial Statements for MILAC for the financial year ended 31 December 2020

Product documentation

- Sample policy documents for the Transferring Policies
- Sample TOBAs and Fund Investment Advisor Forms

Other documents

- Reinsurance arrangements for ZILL
- Risk management documents for ZILL
- Risk management documents for MILAC
- Capital Management Policy and Investment Policy for ZILL dated June 2019 and January 2020 respectively
- Capital Management Policy for MILAC
- Recent complaints litigation from ZILL dated 21 April 2021
- Regulatory correspondence logs from ZILL for 2019, 2020 and 2021
- Regulatory correspondence from MILAC

Correspondence

- E-mail correspondence and management calls with ZILL in relation to the Proposed Scheme
- E-mail correspondence and management calls with MILAC in relation to the Proposed Scheme

APPENDIX B: THE REGULATORY REGIMES

Isle of Man Risk Based Capital (“RBC”) Framework for insurance companies

The RBC Framework uses a total balance sheet approach in the valuation of assets and liabilities for solvency purposes. This recognises the interdependence between assets, liabilities, regulatory capital requirements and capital resources to ensure that risks are properly recognised and that the determination of available and required capital is based on consistent assumptions.

VALUATION BASIS

Assets and liabilities are valued on an economic basis such that an insurer’s financial position is not obscured by hidden or inherent conservatism or optimism in the valuation. An economic value reflects the prospective valuation of the future cash flows of the asset or liability allowing for the inherent risk of those cash flows and the time value of money.

TECHNICAL PROVISIONS

Technical provisions are assets or liabilities that represent the economic value of the insurer fulfilling its insurance obligations to policyholders and other beneficiaries arising over the lifetime of the insurer’s portfolio of insurance policies. This includes a margin (Risk Margin) to cover the inherent uncertainty of those obligations.

RISK MARGIN

The Risk Margin is calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the insurance and reinsurance obligations over the lifetime thereof. The rate used in the determination of the cost of providing that amount of eligible own funds is called the Cost-of-Capital rate.

REGULATORY CAPITAL

A fundamental aspect of the framework is a fully articulated, risk-based capital and solvency regime which require insurers to calculate regulatory capital using a risk-reflective solvency and capital model. This is accompanied by governance provisions in respect of enterprise risk management for capital adequacy purposes, including own risk and solvency assessments.

In relation to the regulatory capital and solvency requirements, the framework uses a standard capital and solvency model which address the main risks to which insurers may be exposed.

Under the framework, all insurers are required to comply with two levels of solvency: a minimum capital requirement (“**MCR**”), below which no insurer is regarded as viable to operate effectively, and a solvency capital requirement (“**SCR**”) above which, on a routine basis, supervisory intervention in relation to solvency requirements is not expected. The MCR and SCR are both mandatory regulatory intervention thresholds/triggers.

The capital requirements will address all relevant and material categories of risk – including underwriting risk, credit risk, market risk, operational risk and liquidity risk. This will include any significant risk concentrations, for example, to economic risk factors, market sectors or individual counterparties, taking into account both direct and indirect exposures and the potential for exposures in related areas to become more correlated under stressed circumstances.

CAPITAL RESOURCES

The framework defines the approach to determining the capital resources eligible to meet regulatory capital requirements and their value, consistent with a total balance sheet approach for solvency assessment and having regard to the quality and suitability of capital elements.

Authorised insurance Branches in Singapore

ROLE OF MAS

The Monetary Authority of Singapore (“**MAS**”) is Singapore’s central bank and integrated financial supervisor. As an integrated financial supervisor, MAS fosters a sound financial services sector through its prudential oversight of all financial institutions in Singapore – banks, insurers, capital market intermediaries, financial advisors, and stock exchanges. It is also responsible for well-functioning financial markets, sound conduct, and investor education.

MAS performs six distinct oversight functions to achieve its objectives, namely regulation, authorisation, supervision, surveillance, enforcement and resolution.

