The Report of the Independent Actuary

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

Nordben Life and Pension Insurance Co. Limited (”Nordben”)

to

Monument International Life Assurance Company Limited (“MILAC”)

Prepared by:
Mike Claffey, FSAI

7 Grand Canal
Grand Canal Street Lower
Dublin 2
Ireland

milliman.ie

7 September 2022

TABLE OF CONTENTS

1 INTRODUCTION

Background[1]

1.1 Monument Re Limited ("**Monument Re**") is a company incorporated in Bermuda. Monument Insurance Group Limited ("**Monument Group**"), a Bermuda based company, is the ultimate controlling party of Monument Re and subsidiaries.

1.2 The Monument Group announced on 17 February 2021 that it had completed the acquisition of the Charles Taylor Group's Isle of Man life insurance 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 ("**BMA**"). LCL International Life Assurance Company Limited has been renamed Monument International Life Assurance Company Limited **("MILAC**").

1.3 Nordben Life and Pension Insurance Co. Limited ("**Nordben**") is an insurer established and regulated in the Bailiwick of Guernsey ("**Guernsey**"). It was acquired by Monument Re in June 2019.

1.4 MILAC is authorised and regulated as an insurance company in the Isle of Man. The conduct of insurance business in the Isle of Man is regulated by the IOMFSA under the Insurance Act 2008 ("**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.

1.5 Nordben is authorised and regulated as an insurance company in Guernsey. The conduct of insurance business in Guernsey is regulated by the Guernsey Financial Services Commission ("**GFSC**") under the Insurance Business (Bailiwick of Guernsey) Law, 2002 ("**the 2002 Insurance Business Law**"). The 2002 Insurance Business Law contains a mechanism for the Guernsey Royal Court to sanction a scheme to transfer long term insurance business carried on by Guernsey authorised insurers in certain circumstances.

1.6 Monument Re now intends to consolidate into a single entity its insurance business across the Crown Dependencies (currently in Guernsey and the Isle of Man). It is therefore proposed that all insurance policies underwritten by Nordben will be transferred into MILAC.

1.7 In order to complete the transfer, a Scheme of Transfer must be presented to both the Isle of Man High Court of Justice and the Royal Court of Guernsey. The Transferring Policies in question will be transferred to MILAC via the Proposed Scheme of Transfer only if approved by the High Court of Justice of the Isle of Man (Civil Division) and the Guernsey Royal Court (together, "**the Courts**").

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. MILAC as an insurer accepting the transfer falls under the scope of the 2008 Act.

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 44(1) of the 2002 Insurance Business Law, any scheme which provides for the whole or part of the life assurance business carried on by an insurance company to be transferred to another insurer, requires the prior sanction of the Royal Court of Guernsey. Nordben falls under the scope of the 2002 Insurance Business Law.

1.11 The Guernsey 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 GFSC. This Report also fulfils the requirements for the Independent Actuary in the petition process in Guernsey.

Instructions

1.12 Nordben and MILAC ("**the Companies**") have instructed me to act as the Independent Actuary who is required to report to the Courts on the terms of the Proposed Scheme, pursuant to section 21(1) of and Schedule 2 to the 2008 Act and section 44(1) of the 2002 Insurance Business Law (together, "**the Acts**").

[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.

1.13 My appointment as the Independent Actuary has been notified to IOMFSA and GFSC, neither of whom objected to my appointment.

1.14 My report has been prepared in accordance with the terms of the Milliman Limited statement of work dated 23 November 2021 and the terms of our engagement letter to which that statement of work refers.

1.15 The costs and expenses associated with my appointment as Independent Actuary and the production of this Report will be met by MILAC.

1.16 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.

1.17 It is anticipated that the Proposed Scheme will be presented to the Guernsey Royal Court in 2022 pursuant to section 44(1) of the 2002 Insurance Business Law, with a proposed effective date on or around 29 December 2022.

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, in parallel with the submission dates to the Guernsey Royal Court and with the same proposed effective date.

1.19 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 8 of this Report.

1.20 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 Courts in its consideration of the terms of the Proposed Scheme.

1.21 I have also reviewed and considered the contents of the Circulars that will be made available to policyholders in relation to the Proposed Scheme.

1.22 I will prepare a Supplementary Report prior to the final Courts' hearings 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 (if any) subsequent to the date of the finalisation of this Report.

Qualifications and disclosures

1.23 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.

1.24 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 Guernsey.

1.25 I am not a policyholder of MILAC or Nordben, nor do I have any financial interests in the shares of the Monument Group.

1.26 I am not, and have not been, employed by either of the Companies as an employee, officer or director.

1.27 I have been engaged by MILAC as Independent Actuary on a separate portfolio transfer of insurance business from another Isle of Man authorised and regulated life insurance company to MILAC. That transfer will be presented to the Isle of Man Court and the Singapore Court in September 2022. I prepared separate reports on that transfer and they are published on MILAC public websites and are available to the public on request. That transfer is described further in Section 3.2 to Section 3.8 of this Report.

1.28 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.

1.29 I do not consider that these assignments prevent me from acting independently in my assessment of the Proposed Scheme. I have also discussed this with senior management of Nordben and MILAC and they have confirmed that they are of the same opinion. In addition, as noted above, the IOMFSA and GFSC have been informed of my appointment and have made no objection.

1.30 Consultants from the Milliman office in Ireland and in other Milliman offices provide, or have provided, services to 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 Monument Group, would create a conflict of interest for me in my role as Independent Actuary.

1.31 Based on the foregoing I consider that I am in a position to act independently in my assessment of the Proposed Scheme.

1.32 I have been assisted in preparing this report by my colleague in Milliman, Robert Frize, FIA. However, the report is written in the first person and the opinions expressed are mine alone.

Parties for whom my report has been prepared

1.33 The Independent Actuary's Report has been prepared for use by the Courts in approving the Proposed Scheme but will also be of interest to the following interested parties:

- Policyholders of Nordben and MILAC
- Members of Nordben and MILAC (noting the "**Members"** of these two companies are the shareholders. Both companies have the same shareholder – i.e. Monument Re)
- The Directors and senior management of Nordben and MILAC and their parent company
- The IOMFSA or any other governmental department or agency having responsibility for the regulation of insurance companies in the Isle of Man
- The GFSC or any other governmental department or agency having responsibility for the regulation of insurance branches in Guernsey
- The professional advisers of any of the above with respect to the Proposed Scheme.

Reliances and limitations

1.34 In preparing the Independent Actuary's Report, I have had access to certain documentary evidence provided by Nordben 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 and Appointed Actuaries of both Nordben 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.

1.35 I have relied on the work of the external auditors of Nordben and MILAC in gaining confidence in the financial information as at 31 December 2021 as summarised in this report.

1.36 I have relied on the Companies' Appointed Actuaries in relation to the calculation of the technical provisions as at 31 December 2021 (as submitted to the IOMFSA and GFSC). 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 Nordben and MILAC is consistent with their valuation reports. No issues were raised by either Appointed Actuary.

1.37 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 and tax experts in these matters and I have not sought independent expert legal or tax advice.

1.38 The Independent Actuary's Report is based on the information available to me at, or prior to, 7 September 2022, and takes no account of developments after that date.

1.39 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 and section 44 of the 2002 Insurance Business Law.

1.40 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 head offices of both Nordben and MILAC, or the offices of their representatives, 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. A copy of this Report will also be delivered to the IOMFSA (as required under the 2008 Act) and the GFSC (as required under the 2002 Insurance Business Law).

1.41 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 or Members without my prior approval.

1.42 The 2008 Act and 2002 Insurance Business Law both require that, unless the Courts otherwise direct, certain materials must be transmitted to each policyholder and each Member of both Nordben and MILAC. These materials include a statement summarising the Proposed Scheme together with an abstract summarising the Independent Actuary's Report (together the "**Circular**"). I have prepared an abstract summarising this Report for inclusion in the Circular. A copy of the abstract summarising this Report will also be delivered to the IOMFSA (as required under the 2008 Act) and the GFSC (as required under the 2002 Insurance Business Law).

1.43 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.

1.44 The Independent Actuary's Report should be read in conjunction with the other documents that pertain to the Proposed Scheme.

Professional guidance

1.45 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. There are no specific local published actuarial standards in the Isle of Man or Guernsey.

1.46 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

1.47 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.

2 STRUCTURE OF THIS REPORT

Motivation for the Proposed Scheme

2.1 Monument Re has two separate subsidiary entities in the Crown Dependencies (i.e. MILAC and Nordben) and it wishes to simplify and consolidate these businesses. Monument Re has decided to transfer Nordben's portfolios of insurance business into MILAC. In addition to simplifying Monument Re's corporate governance and regulated activities into a single legal entity, it will allow increased operating and capital efficiencies and reduced costs and operational risks.

2.2 Section 4 of this Report provides a summary of the business of Nordben.

2.3 Section 5 of this Report provides a summary of the business of MILAC.

2.4 I briefly describe the Monument Group and Monument Re in Section 5 of this Report.

2.5 I consider and describe the Proposed Scheme in more detail in Section 7 of this Report.

Summary of the Proposed Scheme

2.6 The entire book of long-term insurance business carried on by Nordben will be transferred to MILAC via the mechanism of the Proposed Scheme, subject to the approval of the Courts. I have summarised the main features of the Proposed Scheme in Section 7 of this Report.

2.7 It is envisaged that the Proposed Scheme will become effective and the transfer take place at 00:01 hours on 29 December 2022, or such other date as may be determined by MILAC within three months of the date of the order of the Isle of Man Court sanctioning the Proposed Scheme (the **"Effective Date**").

2.8 Section 3 of this Report lists my key assumptions in assessing the Proposed Scheme.

Summary of my assessment of the Proposed Scheme

2.9 In Sections 8 to 10 of this Report I have documented my assessment of the impact of the Proposed Scheme on policyholders, and in particular my assessment of the financial security of benefits and the fair treatment and policyholder benefit expectations. I consider the impact on various categories of policyholders in MILAC and Nordben.

2.10 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.

My conclusions

2.11 In Section 11 of this Report I confirm my conclusions from my assessment of the Proposed Scheme.

2.12 Appendix A of this Report lists the principal data sources I relied upon in carrying out my work.

2.13 Appendix B of this Report provides an overview of the regulatory and solvency regime in the Isle of Man and Guernsey.

2.14 A glossary of terms is provided in Appendix C of this Report.

3 KEY ASSUMPTIONS AND DEPENDENCIES IN ASSESSING THE PROPOSED SCHEME

Transaction Agreements

3.1 In anticipation of the Proposed Scheme, MILAC and Nordben will enter into a Business Transfer Agreement before the Court hearings in 2022. This agreement will include (inter alia):

- Agreement to support and facilitate the two parallel Court approved Schemes of Transfer of the business from Nordben to MILAC, subject to the approval of the Courts for the proposed Schemes of Transfer.
- Transfer of the agreed amount of assets from Nordben to MILAC in respect of the business on completion of the Proposed Scheme. The basis for the calculation of this amount is set out in the Business Transfer Agreement. Most of the assets will transfer in-specie (i.e. via change of ownership) from Nordben to MILAC. A defined residual amount of cash will remain in Nordben to cover the liquidation costs and associated closure costs of Nordben.
- Agreement to the provisions of the Trusts Novation Agreement to novate the existing Trust agreement relating to all Nordben policyholder assets with the Zedra Trust Company from Nordben to MILAC. This will also require Zedra Trust Company as Trustee to enter into a new Trust agreement.
- Agreement to the provisions of the Transitional Services Agreement between MILAC and Nordben. This agreement obliges Nordben to continue to administer and manage the insurance business in Guernsey on behalf of MILAC for a limited period after the Effective Date until MIS (on behalf of MILAC) has tested the migration of the insurance data and has onboarded the administration processes from Nordben.