REGULATORY ROLE

As a regulator, MAS determines the scope of financial services activities that should be regulated, and sets the rules and standards governing the behaviour of financial markets and institutions. MAS’ prudential regulation focuses on the safety and soundness of financial institutions, seeking to safeguard the value of the assets that underpin the ability of these institutions to fulfil their financial contracts, such as bank deposits and insurance policies. It involves setting risk-based capital and prudential requirements. MAS’ market conduct regulation focuses on how financial firms and their representatives carry out business dealings with consumers, and seeks to promote fair dealing. It involves setting requirements and standards for sound business conduct practices. MAS’ AML/CFT regulations focus on protecting the integrity of the financial sector by preventing it from being used as a conduit for illicit funds and financing of terrorism. It involves setting regulations relating to customer due diligence, record keeping, ongoing monitoring and reporting of suspicious transactions, amongst others.

AUTHORISATION PROCESS

In terms of authorisation, MAS is the “gatekeeper” for institutions that wish to offer financial services in Singapore. MAS assesses these institutions to ensure that they satisfy the necessary authorisation or licensing criteria. These include having the relevant track record, adequate financial resources and sound operational processes to ensure orderly and fair conduct of business. MAS also assesses whether financial institutions and their representatives are of sound repute, and meet the fit and proper criteria to conduct regulated activities.

APPENDIX C: GLOSSARY OF TERMS

A glossary of terms and abbreviations used throughout the report is provided below.

Term	Definition
2008 Act, The	The Insurance Act 2008, as amended
Appointed Actuary	The person, as nominated by the company's board of directors and approved by the IOMFSA, with overall responsibility for the tasks called out for the actuarial function under the RBC Framework
ASP	Actuarial Standard of Practice
BEL	Best Estimate Liability. One of the components of the Technical Provisions under the RBC Framework. The BEL is calculated by projecting the expected future obligations of the insurer over the lifetime of the insurance contracts using the most up-to-date financial information and best-estimate actuarial assumptions. The BEL represents the present value of those projected cash-flows
BMA	Bermuda Monetary Authority
Capital Adequacy Ratio	On A Singapore solvency basis, the ratio of Financial Resources to Total Risk Requirement
Capita Life and Pensions	Capita Life & Pensions is a specialist insurance third party administration service provider currently providing services to ZILL Singapore. It will be replaced by MIS who will provide equivalent services to MILAC Singapore if the Proposed Scheme is approved.
Circular, The	A statement summarising the Proposed Scheme together with an abstract summarising the Independent Actuary's Report
Companies, The	ZILL and MILAC, collectively
Courts	The Isle of Man Court and the Singapore Court
Effective Date, The	00:01 hours on 1 September 2022, or such other date as may be agreed between ZILL and MILAC and consented to by the Courts
FSAI	Fellow of the Society of Actuaries in Ireland
GAAP	Generally Accepted Accounting Principles
Independent Actuary	Mr Mike Claffey, a Fellow of the Society of Actuaries in Ireland and a Principal with Milliman
Independent Actuary's Report	This Report
Insurance Act, The	The Insurance Act (Cap. 142) of Singapore
Insurance Regulations, The	The Insurance Regulations 2018 of the Isle of Man
IOM	The Isle of Man
IOMFSA	The Isle of Man Financial Services Authority, which is the supervisory authority with responsibility for the prudential supervision of the Companies
Isle of Man Court, The	The High Court of Justice of the Isle of Man (Civil Division)
KRI	Key Risk Indicator
MAS	The Monetary Authority of Singapore, which is the supervisory authority with responsibility for the prudential supervision of Singapore insurance companies and branches.
MCR	Minimum Capital Requirement. One of the regulatory capital requirements under the RBC Framework. Usually lower than the SCR. The MCR defines the point of intensive regulatory intervention. The MCR calculation is simpler, more formulaic and less risk-sensitive than the SCR calculation
MILAC	Monument International Life Assurance Company Limited
MILAC Singapore	A branch of MILAC in Singapore authorised and regulated by MAS
Milliman	Milliman Ltd., Consultants & Actuaries, 7 Grand Canal Street Lower, Dublin 2
MIS	Monument Insurance Services (IOM) Limited