Separate Scheme of Transfer involving MILAC over 2022

3.2 In 2020 Monument Re agreed to acquire the entire book of long-term insurance business carried on by Zurich International Life Limited ("**ZILL**") in Singapore as a Singapore branch of ZILL. To facilitate this, in December 2020, 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 ZILL Singapore business from ZILL to a suitable insurance entity within the Monument Group.

3.3 MILAC was identified as the suitable insurance subsidiary of Monument Re to accept the transferring Singapore business.

3.4 This separate scheme of transfer will be presented to the High Court of Justice of the Isle of Man (Civil Division) and the General Division of the High Court of the Republic of Singapore in September 2022.

3.5 The ZILL Singapore Branch transfer is independent of the Proposed Scheme and involves different groups of policyholders. This other transfer issued its own publication of the proposed scheme of transfer. I was appointed as the Independent Actuary on this other scheme of transfer as the two schemes both involve MILAC and were planned to occur in close succession to each other. I have prepared a separate report on my assessment of that scheme of transfer and my full report and summary extract are available to the public from the two companies, or their websites.

3.6 Further details of this separate scheme of transfer are available on the Monument website at the following link Monument transfers.

3.7 In assessing the Proposed Scheme, I consider the policyholders of MILAC including the Singapore branch of MILAC with its presumed Singapore business. My assessment assumes the relevant Courts will approve the scheme of transfer of the ZILL Singapore business to MILAC referred to above. If this does not occur, I will address this in my Supplementary Report to the Court (as explained in Section 1.22 of this Report).

3.8 The table below gives the relative size of the portfolios considered in this Report. The values are approximate (and rounded), effective at end 2021.

Relative sizes of in-force business as at 31 December 2021

	MILAC	Singapore Branch [2]	Nordben
Assets Under Management (£)	900 million	500 million	400 million
Number of policyholders (policy count)	3,800	6,000	6,000

MILAC assumptions

3.9 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 1.22 of this Report).

- The scheme of transfer from ZILL Singapore to MILAC will be approved by the Isle of Man and Singapore Courts (expected in September 2022) and the Court orders issued will be effected by the Court agreed effective date for the transfer.
- MILAC expands the current intra-group reinsurance agreement between MILAC and Monument Re to include the business transferring to MILAC under the Proposed Scheme. This will materially reduce the capital requirements of MILAC.
    - As part of the overall Monument Re capital management strategy, MILAC entered into an intra-group reinsurance agreement with Monument Re in 2022 and this was subject to IOMFSA approval
    - MILAC paid a reinsurance premium upon the inception of the agreement to Monument Re and Monument Re will pay claims to MILAC based on 90% (i.e. the reinsurance quota share) of the emerging future profits[3] and losses (on an IOMFSA solvency basis) of MILAC.
    - If MILAC accepts new portfolios of business, MILAC will pay an additional reinsurance premium on the treaty to Monument Re to extend the scope of the intra-group reinsurance agreement to the incoming portfolios. This will occur on the approval of the transfer of the Singapore Branch business from ZILL to MILAC. It is also assumed to happen on the portfolio transfer referred to in this Report (i.e. the Proposed Scheme relating to Nordben).
    - The exact financial value/cost of the intra-group reinsurance agreement depends on the signing date of the treaty and any additional premium payments (and dates) relating to subsequent portfolio transfers. By entering into the intra-group reinsurance agreement, MILAC cedes 90% of future profits (and/or losses) to Monument Re and MILAC's capital needs (including the SCR) are expected to materially reduce.

Nordben assumptions

3.10 In preparing this Report to assess the Proposed Scheme I have assumed the following changes have been completed by Nordben. I will comment on the status of these points again in my Supplementary Report to the Court (as explained in Section 1.22 of this Report).

- Confirmation of the GFSC that the provision of the Transitional Services by Nordben in accordance with the provisions of the Transitional Services Agreement will not result in Nordben requiring a licence (insurance or otherwise) under the laws of Guernsey, or if any authorisation or licence is required, it will be in place at the time of the Proposed Transfer.
- Confirmation the termination clauses agreed on the Nordben external reinsurance arrangements were signed and the treaties terminated. This is explained in Section 4.11 below.

[2] This was ZILL's Singapore branch as at 31 December 2021. It is proposed to be transferred into MILAC pursuant to a separate scheme of transfer that is described further in Section 3.2 to Section 3.8 of this Report.

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

Proposed Scheme assumptions

3.11 The Proposed Scheme is defined by the petition presented to the Courts and as approved (or amended) by the Courts. Some of the more relevant assumptions for my assessment within the petition are documented in Sections 3 and 7 of this Report.

4 BACKGROUND TO NORDBEN LIFE AND PENSION INSURANCE CO. LIMITED

History and background

4.1 Nordben is a non-cellular company incorporated in Guernsey under registered number 14861 whose registered office is Old Bank Chambers, La Grande Rue, St Martin, Guernsey, GY4 6RT. It is a wholly owned subsidiary of Monument Re which is a company incorporated in Bermuda. Monument Insurance Group Limited, a Bermuda based company, is Nordben's ultimate controlling party.

4.2 Nordben was established on 16th December 1985. Nordben is licensed by the GFSC to carry on domestic and international insurance business under Section 7 of the 2002 Insurance Business Law. The company has written a range of products, both linked business and with-profits business, and a small amount of non-profit business written inside the with-profits funds.

4.3 Nordben closed to new business in December 2015. At that time, it was owned by BenCo Insurance Holding B.V.

4.4 Nordben was acquired by Monument Re in 2019. BenCo Insurance Holding B.V., which at the time was owned by Storebrand Livsforsikring AS (89.96%), Mandatum Life Insurance Company Limited (6.49%) and Varma Mutual Insurance Company (3.55%), entered into an agreement in late 2018 with Monument Re to sell all of the shares in Nordben. The deal completed in 2019.

Nature of business written by Nordben

4.5 The insurance business of Nordben consists of long-term insurance contracts that are primarily with-profits policies and unit-linked policies. In the past Nordben issued group risk (life and disability) policies but these covers have all expired now with just some final claims still in payment. The with-profits business resides in a number of internal sub-funds, which are split by currency (reflecting the denomination of the liabilities) and product type. Some sub-funds contain a mixture of product types. These sub-funds are intended to fund the future cashflows to meet the guaranteed plus discretionary benefits arising from policies, plus the shareholder charges applied by Nordben (including investment management charges).

4.6 In accordance with the conditions associated with the change of control process when Monument Re purchased Nordben, the GFSC requires that the company maintains a solvency coverage ratio in excess of 150% of its Prescribed Capital Requirement ("**PCR**") in all reasonably foreseeable scenarios. Under the Guernsey solvency rules, Nordben is able to choose the methodology for determining the PCR.

4.7 The Company has elected to use the BMA's Standard Formula ("**SF**" or "**Partially-Transitioned SF**") plus capital 'Add-ons' to calculate its regulatory PCR for year-end 2020 and thereafter. The Company also uses the BMA's discounting approach for calculating its Best Estimate Liabilities (**"BEL**") and Risk Margin ("**RM**").

4.8 The Company has determined UK GAAP liabilities to be equivalent to the Bermudian Technical Provisions ("**TP**") which is given by the sum of the BEL and RM, as determined under the Bermudian Economic Balance Sheet ("**EBS**") regime. To the extent that some business is reinsured, there are reinsurance recoverables (which sit on the asset side of the balance sheet) as an offset to the BEL.

4.9 As at 31 December 2021, the Technical Provisions of Nordben totalled €493 million in respect of just under 6,000 policies. The Technical Provisions for the last two years are shown below.

Nordben – Technical Provisions for in-force business as at 31 December 2021 (€ millions)

Technical Provisions 2021	Best Estimate Liabilities €'000	Fund for Future Appropriations €'000	Risk Margin €'000	TOTAL €'000
Non-linked insurance contracts	205.6	-	2.2	**207.8**
With-Profits additional reserve	-	26.3	-	**26.3**
Linked insurance contracts	135.9	-	0.5	**136.5**
Linked investment contracts	122.2	-	0.5	**122.6**
Technical Provisions	**463.7**	**26.3**	**3.1**	**493.2**

Source: Nordben Financial Statements 2021

Nordben – Technical Provisions for in-force business as at 31 December 2020 (€ millions)

Technical Provisions 2020	Best Estimate Liabilities €'000	Fund for Future Appropriations €'000	Risk Margin €'000	TOTAL €'000
Non-linked insurance contracts	225.7	-	2.3	**228.0**
With-Profits additional reserve	-	30.3	-	**30.3**
Linked insurance contracts	123.8	-	0.5	**124.3**
Linked investment contracts	105.2	-	0.5	**105.7**
Technical Provisions	**454.6**	**30.3**	**3.3**	**488.2**

Source: Nordben Financial Statements 2021

4.10 The Fund for Future Appropriations represents the with-profit assets within the Discretionary Participation funds where the allocation between Discretionary Participation contracts and the shareholder has not been determined at the date of the financial statements (i.e. representing future bonuses that have not yet been declared or allocated to the with-profit policyholders. Note the Fund for Future Appropriations may also be used for items that the Company may deem appropriate – for example exceptional expenses that may be allocated to the with-profits business).

External reinsurance

4.11 In the past Nordben has a number of external reinsurance arrangements (listed below). These were simplified and rationalised over 2022 and with effect from 1 January 2022 the external treaties were replaced with similar treaties (providing similar cover) with Monument Re. Any claims relating to in-force business before 1 January 2022 will remain on cover with the external reinsurers listed below on the basis listed below. Any claims relating to in-force business from 1 January 2022 onwards will fall under the Monument Re treaty.

- **With-Profits Policies:** The death and disability risks below quota share limits (excluding the multinational pooled business) are split between the Nordben shareholders' fund, Mandatum Life and Hannover Re on a quota share basis in the ratio 5% / 85% / 10%. Risks above the quota share limits of 10 million SEK for lump sum benefits and 1 million SEK per annum for disability pensions are reinsured on a surplus basis with Hannover Re. Risks above the surplus limits of 22 million SEK per annum for lump sum death benefits and 1 million SEK per annum for disability pensions are reinsured on a facultative basis with Hannover Re.

- **Group Risk:** In the past the death and disability risks on group risk business were externally reinsured on a quota share basis but most of this business terminated in 2017. A small level of claims in payment are still reinsured. The amounts are not material.

4.12 **Mass Lapse:** Nordben has a Mass Lapse reinsurance agreement with Hannover Re (Bermuda) Ltd that cedes 50% of the mass lapse risk for its Flex and Triple C Plan policies as calculated under Solvency II. The Mass Lapse reinsurance agreement is a risk mitigant as it transfers risk to Hannover Re and reduces the capital requirement (i.e. the PCR) of Nordben. The mass lapse treaty with Hannover Re will be novated from Nordben to MILAC under the Proposed Scheme.

Solvency position

RECENT SOLVENCY POSITION

4.13 At end 2020 and 2021 Nordben had an excess of eligible Own Funds over its PCR, as shown in the table below.

Nordben – Reported solvency position

	31-Dec-21 € million	31-Dec-20 € million
(1) Net Assets before deducting Technical Provisions	514.0	524.6
(2) Technical Provisions	493.2	488.2
(3) Total eligible own funds (= (1) - (2))	**20.8**	**36.4**
(4) Prescribed Capital Requirement (PCR)	8.6	10.1
(5) Solvency coverage ratio (= (3) / (4))	*241%*	*360%*
(6) Excess of eligible own funds over capital requirement (= (3) - (4))	12.2	26.3

Source: Nordben 2021 Own Solvency Capital Assessment OSCA Report (internal report shared with GSFC)

4.14 At end 2021 Own Funds (i.e. the assets of Nordben in excess of its liabilities) were €20.8m (Dec 2020: €36.4m). Own Funds exceeded the relevant regulatory capital requirement by €12.2m (Dec 2020: €26.3m). In percentage terms the company's solvency coverage ratio at end 2021 was 241% (Dec 2020: 360%).

4.15 Nordben commenced managing currency risk from SEK and USD exposures against adverse movements in these currencies relative to both GBP and Euro exchange rates in 2021. Since May 2021, Nordben has entered into currency forwards which are reviewed and rebalanced each quarter and rolled to a future date, typically to a three month or six month duration. The last review was in May 2022. This hedging reduces the capital requirements (i.e. the PCR), albeit with a cost of the hedging impacting on the Own Funds.

4.16 The solvency coverage ratio at end 2020 and 2021 was in excess of 150% in all reasonably foreseeable scenarios as required by the GFSC's requirement for Nordben. The reported solvency coverage ratio is also above the target level in Monument Re's internal capital management policy (which includes commercially sensitive information and is not in the public domain).

4.17 The decrease in solvency coverage ratio over 2021 is mainly due to a €15m dividend payment made in 2021 which reduced Own Funds. This was offset by a €1.7m reduction in the PCR due to the inclusion of the foreign currency hedges.

4.18 A dividend of €4.9m was approved immediately following the approval of the 2021 Annual Report. This was paid in 2022.

PROJECTED SOLVENCY POSITION

4.19 In addition to looking at the recent solvency position, it is also useful to look at a projected future solvency development. These projections include assumptions on future market conditions, volumes, expenses and policyholder behaviour (such as surrender rates and withdrawals). These projections were prepared by Nordben as part of the annual ORSA process in support of the Proposed Scheme and the figures in this section assume Nordben continues as a GFSC authorised insurance company and the Proposed Scheme does not occur. Section 9 of this Report includes projections assuming the Proposed Scheme is approved.

4.20 The internal risk management system of a GFSC authorised insurance company must include an annual Own Risk and Solvency Assessment ("**ORSA**"). Nordben's 2021 ORSA report was approved by the Nordben Board in December 2021. This is not a public document.

4.21 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 based on an end June opening position.

4.22 The 2021 ORSA included a projection of the future solvency development assuming the proposed sale and transfer of Nordben policies to MILAC did not occur. This is shown in the table below. The projections are based on the business plan for Nordben which reflects their stated strategy of running off the existing legacy book of policies as efficiently as possible whilst still providing high quality customer service to clients. Own Funds projected included the dividend of €15m paid in 2021, but do not include the €4.9m dividend paid in 2022. Payment of a dividend reduces the eligible own funds by the amount of the dividend.

Nordben – Projected future solvency development

	31-Dec-21 € million	31-Dec-22 € million	31-Dec-23 € million	31-Dec-24 € million	31-Dec-25 € million	31-Dec-26 € million
(1) Eligible own funds	20.8	20.5	20.2	19.9	19.5	19.2
(2) Prescribed Capital Requirement (PCR)	8.8	8.6	8.5	8.0	7.3	6.7
(3) Solvency coverage ratio (= (1) / (2))	*236%*	*240%*	*238%*	*250%*	*268%*	*287%*
(4) Excess of eligible own funds over prescribed capital requirement	12.0	11.9	11.7	11.9	12.2	12.5

Source: Nordben GFSC ORSA Report 2021 (internal report)

4.23 The 2021 ORSA forecast a year-end 2021 solvency position with Own Funds of €20.8m and PCR of €8.8m. Section 4.13 above shows the actual reported position at end 2021 was very close to this forecast with Own Funds of €20.8m and PCR of €8.6m.

4.24 The projection of the Nordben business (assuming the Proposed Scheme does not occur) from 2021 onwards shows a slow decline in Eligible Own Funds (reflecting an expected low level of loss each year). However, the solvency capital requirement is also projected to slowly decrease each year, resulting in a small increase in the solvency coverage ratio over time.

4.25 The projections assume no dividends. In practice (and in the normal run of events assuming no portfolio transfer) the Company would expect to pay dividends where the solvency coverage is above the limit set in the capital management policy (described in paragraph 4.40 below). Paying dividends decreases the solvency coverage percentage.

4.26 The ORSA report notes that the key risks to the projected solvency coverage over time are: higher than expected lapses on the unit linked business, or lower than expected lapses on the guaranteed business; higher than expected expenses; or a strengthening of all exchange rates against the Euro (and in particular the strengthening of Sterling against Euro). The solvency coverage also reduces as interest rates fall.

4.27 The 2021 ORSA report also investigates the projected solvency development on a range of adverse scenarios. Overall the stress and scenario testing results demonstrated that the capital position of Nordben is resilient to a range of economic and non-economic scenarios, although the expense stress does lead to a significant fall in the solvency coverage.

INTRA-GROUP REINSURANCE

4.28 From end 2020 Nordben's with-profits policies are reinsured with Monument Re as part of the Intra-Group Reinsurance treaty ("**IGR**") with most of the investment risk reinsured to Monument Re. Only Expense Risk and Lapse Risk remains within Nordben, noting however that the investment risks reinsured are now replaced with a counterparty default risk to Monument Re.

4.29 Following the introduction of the IGR all future bonuses payable from Monument Re to Nordben are guaranteed under the terms of treaty but the payments from Nordben to policyholders are not. The value of these bonuses is shown on the balance sheet as a Future Discretionary Benefit.

4.30 Monument Re also pays the with-profits fund management charge and an investment management expense allowance of 8.5bps (i.e. 0.085%) to Nordben. Policyholder security is enhanced by Monument Re posting collateral to Nordben at least equal to the value of benefits including future bonuses.

Risk profile

4.31 The range of risks to which Nordben is exposed includes market/financial risk, credit risk, counterparty risk, insurance risk, business/operational risk, regulatory compliance risk and fiscal risk. The company has in place a risk management framework to monitor and manage risks on an ongoing basis.

4.32 The composition of Nordben's solvency capital requirement for end 2020 and 2021 is set out in the table below. The SCR is calculated on the basis described above 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).

Nordben – Reported Solvency Capital Requirement

Solvency Capital Requirement	31-Dec-21 € million	31-Dec-20 € million
Interest rates	4.3	4.9
Currency exchange rates	3.2	4.7
Expense	4.5	4.3
Lapse	0.4	1.3
Credit	0.0	0.0
Equity	0.0	0.0
Other	0.2	0.2
BSCR (before diversification)	**12.6**	**15.4**
Diversification	-4.6	-5.8
Basic SCR	**8.0**	**9.6**
Operational Risk	0.7	0.9
BSCR after Op Risk	**8.7**	**10.5**
Adjustment for Transitional allowances	-0.1	-0.4

Source: Nordben 2021 Own Solvency Capital Assessment OSCA Report (internal report shared with GSFC)

4.33 As can be seen from the tables above, the largest contributors to Nordben's SCR are the capital requirements for interest rate risk and expense risk. These values are calculated on a prescribed regulatory basis.

4.34 At end 2020, currency risk capital was the second largest component of the SCR. This reduced significantly as a result of exchange rate currency hedges that were put in place in 2021. Without these hedges in place the year end 2021 currency risk capital would have been €5.6m (which is higher than €3.2m as reported reflecting the currency hedges in place).

4.35 "Other" refers to long-term insurance risk capital as calculated in accordance with the BMA and also includes the diversification impact of the lapse risk capital and expense risk capital.

4.36 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.

Risk management

4.37 Nordben has adopted a risk management framework centred around three core components:

i. Nordben's risk strategy and appetite, aligned to the company's business strategy;

ii. Risk tolerances, limits and triggers; and

iii. The risk management policies and ongoing processes to identify, measure, monitor, manage and report risk.

4.38 The Risk Management Framework ("**RMF**") is approved annually by the Board of Directors.

4.39 The RMF is implemented through adherence to the risk management policy. The policy sets out the roles and responsibilities, policy principles and requirements and reporting and escalation procedures regarding risk management at Board and business levels. The risk management function, led by the Senior Manager Actuarial and Risk Officer, supports the Board and business areas in discharging their risk management-related responsibilities.

Capital management policy

4.40 Nordben manages its capital to ensure compliance with externally imposed capital requirements and to maintain appropriate capital ratios in order to protect the security of its stakeholders, including reinsurers and policyholders, while maintaining shareholder value.

4.41 Nordben's Capital Management Policy states that capital is to be pooled at Monument Re in order to benefit from diversification, for instance, with the use of intra-group reinsurance to Monument Re and other intra-group transactions. Intra-group reinsurance has the benefit of providing Monument Group's subsidiaries with legally binding support from Monument Re. Monument Re's subsidiaries intend, where practical, to dividend amounts in excess of locally set capital buffers and assess such dividends at least two times each calendar year.

4.42 As mentioned at the start of this section, in accordance with the conditions associated with the change of control process when Monument Re purchased Nordben, the GFSC requires that the company maintains a solvency coverage ratio in excess of 150% of its Prescribed Capital Requirement ("**PCR**") in all reasonably foreseeable scenarios.

The Transferring Policies

4.43 Nordben has almost 6,000 in-force (live) policies as at 31 December 2021, a combination of with profits and unit-linked savings and retirement plans with income payment options. As Nordben has been closed to new business since 2015, the number of inforce policies decreases each year as policies surrender, claim or mature.

4.44 A breakdown of the inforce policies by product type is shown in the table below.

Nordben – Recent snapshots of in-force policies within scope of Proposed Scheme

Number of policies in-force	31 Dec 2021	31 Dec 2020
Flex Plan	2,105	2,256
Triple C Plan	3,170	3,426
Level Plan	265	275
Annuity Plan	143	154
Individual Plan *	68	68
Living Annuity Plan	5	5
International Investment Plan	3	3
Unit Linked Plan	217	227
Total	**5,976**	**6,414**

* "Individual Plan" includes 3 Group Pension Insurance Contracts and 2 Former Standard Flex Plans linking to Individual Plan Unit Funds.

Source: Nordben 2021 Own Solvency Capital Assessment OSCA Report (internal report shared with GSFC)

4.45 Nordben's with-profits products are a group of retirement accumulation (i.e. savings) and decumulation (i.e. with income payment options) products, with discretionary benefits, which closed to new business at the end of 2015. The products are:

- Flex and Triple C – These are retirement planning products which provide a guaranteed maturity amount with an expectation that that maturity amount could grow with bonuses. They are typically employer sponsored, funding retirement benefits for an employee or spouse whilst on international assignment. Flex had surrender penalties depending on duration of the policy but these are all now zero. For Triple C the surrender amount is not guaranteed; surrender penalties (or "adjustments") may apply subject to approval by the Board (currently no surrender penalties are being applied).