Independent Actuary's Report

In respect of the proposed Scheme to transfer certain insurance business of Zurich International Life Limited to Monument International Life Assurance Company Limited
29 March 2022

MLR	A reinsurance agreement to provide a payment to the reinsured in the event of a mass lapse of the underlying insurance policies
Monument Group	The group of companies of which Monument Re is the parent
Monument Re	Monument Re Limited (a reinsurer incorporated in Bermuda)
Non-linked business	A type of life assurance business, written under Class 2 of the Insurance Regulations, which is not Unit-linked Business
NYSE	New York Stock Exchange
ORSA	Own Risk and Solvency Assessment. The ORSA is a risk management tool, which is required under the RBC Framework, to assess the overall solvency needs of the firm taking into account the firm's own assessment of its particular risk profile
Own Funds	Broadly speaking, the excess of an insurer's assets over its liabilities on an RBC Framework basis. Also called "eligible own funds".
Proposed Scheme, The	The legal scheme of transfer by which it is proposed that the Transferring Policies and their associated assets and liabilities be transferred from ZILL to MILAC. Under the relevant provisions of the 2008 Act, the Proposed Scheme requires the approval of the Isle of Man Court
RBC Framework, The	The Isle of Man's risk-based capital regulatory framework for insurance business.
Reinsurance Recoverables	The value, in terms of the expected inflows and outflows, of reinsurance arrangements in place held on the company's balance sheet as an asset.
RER	Regulatory Electronic Reporting templates. These are specific forms which insurers must complete on a regular basis under the RBC Framework. Some RER forms are required to be produced quarterly and more are required to be produced annually.
Risk Margin	The risk margin is an amount, in addition to the BEL, designed to bring the Technical Provisions up to the amount that another insurer (or reinsurer) would be expected to require in order to take over and discharge the insurance liabilities in an arm's length transaction
Run-off	A line of insurance business, or an insurance company, that no longer accepts new business but continues to provide coverage for claims arising on policies still in-force and that makes payments for claims that have occurred on policies that have expired
SAI	The Society of Actuaries in Ireland
SCR	Solvency Capital Requirement. One of the regulatory capital requirements under the RBC Framework. Intended to represent the amount required to ensure that an insurer's assets continue to exceed its liabilities over a one year time frame with a probability of 99.5%
Singapore	The Republic of Singapore
Singapore Court, The	The High Court of Singapore
Standard Formula	A standardised calculation method for determining the SCR. Insurers are required to calculate their SCR using the Standard Formula
Supplementary Report, The	A further report to be prepared by the Independent Actuary prior to the Isle of Man Court hearing to sanction the Proposed Scheme. The purpose of the supplementary report is to provide an update for the Isle of Man Court on the Independent Actuary's conclusions in light of any significant events subsequent to the date of the finalisation of this Report
Technical Provisions	The value of the insurance liabilities of an insurer, as determined for regulatory purposes. Under the RBC Framework, the Technical Provisions comprise the BEL and the Risk Margin
TOBAs	The Terms of Business Agreements between ZILL and introducers of business to ZILL
Transfer Agreement	An agreement between ZILL and MILAC setting out the terms of the transfer of long-term business from the Singapore branch of ZILL to MILAC
Transferring Policies	The policies that are proposed to be transferred from ZILL to MILAC under the Proposed Scheme
Unit-linked Business	A type of life assurance business, written under Class 1 of the Insurance Regulations, where the benefits payable are linked to the performance of investment funds
Valuation and Solvency Regulations, The	The Insurance (Long-Term Business Valuation and Solvency) Regulations 2018 of the Isle of Man
ZIC	Zurich Insurance Company Ltd, Switzerland

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ZILL	Zurich International Life Limited
ZILL Singapore	A branch of ZILL in Singapore authorised and regulated by MAS
Zurich Group	Zurich Insurance Group Ltd, the ultimate holding company of ZILL, a company incorporated in Switzerland