- Level and Annuity – these were sold as retirement income products to provide a recurring guaranteed benefit payment in retirement with an expectation that the benefit payments could grow with bonuses. These policies were introduced by the international departments of Nordben's former shareholder. All product literature (once the Policy was issued) is published in English. Neither Level Plan nor Annuity Plan can surrender without Nordben's consent.

4.46 The various with-profits funds pay charges to the shareholder (i.e. to the company by transferring monies from the "policyholder" fund to the "shareholder" fund – both of which reside within the company)). These were 0.65% per annum at end of 2019, and rise (and will continue to rise) by 0.05% each calendar year until they reach 1% per annum, when Nordben's current intention is that the charge will be capped, however this is not currently a guarantee given by the shareholder. In addition there is an investment management charge deducted from the with-profits funds of 0.085% per annum.

4.47 The Living Annuity Plan provides a range of immediate and deferred annuity (i.e. regular income payment) options in return for a single premium. Payments are funded from the fund value of the policy and are not guaranteed by Nordben and include no discretionary bonuses. Once the policy fund value (i.e. surrender value) is exhausted, the policy terminates.

4.48 The Individual Plan policies are life assurance policies where the surrender value is equal in value to an individual unit fund for each policyholder, which comprises an individual portfolio of permitted investments. Each unit fund is managed by an investment manager who may be appointed by the Grantee on the policy, but who must be approved by Nordben.

4.49 The Unit Linked Plan range of funds are available through the Zurich International Life Limited platform and the Unit Linked Plan allows switching within its range of funds without charge (and there is currently no minimum amount that can be switched).

4.50 The internal linked funds available on the International Investment Plan are three actively managed funds managed by three external fund managers (namely, Julius Baer, Brown Advisory and abrdn plc, formerly Standard Life Aberdeen). The International Investment Plan allows switching between its range of three funds subject to a charge of £5,000.

4.51 In relation to the ability to exercise discretion in respect of aspects of the terms and conditions applicable to the Transferring Policies, Nordben has informed me, subject to the increasing shareholder charge on the with-profits funds described in the previous paragraph, 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.

4.52 The Transferring Policies are currently administered by Nordben. Nordben will continue to provide administration services to MILAC after the transfer on an interim basis until MILAC has implemented the necessary processes and procedures via another Monument Group subsidiary called Monument Insurance Services (IOM) Limited, ("**MIS**"). This is expected to occur within 6-9 months of the Effective Date.

Operational arrangements

4.53 Nordben employs staff in Guernsey who process all transactions requested by policyholders and their advisers on hardware and software licenced or owned by Nordben, with the exception of the Unit Linked Plan policies which are administered using a third party system (the 'ZIO' platform provided by ZILL). The bulk of Nordben's policies (Flex Plan and Triple C Plan policies) are administered on a bespoke OS400 platform (which sits on the IBM AS400 hardware). Annuity policies (Annuity Plan and Level Plan) are administered on an in-house platform called the 'Annuity System' supplemented by technical assistance from Logicalis. The remaining linked policies are administered using Microsoft software.

4.54 Nordben staff consist of a Chief Executive Officer, 2 other Senior Managers, a Compliance Officer, an HR manager, 5 (of which 1 temporary) Policy Administration employees, and 2 on site IT / Facilities employees. Staff, including the CEO, are based in Guernsey except the 2 senior managers who are based in the UK.

4.55 Nordben had an average of 12 employees over 2021.

4.56 Nordben IT infrastructure is outsourced to Monument Group's central IT function. The company's internal audit function is under the remit of the Monument Re Group Head of Internal Audit.

4.57 Nordben currently outsources a number of other key functions to external third parties, including the role of Appointed Actuary and accounting and financial reporting. Nordben also outsources a number of key functions to other companies within the Monument Group, including fund administration, support services (including actuarial, risk management, legal, compliance, investment, human resources and IT support).

Policyholder Protection – Guernsey

4.58 In accordance with the standard condition imposed by the GFSC on all insurance licences granted under the 2002 Insurance Business Law, assets representing at least 90% of policyholder liabilities in respect of an insurer's business must be held in trust.

4.59 The insurer must appoint a Guernsey based trustee, who is independent of the insurer and approved by the Commission, who shall be responsible for safeguarding the insurer's assets.

4.60 The trustee is not responsible for the investment management of policyholder funds; such management remains with the insurer. The trustee agreement between the insurer and the trustee provides only that the assets are held on trust to meet the obligations of the insurer to its policyholders and not the general obligations of the insurer.

4.61 Zedra Trust Company (Guernsey) Limited, a non-cellular company incorporated with limited liability in Guernsey with company number 24531 has been appointed as trustee:

(a) under an agreement between Nordben, Monument Re and Zedra dated 28th August 2020 to hold assets equal in value to at least 90% of Nordben's non-linked policyholder liabilities which are reinsured by Monument Re; and

(b) under a trust agreement between Nordben and Zedra dated 28th August 2020 to hold assets representing not less than 100% of Nordben's liabilities in respect of its Linked Long-Term Business (as defined in Paragraph 3 of Schedule 1 to the 2002 Insurance Business Law) and at least 90% of Nordben's non-linked policyholder liabilities which are not reinsured by Monument Re.

4.62 Zedra was first appointed trustee for Nordben in 2018. The Trustee replaced the former trustee, SG Kleinwort Hambros Trust Company (CI) Limited who were Nordben's former trustee by way of a trustee agreement commenced 2003.

4.63 Zedra is an international provider of corporate services & global expansion, active wealth and fund solutions. Zedra's majority investor is Corsair Capital LLC, a private equity firm focused on the financial and business services industries.

4.64 Guernsey as a financial jurisdiction does not have an Insurance Guarantee Scheme or a Policyholder Protection Scheme. The failure of an insurance company in Guernsey is not subject to any Guernsey compensation or indemnity system.

4.65 However the regulatory requirement to hold assets representing at least 90% of policyholder liabilities in respect of an insurer's business in trust does give some protection to policyholders against the failure of an insurance company. This is in addition to policyholders being classed as preferential creditors under Guernsey Law.

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 Limited ("**MILAC**").

5.2 MILAC is a company incorporated in the Isle of Man under registered number 27082C whose registered office is at 2nd Floor, 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. Monument Insurance Group Limited, a Bermuda based company, is MILAC's ultimate controlling party.

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 2021.

5.4 MILAC has recently established a branch in Singapore as part of a separate scheme of transfer expected to be presented to the High Courts in both the Isle of Man and Singapore in 2022 (see Section 3.2 to Section 3.8 of this Report).

5.5 MILAC commenced operations in 1985 as Equity & Law International Life Assurance Company 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.

5.6 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)
- Zurich International Life Limited (2017).

5.7 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.

5.8 As explained in Section 3.2 to Section 3.8 of this Report, MILAC is also seeking approval for another scheme of transfer of another book of business. MILAC agreed to acquire the Singapore portfolio of life insurance policies from ZILL in 2020. The insurance policies were all issued by ZILL's Singapore branch. ZILL is authorised and regulated as an insurance company in the Isle of Man. This transaction is consistent with MILAC's strategy of acquiring portfolios of insurance business in run-off.

Nature of business written by MILAC

5.9 As at 31 December 2021, 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.

5.10 The tables below summarise the Technical Provisions for 2021 and 2020.

MILAC – Summary of in-force business as at 31 December 2021 (£ millions)

Product	Unit-linked	Non-unit	BEL
Personalised Bond Business	745	(7)	738
Pooled Business	143	(1)	142
Total	**888**	**(8)**	**880**
Risk Margin			5
Technical Provisions			**885**

Source: MILAC Actuary's Report 202112

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

5.11 In summary, at end 2021 MILAC had approximately 4,000 policies inforce (2020: 4,200). Total Technical Provisions amounted to £885 million (2020: £909 million). It should be noted that this is before the planned addition of the Singapore business that will be transferred from ZILL to MILAC subject to the approval of the courts (planned later in 2022). The Singapore business of ZILL which is subject to the planned transfer to MILAC is summarised in the table below.

MILAC – Pro-forma of Singapore in-force policies as at 31 December 2020 (planned to transfer to MILAC in 2022)

	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

5.12 In total, had the transfer of business from ZILL Singapore to MILAC occurred at end 2021, then MILAC would have had approximately 10,000 policies inforce (2020 before transfer: 4,200). Total Technical Provisions would have amounted to £1.3 billion (2020 before transfer: £909 million). These are pro-forma figures as the actual transfer is due to be approved later in 2022.

Solvency position

REPORTED SOLVENCY POSITION

5.13 MILAC had an excess of eligible Own Funds over its regulatory capital requirement at end 2020 and 2021, as shown in the table below.

MILAC – Reported solvency position (£ millions)

	31-Dec-21	31-Dec-20
	£ million	£ million
(1) Net Assets before deducting Technical Provisions	907	932
(2) Technical Provisions	885	909
(3) Other adjustments to arrive at eligible own funds**	-	-2
(4) Total eligible own funds (= (1) - (2) + (3))	**22**	**21**
(5) Solvency Capital Requirement (SCR)	14	14
(6) Minimum Capital Requirement (MCR)	5	5
(7) Relevant RBC Framework capital requirement (= Higher of 5 & 6)	**14**	**14**
(8) Solvency coverage ratio (= (4) / (7))	165%	154%
(9) Excess of eligible own funds over capital requirement (= (4) - (7))	8	7

Source: MILAC 2020 and 2021 RER submission to IOMFSA

5.14 As at 31 December 2021, the company's assets exceeded its liabilities by £22 million (31 December 2020: £21 million). The eligible Own Funds exceeded the regulatory capital requirement by £8 million (31 December 2020: £7 million). This translated into a solvency coverage ratio of 165% at 31 December 2021.

5.15 The eligible own funds figure at end 2020 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 coverage 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.

PROJECTED SOLVENCY POSITION

5.16 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 joined the Monument Group (in early 2021), and has transitioned from its previous parent's approach to group capital management to Monument Group's capital management approach. Changes include using intra-group reinsurance ("**IGR**") from MILAC to Monument Re. This was put in place (following approval by the IOMFSA) in 2022. The IGR is described in Section 3.9 of this Report.
- The addition of the portfolio transfer inwards of the ZILL Singapore Branch business into MILAC which is assumed to occur by the end of 2022.

5.17 Therefore projecting the future solvency position of MILAC incorporates aspects of becoming a Monument Group subsidiary in 2021 (i.e. the approval and commencement of the IGR in early 2022) and also consequences of recent and future acquisitions of insurance portfolios (i.e. the proposed Singapore Branch transfer and the Proposed Scheme).

5.18 Some aspects of MILAC capital management (for example adjustments to the use of the IGR from MILAC to Monument Re in Bermuda) require MILAC Board approval and confirmation of non-objection by the IOMFSA.

5.19 Baseline financial projections were prepared by MILAC and include assumptions on future market conditions, premium volumes, expenses and policyholder behaviour (such as surrender rates and withdrawals). These projections do not include the transfer of the Nordben business to MILAC (i.e. the Proposed Scheme) and assume no payment of future dividends. I consider the projected solvency position of MILAC assuming the Proposed Scheme is approved in Section 8 of this Report.

5.20 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 and the proposed Singapore branch scheme of transfer did not occur. However, it assumes the proposed IGR was implemented with Monument Re by end 2021 (whereas at end 2021 it was still under review by the IOMFSA and not approved for signing until early 2022).

MILAC – Projected future solvency development (£ millions)

	31-Dec-21 (reported)	31-Dec-21 (rebased)	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25
(1) Eligible own funds	22.0	14.5	15.3	15.5	15.6	15.7
(2) Solvency Capital Requirement (SCR)	13.6	5.4	4.0	3.6	3.5	3.2
(3) Solvency coverage ratio (= (1) / (2))	165%	270%	387%	426%	451%	484%
(4) Excess of eligible own funds over capital requirement	8.4	9.1	11.3	11.9	12.1	12.5

Source: MILAC ORSA 2021

5.21 The table above shows the end 2021 position (as reported) and a pro-forma position at end 2021 ("rebased") that assumed the IGR was approved and implemented by end 2021. This shows the material reduction in the SCR and also in the eligible own funds (representing the transfer of the value of future profits from MILAC to Monument Re and the payment of the reinsurance premium). The projected position from end 2021 to end 2025 shows a small increase in the eligible own funds (representing expected emerging profits) and a decrease in the SCR, resulting in an increasing solvency coverage ratio (expressed as a percentage). This shows the positive impact on the solvency coverage ratio of the intra-group reinsurance.

5.22 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 IGR with Monument Re. MILAC has addressed the exposure risk to Monument Re by the addition of collateral clauses to the IGR reinsurance treaty (whereby certain assets of Monument Re are deposited back with MILAC as cedant). In addition, MILAC has set a capital management plan with a target solvency position that includes a monetary buffer that relates to the value (and exposure) of the IGR reinsurance with Monument Re.

5.23 The next 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 but the proposed Singapore branch scheme of transfer was approved and did occur. It also assumes the proposed IGR was implemented with Monument Re by end 2021 and the scope of the IGR was expanded to include the Singapore branch business.

MILAC assuming Singapore scheme of transfer approved – Projected future solvency development (£ millions)

	31-Dec-21 (reported)	31-Dec-21 (forecast)	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25
(1) Eligible own funds	22.0	18.2	17.9	18.1	18.2	18.3
(2) Solvency Capital Requirement (SCR)	13.6	6.6	6.6	6.0	5.6	5.2
(3) Solvency coverage ratio (= (1) / (2))	165%	278%	271%	301%	323%	352%
(4) Excess of eligible own funds over capital requirement	8.4	11.6	11.3	12.1	12.6	13.1

Source: MILAC ORSA 2021

5.24 The table above shows the end 2021 position (as reported) and a pro-forma position at end 2021 ("forecast")" that assumed the IGR would be approved and implemented by end 2021 and the proposed scheme of transfer of the Singapore business from ZILL to MILAC was approved - for simplicity, it is assumed it was approved with effect from end 2021 (in fact it is expected to be approved by the end of 2022).

5.25 Relative to the immediate table above, the addition of the Singapore branch to MILAC shows a relatively small increase in the overall solvency position with eligible own funds increasing (at the assumed date of approval at end 2021) by £3.7m and the SCR increasing by £1.2m. The table in Section 3.8 of this Report shows the addition of the Singapore branch business to MILAC is expected to increase the funds under management by over 50% (from £0.9 billion to £1.4 billion) and increase the policy count by over 150% (from 3,800 polices inforce to approximately 10,000 policies in-force). This also shows the positive impact on the solvency coverage ratio of the intra-group reinsurance.

5.26 The projected position from end 2021 to end 2025 shows almost no change in the eligible own funds and a decrease in the SCR, resulting in an increasing solvency coverage ratio (expressed as a percentage).

Risk profile

5.27 The range of risks to which MILAC is exposed includes market/financial risk, credit risk, counterparty risk (including to Monument Re as the intra-group reinsurance became effective in 2022), 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.

5.28 The table below sets out the composition of MILAC's SCR at end 2020 and 2021 (as reported). The table also shows (on a pro-forma basis) the end 2020 position assuming the intra-group reinsurance to Monument Re was in place ("rebased" column). At end 2021 the intra-group reinsurance was still with the IOMFSA for approval and therefore was not included in the actual end 2021 reported position (as noted above, it was approved in early 2022). The expected impact at end 2022 of the IGR that was recently implemented would be similar to the impact at end 2020 as the inforce business is relatively stable over this interim period.

5.29 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 stress equivalent to a 1 in 200 year event occurs).

MILAC – Solvency Capital Requirement (£ millions)

£ million Capital needs (SCR)	reported 31-Dec-20	rebased 31-Dec-20	reported 31-Dec-21
Market risk	7.6	1.8	7.0
Counterparty default risk	1.1	0.5	1.0
Life underwriting risk	6.6	1.3	7.2
Diversification	-5.1	-1.7	-5.1
Operational risk	3.4	3.4	3.5
Solvency Capital Requirement	**13.6**	**5.3**	**13.6**

Source: MILAC Risk Based Capital Result - December 2021

5.30 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. The results for end 2020 and 2021 (as reported) were relatively similar.

5.31 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.

5.32 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 2021 was equity market risk, followed by currency risk (of foreign currencies against Sterling).

5.33 At end 2020 the concentration risk included the exposure to Metrowise on the loan to the parent at the time (as explained in Section 5.15). This was repaid in February 2021 and therefore the allocation of capital to concentration risk has reduced relative to the other risks over 2021.

5.34 In addition, MILAC is exposed to other risks including counterparty risk and operational risk.

5.35 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 of MILAC to Monument Re. Overall the impact of the intra-group reinsurance is a material reduction in the SCR of MILAC. This is clearly evident in the expected reduction in the SCR as shown under the "rebased" 2020 figures in the table above. In addition, MILAC has set a capital management plan with a target solvency position that includes a monetary buffer that relates to the value (and exposure) of the IGR reinsurance with Monument Re.

UNIT-LINKED BUSINESS

5.36 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.

5.37 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).

5.38 The other main risk 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

5.39 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.

5.40 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 68 policyholders and £2 million funds under management as at year-end 2021.

NON-LINKED BUSINESS

5.41 MILAC has a small amount of non-linked business (44 policies in total inforce at end 2021) which covers areas such as whole of life annuities, term and whole of life assurance, and savings and retirement products. The proportion of the total net of reinsurance technical provisions at 31 December 2021 represented by these policies is less than 0.1% of the total net of reinsurance long-term liabilities.

SINGAPORE BRANCH

5.42 The policies within the 2022 planned scheme of transfer from ZILL into MILAC (i.e. the Singapore Branch business) may be grouped into two blocks as follows:

- Singapore Unit-linked Business: This block comprises both regular and single premium Unit-linked Business.
- Singapore Non-linked Business: This block comprises life, critical illness and disability term assurance protection policies.

5.43 The Singapore business represents approximately 6,000 polices with approximately £500 million funds under management.

5.44 The Singapore Unit-linked Business policies are managed in three categories of funds:

- Mirror Funds are internal unit-linked funds that directly invest in funds managed by external fund managers. They are subject to an additional 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 MILAC funds that directly invest in funds managed by external fund managers. Unlike Mirror Funds, they are not subject to an additional Mirror annual management charge.

5.45 The Singapore business include a small number of cases that have significant protection (death cover) benefits.

ADDITIONAL 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 typically not result in the introduction of any material 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 the MILAC intra group reinsurance agreement in place with its parent Monument Re for its existing business is expanded to include the Proposed Scheme, whereby MILAC reinsures 90% of all cashflows 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 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. The monetary additions (i.e. the "plus £5.3m" in the bullet points below) contained in the ladder of intervention were revised in 2022 in anticipation of the planned transfer of the Singapore Branch business from ZILL to MILAC. These monetary additions will also increase if the Proposed Scheme is approved (see Section 5.53 below and 8.21).

- Eligible Own Funds in excess of 165% of SCR plus £5.3m would allow consideration of dividends or capital payment to parent ("surplus capital" position)
- Eligible Own Funds less than 125% of SCR plus £5.3m requires notification to the IOMFSA and more regular monitoring and a Board approved plan required to restore coverage to 125% of SCR plus £5.3m 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 £5.3m 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).

5.53 The ladder of intervention shows that MILAC seeks to actively manage Eligible Own Funds in the range 125% of SCR plus £5.3m to 165% of SCR plus £5.3m (i.e. between the "surplus capital" position and the "focus range" position outlined above).

5.54 This ladder of intervention is recalibrated on a material change to the business of MILAC. In particular, it is proposed the monetary additional buffer of £5.3m on top of the percentage targets of SCR listed above would increase if Proposed Scheme is approved. This is in recognition of the larger balance sheet and number of policyholders of MILAC.

Operational arrangements

5.55 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 called LIFE*fit* for the administration of life insurance business.

5.56 MILAC’s IT infrastructure is outsourced to Monument Group’s central IT function. The company’s internal audit function is under the remit of the Monument Re Group Head of Internal Audit.

5.57 MILAC currently outsources a number of other key functions to external third parties, including the role of Appointed Actuary and investment management.

5.58 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.

Policyholders Compensation Scheme – Isle of Man

5.59 MILAC 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 PCS is to provide a compensation scheme for policyholders should an authorised insurer be unable to satisfy its long term-insurance liabilities.

5.60 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.

5.61 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.

5.62 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.

5.63 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.

5.64 In the event of a levy being charged on PCS members MILAC would be obliged to satisfy the liability arising at that time. The maximum levy payable under the PCS 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.

5.65 Participant Insurers may decide to pass on the cost of any PCS funding levy to their own policyholders, where their terms and conditions allow.

5.66 Policyholders in respect of the Nordben policies will not be covered by the Isle of Man PCS as these polices were not effected by a “participant insurer” as defined in the PCS regulations. As a consequence of this, MILAC will not be required to pay any levies relating to the Nordben policies to the Isle of Man PCS.

5.67 Current MILAC policyholders (where applicable) will continue to be covered by the Isle of Man PCS. However MILAC already has some previous business transferred from Guernsey to the Isle of Man that is not covered by the Isle of Man PCS – this situation will remain unchanged.

Policyholders Compensation Scheme – Singapore

5.68 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**”).

5.69 MILAC has established an authorised and regulated branch in Singapore. I have been informed (based on legal advice provided to MILAC) that MILAC’s Singapore branch will become a member of the Singapore Policy Owners' Protection (“**PPF**”) Scheme.

5.70 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 or insurance branch becomes insolvent).

5.71 Guaranteed benefits that are covered by the PPF Scheme are defined within the PPF Scheme but would include death benefits payable on 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).

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

6 THE MONUMENT GROUP

6.1 Nordben and MILAC are ultimately owned by Monument Re, a Bermudan reinsurer which was licenced by the BMA in February 2017 and, either directly or through its subsidiaries (including Nordben and MILAC), is an acquirer of asset-intensive European insurers, 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.

6.2 Monument Insurance Group Limited ("**Monument Group**"), a Bermuda based company, is the ultimate controlling party of Monument Re and subsidiaries.

6.3 Monument Re operates regulated insurance or reinsurance companies in Bermuda, Ireland, Belgium, Luxembourg, the Netherlands, the Crown Dependencies (currently Guernsey and the Isle of Man) and continues to pursue further opportunities in a number of countries.

6.4 A summary of Monument Re's material acquisitions since inception is set out below:

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.
Rothesay 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.

6.5 On 25th November 2021, Monument Re entered into a quota share reinsurance agreement on a funds withheld basis with Countrywide Assured plc, a subsidiary of Chesnara plc. The deal covers a block of UK annuities and is the first external reinsurance deal for the Company.

6.6 In February 2022 Monument Group announced that its Luxembourg subsidiary Monument Assurance Luxembourg S.A. had completed the acquisition of AME Life Lux S.A. from French Mutual Insurance Group, Covéa, following receipt of regulatory approval from the Commissariat aux Assurances. Financial terms of the transaction were not disclosed

6.7 In April 2022 Monument Re announced that it has entered into a Reinsurance Agreement with Aviva Life & Pensions Ireland Designated Activity Company (in Ireland).

6.8 I have been provided with the most recent (year end 2021) Financial Condition Report for Monument Re. This report, which is a requirement of the Bermudian regulatory regime for insurers and reinsurers, is in the public domain and available on the Monument Re Group website. It indicates that Monument Re currently has a healthy solvency position.

7 THE PROPOSED SCHEME

Introduction

7.1 The Transferring Policies will be transferred to MILAC via the mechanism of the Proposed Scheme, subject to the approval of the Courts in Guernsey and the Isle of Man. 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

7.2 Monument Group's business strategy is to acquire and administer portfolios of insurance policies in run-off. To achieve this, Monument Group rationalises acquired long term insurance business by transferring the acquired business to a suitable Monument subsidiary insurer in a suitable jurisdiction. The Proposed Scheme is consistent with this strategy.

7.3 Monument Re acquired Nordben in 2019 as an insurer closed to new business. Nordben is authorised and regulated in Guernsey. Monument Re acquired MILAC in 2021. MILAC is authorised and regulated in the Isle of Man. MILAC's strategy before being acquired by Monument Re in 2021 was also to acquire and administer portfolios of insurance policies in run-off, and that strategy will continue as MILAC is part of the Monument Group.

7.4 Monument Re now has two separate entities in the Crown Dependencies (MILAC and Nordben). Monument Group is of the view that it is logical to simplify and consolidate these businesses by the transfer of Nordben's portfolios of insurance business into MILAC. In addition to simplifying the Monument Re Group's corporate governance and regulated activities into a single legal entity, it will allow for increased operating and capital efficiencies and reduced costs and operational risks.

7.5 If the Proposed Scheme is approved, Nordben will return its insurance licence to the GSFC. Nordben's name will change from "Nordben Life and Pension Insurance Co. Limited" to "Nordben Limited" and, as a non-regulated entity, it will continue to provide insurance administration support to MILAC on an interim basis. I have been informed that this insurance administration support is expected to be for an interim period of 6-9 months during which MILAC will finalise the development of its administration capacity to onboard and manage the Nordben business. Once this is completed, it is planned that Nordben Limited will close down and will be liquidated.

7.6 Monument Group, via MILAC, intends to operate the business effectively and efficiently with a strong focus on continued policyholder satisfaction.

Effective date

7.7 It is envisaged that the Proposed Scheme will become effective and the transfer take place at 00:01 hours on 29 December 2022, or such other date as may be determined by MILAC within three months of the date of the order of the Isle of Man Court sanctioning the Proposed Scheme (the **"Effective Date**").

Pre-conditions

7.8 The Proposed Scheme is conditional on a number of conditions being fulfilled, including:

- obtaining the non-objection of the IOMFSA and GFSC
- satisfying all relevant pre-transfer policyholder notification requirements (see paragraph 7.39 below)
- the sanction of the Courts in both the Isle of Man and Guernsey
- Completion of the steps set out in the Business Transfer Agreement between MILAC and Nordben, and in particular the
    - execution of the Transitional Services Agreement;
    - confirmation of the GFSC that the provision of the Transitional Services by Nordben in accordance with the provisions of the Transitional Services Agreement will not result in Nordben requiring a licence under the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002;
    - any required Third-Party Consent having been obtained; and
    - each of MILAC and Nordben obtaining any corporate or third-party authorisations, approvals or consents necessary or desirable for the purposes of transferring the business.

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

Business to be transferred

7.9 The scope of the transfer is every policy written by Nordben under which any liability remains unsatisfied or outstanding at the Transfer Date. This covers a range of different products issued by Nordben since its inception.

7.10 The Transferring Policies include all the in-force policies of Nordben on the Effective Date of the Proposed Scheme.

7.11 The business to be transferred covers:

- The rights, benefits, powers and obligations of Nordben under or by virtue of the Transferring Policies.
- All policyholder liabilities, categorised as with-profits and non-linked (which comprises unit-linked and non-linked risk business) attributable to or in connection with the Transferring Policies.
- All other liabilities less Retained Liabilities not transferred as defined in the Business Transfer Agreement. The Retained Liabilities refer to Nordben's day to day operational costs and any costs associated with the Retained Assets which will include all rental costs and associated payments in respect of Nordben's leased property and any redundancy payments.
- All assets of Nordben less an amount of Retained Assets not transferred as defined in the Business Transfer Agreement. The Retained Assets are Nordben's tangible fixed assets and property, plant and equipment plus an amount of cash defined in the Business Transfer Agreement (an amount of approximately €800,000 to cover the costs of run-off and eventual closure and liquidation of Nordben).
- Records and data protection consents relating to the Transferring Policies.

7.12 The Business Transfer Agreement states that the employees of Nordben shall not become employees of MILAC under the terms of the agreement. They will remain employees of Nordben.

7.13 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, which will become the insurer of those contracts from the Effective Date of the Proposed Scheme.

7.14 Under the Proposed Scheme, any rights, benefits, powers, obligations and liabilities of Nordben under, or by virtue of, such policies will be transferred to MILAC.

Maintenance and operation of with-profits business

7.15 Nordben maintains a with-profits long term business fund for its with-profits business. The with-profits business offers certain policyholder guarantees (for example on death, or on any agreed maturity date). Policyholder benefits may increase in line with (discretionary) declared bonuses which are distributed to policyholders via an increase in the fund value attributed to each policyholder. The bonuses are distributed as "regular bonus" (to policyholders each year) and "final bonus" (payable on the date of any policyholder claim payment due to death, maturity, withdrawal or surrender). Some policies also have guaranteed minimum annual bonuses.

7.16 The with-profits business resides in a number of internal sub-funds, which are split by currency (reflecting the denomination of the liabilities) and product type. Some funds contain a mixture of product types. These sub-funds are managed and maintained to fund (i.e. pay) the future outward cashflows to meet the guaranteed plus discretionary benefits arising from policies, plus the shareholder charges applied by Nordben (including investment management charges).

7.17 The with-profits funds closed to new business at the end of 2015. At that time the various with-profits funds had generated and accumulated a surplus that had not yet been distributed to policyholders. A surplus remains within the with-profits internal sub-funds and is managed and distributed to policyholders in line with the stated bonus philosophy and approach on the management of the with-profits business.

7.18 On the Effective Date, Nordben's with-profits business and the associated internal sub-funds will transfer to MILAC. The products and policyholder bonus philosophy and approach to the management of the with-profits business will be unchanged by the Proposed Scheme.

Maintenance and operation of internal unit-linked funds

7.19 Nordben maintains a number of notional internal funds for its unit-linked business ("**internal linked funds**"). This structure is a standard approach in the insurance industry for the administration of linked business where the policyholder takes all investment risk on the underlying assets. Policyholder benefits are linked to these internal linked funds, which are typically valued daily. After the Effective Date, Nordben's internal linked funds within the scope of the Proposed Scheme will be replaced by equivalent funds in MILAC.

7.20 The liabilities on the linked business are matched by assets owned by Nordben, but typically managed by external fund managers. These assets are maintained in identified portfolios which are matched exactly to a corresponding internal linked fund.

7.21 The assets appropriated to each Nordben 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 of the Nordben assets underlying each internal linked fund from Nordben to MILAC, and by putting in place the necessary equivalent fund management agreements with external fund managers and fund administrators and custodians.

- The assets appropriated to the internal linked funds available on the Unit Linked Plan are all managed by ZILL on behalf of Nordben. This is facilitated and governed by an insurance contract in place between Nordben and ZILL. In anticipation of the Proposed Scheme, this insurance contract will be novated from Nordben to MILAC. This will transfer ownership of the assets (i.e. the insurance contract with ZILL) underlying this business from Nordben to MILAC.
- The assets appropriated to the internal linked funds in respect of each Individual Plan and Living Annuity Plan policyholder are individual, typically discretionary, managed portfolios of assets. These portfolios are managed by a range of investment managers approved by Nordben and the portfolios are legally owned by Nordben. In anticipation of the Proposed Scheme an agreed mechanism will be in place to facilitate the transfer of the ownership of those portfolios from Nordben to MILAC.
- The internal linked funds available on the International Investment Plan are three actively managed funds managed by three external fund managers (namely, Julius Baer, Brown Advisory and abrdn plc, formerly Standard Life Aberdeen). In anticipation of the Proposed Scheme the three fund management agreements, and associated custodian and advisory agreements, will be novated from Nordben to MILAC. This will transfer ownership of the assets underlying this business from Nordben to MILAC.

7.22 The rules of operation (including the valuation of fund units used in calculating policyholder benefits) of the internal linked funds following the Effective Date will comply with the following principles:

- MILAC may exercise any discretion formerly available to Nordben under the terms and conditions of any policy, but will do so in accordance with any applicable regulatory 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 Nordben formerly could, but will do so in accordance with any applicable regulatory 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.

7.23 The product and policyholder fund charges on the internal linked funds will be unchanged by the Proposed Scheme and all the existing internal funds in Nordben will be replicated in MILAC (as described in Section 7.21 above).

7.24 However the application of Value Added Tax ("**VAT**") differs between Guernsey and the Isle of Man. There is no VAT for services provided to Nordben (and other insurers) in Guernsey, but there is VAT applied to services provided to MILAC (and other insurers) in the Isle of Man. Therefore some investment advisory services relating to the three actively managed funds linked to the International Investment Plan will attract VAT in the Isle of Man. MILAC will ensure the charges passed to the policyholders will be unchanged under the Proposed Scheme.

Payment of premiums

7.25 Any ongoing or regular premiums payable in respect of Transferring Policies to Nordben will become payable to MILAC from the Effective Date. The volume of such regular premiums is not material.

7.26 Nordben's regular premiums are invoiced and settled by bank transfers and are not collected via direct debits or standing orders. Regardless, in order to facilitate payments to and from policyholder funds for the Transferring Policies after the Effective Date, the relevant bank accounts are being transferred from Nordben to MILAC with bank account details remaining unchanged. Therefore no action will be required by policyholders.

7.27 There are however a small level of fees from Nordben's three International Investment Plans that are received by Nordben by standing order and the associated bank account is not being transferred from Nordben to MILAC. Therefore, new payment mandates will be distributed to the investment managers of those three policies (on behalf of the relevant Transferring Policyholders) in advance of the scheme Effective Date.

Exercise of options and operational arrangements

7.28 Any policy options that currently exist under Nordben 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 Nordben, or if such policies are not available, the nearest available alternative policies.

7.29 The Transferring Policies are currently administered by Nordben. Nordben and MILAC have agreed a Transitional Services Agreement whereby Nordben will continue to provide administration services to MILAC after the transfer on an interim basis until MILAC has implemented the necessary processes and procedures via another Monument Group subsidiary called Monument Insurance Services (IOM) Limited, ("**MIS**"). This is expected to occur within 6-9 months of the Effective Date.

7.30 The Proposed Scheme includes the arrangements necessary for the transfer of insurance administration from Nordben systems to MIS. The full migration and transfer of services will not conclude until after the Effective Date of the Proposed Scheme. This will include a migration of existing client information and data from the Nordben administration platform to the MIS administration platform. The functionality detail of the MIS systems differs slightly from those of Nordben, which may result in some minor changes in the way the Transferring Policies will be administered within MILAC. I consider these changes in Section 10.25 below.

Policyholder assets held in Trust

7.31 In accordance with the standard condition imposed by the GFSC on all insurance licences granted under the 2002 Insurance Business Law, assets representing at least 90% of policyholder liabilities in respect of an insurer's business must be held in trust. No such equivalent insurance law exists for insurance companies established and regulated in the Isle of Man.

7.32 Nordben complies with the GFSC trust requirement via the existing trust arrangement between Nordben and Zedra Trust Company (Guernsey) Limited. This is described in Sections 4.58 to 4.63 of this Report.

7.33 The rights and obligations of Nordben under the Trust Agreements will be transferred to MILAC in anticipation of the Proposed Scheme. In addition, MILAC will undertake to procure that assets of MILAC representing at least (a) 90% of liabilities in respect of non-linked Transferring Policies which are reinsured by Monument Re; and (b) 100% of liabilities in respect of Linked Long-Term Transferring Policies, will be held in trust by an external trustee or trustees at all times.

Costs of the Proposed Scheme

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

7.35 No costs or expenses relating to the Proposed Scheme will be borne by policyholders of either of the Companies or by the with-profits funds of Nordben.

Modification or additions

7.36 The Proposed Scheme sets out how modifications and additions to the Proposed Scheme, or further conditions to the Proposed Scheme, may be imposed.

7.37 Nordben and MILAC may jointly consent to any modification or addition to the Proposed Scheme or to any further condition or provision which the Courts may approve whether before or after the Effective Date.

7.38 If at any time the provisions of the Proposed Scheme prove impossible or impractical to implement, MILAC shall be at liberty to apply to the Courts for consent to amend its terms provided that any such application shall be accompanied by a report from an independent actuary to the effect that in his/her opinion the proposed amendment will not adversely affect the reasonable expectations of, or reduce the protection conferred by the Proposed Scheme on, the holders of policies which are at that time underwritten by MILAC.

Policyholder communications

7.39 The 2008 Act and 2002 Insurance Business Law both require that, unless the Courts otherwise directs, certain materials must be transmitted to each policyholder of both Nordben and MILAC. These materials include a statement summarising the Proposed Scheme together with an abstract summarising the Independent Actuary's Report (together the "**Circular**").

7.40 MILAC will send a copy of the Circular to all its existing policyholders (with some limited exceptions described below). Note this will include the Singapore Branch business within MILAC. However given the timings of the planned courts' approval of that separate Singapore transfer (due later in 2022), MILAC plans to send the Circular to those Singapore policyholders immediately after the relevant courts' approval of that separate transfer. Other MILAC policyholders will get the Circular shortly after the directions hearing in the Isle of Man Court in respect of the Proposed Scheme (which is planned to occur slightly before the scheduled courts' approval of that separate Singapore transfer).

7.41 Nordben will send a copy of the Circular to all its existing policyholders (with some limited exceptions described below). This will occur at the same time as informing the other "non-Singapore" MILAC policyholders.

7.42 I understand, however, that the Companies intend to petition the Courts 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):

- Policyholders in Nordben and 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 Directions Court Hearing targeted for 2022) ("**Goneaway Policyholders**")
- Policyholders in Nordben and MILAC for whom a notice of policyholder death has been received with no personal representative appointed ("**Deceased Policyholders**").

7.43 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.

7.44 I further understand that the Companies will publish notice of the proposed transfer of business in at least two national newspapers in Guernsey and the Isle of Man, as well as the Guernsey legal gazette.

7.45 In addition, the materials will be available (on behalf of both MILAC and Nordben) on the Monument Group website (Monument website) and at the offices of their representatives.

7.46 The proposed communication plan, as summarised above, is subject to any amendment directed by the Courts.

8 ASSESSMENT OF THE PROPOSED SCHEME - OVERVIEW

Introduction

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

Context of assessment

8.2 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 Nordben and MILAC.

8.3 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.

8.4 My assessment considers the position immediately before and immediately after the Proposed Scheme, and in particular where both MILAC and Nordben are subsidiaries of Monument Re.

8.5 It is not within my remit to consider possible alternative schemes or to form a view as to whether this is the best possible scheme.

8.6 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.

8.7 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 either of the Courts should reject a Scheme as the positive effects may outweigh the negative effects or the negative effects may be very small.

8.8 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.

8.9 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

8.10 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.

8.11 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.

8.12 I consider the implications of the Proposed Scheme separately for the following groups of stakeholders:

- Policyholders of Nordben, all of whom will transfer to MILAC
- Existing (at the Effective Date) policyholders of MILAC

Consequences if the Proposed Scheme is not approved

8.13 The Courts of both Guernsey and the Isle of Man 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 Nordben will continue to operate as they operate now. The Transferring Policies will not transfer and will remain in Nordben.

8.14 If the Proposed Scheme is not approved and does not occur, the financial security for policyholders remains unchanged as it stands now – MILAC and Nordben both have existing business inforce. The financial position of Nordben and MILAC (based on information supplied by the Companies) is shown in Sections 4 and 5 and this shows the Companies are currently in a satisfactory financial position under their current operating models.

8.15 The Business Transfer Agreement between MILAC and Nordben 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.

8.16 If the Proposed Scheme is not approved (and in any case) the shared costs incurred by the Companies on the transfer of business project will be paid by MILAC and not the policyholders.

Overview of the Regulatory Regimes

8.17 Nordben is a life assurance company incorporated, authorised and regulated in Guernsey. MILAC is a life assurance company incorporated, authorised and regulated in the Isle of Man. However both regulatory regimes are somewhat similar in terms of prudential regulations and supervisory regime in respect of the entirety of their businesses.

8.18 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 will not change.

8.19 I have attached a high level summary of the regulatory regime for Isle of Man and Guernsey insurance companies in Appendix B.

Assumptions made when assessing the Proposed Scheme

8.20 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 £5.3m) of additional buffer. This additional monetary buffer relates to the risk of reinsurer default and is set with the level of exposure to the IGR taken into account. The current Capital management Policy of MILAC is set out in Section 5.52 above. MILAC's Capital Management Policy will be adjusted given the materiality (to MILAC) of the Proposed Scheme and the use of IGR. This will be adopted by the MILAC Board on approval of the Proposed Scheme.

8.21 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 £5.3 m to £8m.

- Eligible Own Funds in excess of 165% of SCR plus £8m would allow consideration of dividends or capital payment to parent ("surplus capital" position)
- Eligible Own Funds less than 125% of SCR plus £8m requires notification to the IOMFSA and more regular monitoring and a Board approved plan required to restore coverage to 125% of SCR plus £8m 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 £8m 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).

8.22 The fixed amount of the additional buffer is expected to be reviewed and potentially changed within the ORSA process of MILAC each year. I note the additional buffer was also increased in anticipation of the approval of the transfer of the Singapore Branch business from ZILL to MILAC (expected to complete later in 2022).

8.23 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.

8.24 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.
- MILAC will use the services of MIS to administer the transferring business. MIS will successfully on-board the business from Nordben (noting as described in Section 4.52; this will include an interim period of 6-9 months beyond the Effective Date to allow for this change).
- Under the Proposed Scheme no employees will transfer from Nordben to MILAC.

8.25 The assumptions I have made following the Proposed Scheme include:

- The transferring policyholders will not be covered by the Isle of Man Policyholders Compensation Scheme post-transfer.
- The assets underlying the liabilities in respect of Linked Long-Term Transferring Policies will be held in a trust with an external trustee or trustees as described in Section 7.33 of this Report.
- MILAC will follow the business strategy as articulated in its most recent ORSA.
- Nordben ceases to be an insurer, but continues as Nordben Limited to provide insurance support services.
- MILAC will continue in its current ownership within the Monument Group.

8.26 My assumptions are based on my understanding of the issues in question and have been shared with the Companies' respective senior management teams and Appointed Actuaries 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.

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

Introduction

9.1 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).

9.2 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 both Guernsey and 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.

9.3 The principal issue with regard to security of benefits for Transferring Policies therefore is whether or not MILAC will have adequate financial resources following the completion of the Proposed Scheme and whether this is likely to remain the case over time.

9.4 This assessment must also have regard to the corresponding situation which would pertain should the Proposed Scheme not be proceeded with and the Transferring Polices remain in Nordben.

9.5 The Proposed Transfer involves moving from an insurer authorised and regulated in Guernsey to one authorised and regulated in the Isle of Man. This results in some changes relating to the Guernsey requirement to hold policyholder assets in trust and the scope of the Isle of Man PCS. I consider these issues below.

9.6 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, and the regulatory environment changes in moving from Guernsey to the Isle of Man.

Solvency assessment

9.7 I note that, as at 31 December 2021, 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.

9.8 In addition, projections carried out by both Companies in the context of their ORSAs, indicate that the two Companies are expected to maintain adequate solvency levels (in excess of the target levels specified in their capital management policies) over the projection period. The solvency outlook (assuming the Proposed Scheme does not occur) is discussed in Section 4 (Nordben) and Section 5 (MILAC).

9.9 However (as discussed in Section 4.22 of this Report) the projection of the Nordben business (assuming the Proposed Scheme does not occur) shows a slow decline in Eligible Own Funds - reflecting an expected low level of loss each year. However the solvency capital requirement is also projected to slowly decrease each year, resulting in a small increase in the solvency coverage ratio over time. This reflects (in the case of Nordben) the cost inefficiencies in running a declining book of insurance business with a relatively fixed cost base.

9.10 The table below gives the approximate relative size of the insurance portfolios considered in this Report. The values are approximate (and rounded) at end 2021 (to allow comparison).

Relative sizes of the in-force business as at 31 December 2021

	MILAC	Singapore Branch [4]	Nordben
Assets Under Management (£)	900 million	500 million	400 million
Number of policyholders (policy count)	3,800	6,000	6,000

[4] This was ZILL's Singapore branch as at 31 December 2021. It is proposed to be transferred into MILAC pursuant to a separate scheme of transfer that is described further in Section 3.2 to Section 3.8 of this Report.

NORDBEN – PROJECTED SOLVENCY POSITION POST-TRANSFER

9.11 If the Proposed Scheme is not approved, Nordben will continue in its current form. The projected solvency position (as discussed in Section 4.22 of this Report) is projected to remain above the regulatory requirements but the cost inefficiencies will remain and ultimately impact the financial strength of Nordben.

9.12 If the Proposed Scheme is approved, Nordben will have no policyholders. It will then return its insurance licence to the GSFC and cease to be an insurance company.

9.13 If the Proposed Scheme is approved, Nordben's name will change from "Nordben Life and Pension Insurance Co. Limited" to "Nordben Limited" and as a non-regulated entity it will continue to provide insurance administration support to MILAC (in fact Nordben Limited will contract with MIS to deliver services to MILAC). I have been informed that this insurance administration support is expected to be for an interim period of 6-9 months following the Effective Date of the Proposed Scheme during which MILAC (via MIS) will finalise the development of its administration capacity to onboard and manage the Nordben business.

9.14 Once the migration of data and administration services from Nordben to MILAC is complete, and the other activities and commitments of Nordben are wound up, it is envisaged Nordben will be liquidated. Any residual assets following liquidation will be returned to the shareholder (Monument Re). The residual amounts at liquidation are not expected to be material.

MILAC – PROJECTED SOLVENCY POSITION POST-TRANSFER

9.15 If the Proposed Scheme is not approved, MILAC will continue in its current form. The projected solvency position (as discussed in Section 5.234.22 of this Report) is projected to remain above the regulatory requirements. However, as MILAC manages insurance businesses in run-off (i.e. declining volumes inforce), MILAC has to acquire new portfolios of insurance business to give sufficient scale to operate with cost efficiencies over time. Therefore if the Proposed Scheme does not occur, MILAC would not benefit from the additional scale with the transfer of the Nordben business into MILAC.

9.16 The Proposed Scheme will increase the overall size of MILAC in terms of policyholders and funds under management. However, MILAC manages solvency risk via the use of intra-group reinsurance with Monument Re. This means the impact of the Proposed Scheme on the solvency position (i.e. as measured by the solvency coverage ratio) for MILAC is not that material.

9.17 The 2021 ORSA of MILAC considered three pending changes impacting on MILAC – namely (1) the commencement of the IGR with Monument Re (which commenced in May 2022), (2) the transfer of the Singapore Branch business from ZILL to MILAC (which is assumed to be approved by the Courts later in 2022), and (3) the Proposed Scheme.

9.18 The 2021 ORSA of MILAC included an estimation of the projected solvency position assuming steps (1) and (2) listed in the previous paragraph occurred. For reasons of simplicity and comparability, it was assumed both changes occurred at end 2021 (shown in the "2021 rebased" column in the table below). This shows the possible development in MILAC if the Proposed Scheme does not occur. The details and further detail on these projections are discussed in Section 5.16 to 5.26 of this Report.

MILAC – Projected future solvency development including Singapore Branch and IGR activated (£ millions)

MILAC – before Proposed Scheme	31-Dec-21 (reported)	31-Dec-21 (rebased)	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25
(1) Eligible own funds	22.0	18.2	17.9	18.1	18.2	18.3
(2) Solvency Capital Requirement (SCR)	13.6	6.6	6.6	6.0	5.6	5.2
(3) Solvency coverage ratio (= (1) / (2))	165%	278%	271%	301%	323%	352%
(4) Excess of eligible own funds over capital requirement	8.4	11.6	11.3	12.1	12.6	13.1

Source: MILAC 2021 ORSA

9.19 This table (above) shows a coverage ratio of 278% at end 2021 on the "rebased" assumptions. The reduction in Eligible Own Funds at end 2021 from the reported amount of £22m to rebased (pro-forma) amount of £18.2m reflects the increase in Own Funds due to the planned addition of the Singapore Branch business, but the reduction in Own Funds due to the payment of the initial reinsurance premium to Monument Re on the IGR. And the change in the SCR from £13.6m to £6.6m reflects the same two drivers as the change in Own Funds – an increase in the SCR following the addition of the Singapore Branch business and a reduction in the SCR (capital requirement) from the risk mitigating effect of the IGR to MILAC.

9.20 As noted above, the commencement of the IGR with Monument Re occurred in 2022, and the transfer of the Singapore Branch business from ZILL to MILAC is assumed to occur later in 2022. Therefore, the projected solvency position shown the table above at end 2022 is a likely forecast of the actual position for MILAC assuming the Proposed Scheme with Nordben does not occur (but assuming the other projection assumptions such as expenses, economic and market conditions and policyholder lapses and claims are borne out over 2022).

9.21 The 2021 ORSA of MILAC also included projections of the future solvency position of MILAC assuming the Proposed Scheme was approved. The projections assumed the Proposed Scheme occurred at end 2021. The Effective Date of end 2021 was chosen for simplicity and comparability. The likely Effective Date of the Proposed Scheme is on or around 29 December 2022. However the relative impacts will be similar to the assessment presented here at end 2021.

MILAC – Projected future solvency development assuming Nordben transfer approved (£ millions)

MILAC – after Proposed Scheme	31-Dec-21 (reported)	31-Dec-21 (rebased with Scheme included)	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25
(1) Eligible own funds	22.0	23.3	23.1	23.3	23.6	23.8
(2) Solvency Capital Requirement (SCR)	13.6	9.3	9.3	8.6	8.2	7.7
(3) Solvency coverage ratio (= (1) / (2))	165%	251%	249%	273%	287%	310%
(4) Excess of eligible own funds over capital requirement	8.4	14.0	13.8	14.7	15.4	16.1

Source: MILAC 2021 ORSA

9.22 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 from end 2022 onwards. Note in the projections set out above, the amount of asset assumed transferred from Nordben on the Proposed Scheme is set to be sufficient to reach the target level of solvency coverage in MILAC (as outlined in Section 8.21 of this Report). If the assets available in Nordben exceed the required amount to reach the target level of solvency coverage in MILAC, then an additional amount of asset may be transferred from Nordben to MILAC. If the amount of assets available in Nordben are not sufficient to reach the target level of solvency in MILAC, then the shareholder of MILAC will inject additional capital.

9.23 The tables above show, assuming the Proposed Scheme did not occur, the projected solvency coverage ratio for MILAC at end 2025 was just over 350%. If the Proposed Scheme is approved, the projected solvency coverage ratio for MILAC at end 2025 is estimated to be 310%. On both sets of projections, the solvency coverage is projected to increase each year from end 2022 (on the assumption no dividends are paid), and on both sets of projections the solvency coverage is above the target levels set by the MILAC Board (as explained in Section 8.21 above).

9.24 The use of the intra-group reinsurance with Monument Re is a risk mitigant to the capital needs of MILAC (which increases if the Proposed Scheme is approved). But in addition, the Board of MILAC has set the Capital Management Policy to allow an additional monetary buffer over the target solvency coverage ratio – and this additional monetary buffer will increase if the Proposed Scheme is approved (as explained in Section 8.21 above).

Risk profiles and risk management assessment

9.25 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.

9.26 The makeup of each company's capital requirement (i.e. the 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 of this Report I summarised the key risks for both Nordben 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 insurance risk. However, in terms of strategy, MILAC has acquired additional run-off portfolios of life insurance portfolios in the past, and to date Nordben was managed to run-off its inforce business and it did not acquire any new life insurance portfolios. This means Nordben is more exposed to expense risk as the cost inefficiencies of running a declining book on a relatively fixed cost base are increasing over time.

9.27 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 broadly similar regulatory and supervisory regimes in this regard) and both are within the Monument Group.

9.28 In terms of risk mitigants, both Companies make substantial use of reinsurance, including external reinsurance. Also, there is (and will be) a material use of intra-group reinsurance to Monument Re 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 by counterparty default risk i.e. the risk that the reinsurer (particularly Monument Re) defaults on its obligations.

9.29 However, MILAC (and Nordben) manage the counterparty exposure to Monument Re with the use of funds withheld whereby Monument Re deposits back assets underlying the reinsurance commitments with MILAC (and Nordben) as cedants. In addition, these assets form part of a collateral mechanism that further acts as a risk mitigant as the collateral agreement within the IGR allows for the funds withheld assets to revert to the cedants on a set of defined solvency (or insolvency) triggers.

9.30 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.

Regulatory Regime assessment

9.31 The Guernsey and Isle of Man solvency regimes (as set by regulation) are broadly similar in terms of asset and liability valuation rules, and the calculation of solvency capital requirements. Both regimes are therefore somewhat similar in terms of balance sheet presentation. However there are some differences in the overall regulatory regimes in Guernsey and the Isle of Man – as outlined in the following paragraphs.

9.32 An aspect of the Proposed Scheme is that MILAC proposes to enter into a trust arrangement with Zedra (as an external trustee) that replicates the existing arrangement relating to policyholder assets between Nordben and Zedra – as described in Sections 4.58 to 4.63 of this Report. Nordben as a Guernsey authorised and regulated insurer must have such a trust arrangement in place. MILAC will undertake in the Proposed Scheme to maintain an equivalent trust arrangement after the Effective Date and, pursuant to the Royal Court order in Guernsey, MILAC will be required to maintain a trust arrangement with an external trustee (such as Zedra) relating to the assets underlying the linked long-term Transferring Policies even though it is not a regulatory requirement for insurance companies based in the Isle of Man.

9.33 Guernsey as a financial jurisdiction does not have an Insurance Guarantee Scheme or a Policyholder Protection Scheme. The failure of an insurance company in Guernsey is not subject to any Guernsey compensation or indemnity system.

9.34 The Isle of Man Policyholders Compensation Scheme ("**PCS**") is governed by the Life Assurance (Compensation of Policyholders) Regulations 1991. The objective of the PCS is to provide a compensation scheme for policyholders should an Isle of Man authorised insurer be unable to satisfy its long term-insurance liabilities.

9.35 Policyholders in respect of the Nordben policies will not be covered by the Isle of Man PCS as these polices were not effected by a "participant insurer" as defined in the PCS regulations. As a consequence of this, MILAC will not be required to pay any levies relating to the Nordben policies to the Isle of Man PCS.

9.36 Current MILAC policyholders (where applicable) will continue to be covered by the Isle of Man PCS. However MILAC already has some previous business transferred from Guernsey to the Isle of Man that is not covered by the Isle of Man PCS – this situation will remain unchanged.

Capital management plans assessment

9.37 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.

9.38 The two Companies capital management policies are summarised in Sections 4 and 5. MILAC currently has set a target solvency coverage at 165% plus £5.3m, whereas (in recognition of the minimum solvency coverage undertaking given to the GFSC) Nordben has set solvency coverage target at 165% (or above). If the Proposed Scheme is approved, the MILAC target solvency coverage will increase to 165% plus £8m. Therefore the level of excess capital resources (i.e. the capital buffer) the Companies plan to hold in excess of the regulatory minimum requirement of 100% of the SCR is different. The capital buffer set in MILAC is larger than Nordben. This reflects the proportionally larger reliance on the IGR and the counterparty risk to Monument Re for MILAC (over Nordben). The amount of the buffer was based on an analysis of the increase in the counterparty exposure (measured within the SCR change) and the level of the buffer seeks to set an equivalent (low) level of risk of insolvency between Nordben and MILAC.

9.39 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.

9.40 MILAC's capital management policy explicitly recognises the dependence on Monument Re as a result of the IGR 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).

9.41 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 Nordben's in terms of the protection that it affords to policyholders.

Business model sustainability assessment

9.42 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.

9.43 Nordben's business model is the management of its international life insurance in selected territories. The closure of Nordben to new business in 2015 followed a strategic review at the time. To date Nordben has not expanded to manage any new portfolios of international life insurance, and therefore the cost inefficiencies of running a declining book on a relatively fixed cost base are increasing over time. However the transfer of the Nordben business to MILAC is in line with a more efficient (and cost effective) run-off of the business given it is closed to new business.

9.44 MILAC's business model in the past has been to acquire and integrate portfolios of Isle of Man insurance business and to manage them in run off. The similarity of insurance regulation in Guernsey and Jersey makes transfers of insurance business from these locations to the Isle of Man feasible. In addition, Monument 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.

9.45 The Companies have similar operating models, but the proposed transfer is in line with Monument Group's strategy of seeking critical mass in its subsidiary run-off entities. The operation in the Isle of Man was selected by Monument Group as its preferred location for Crown Dependencies business. On that basis I do not see the proposed transfer resulting in any material implications for policyholders in that regard.

Parental support assessment

9.46 Both Nordben and MILAC are capitalised and managed to be self-sufficient on a standalone basis, without needing recourse to their parent (except potentially to fund any material future acquisitions or other similar transactions). Nevertheless, both companies benefit from the support of their parent, 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.

9.47 Both Nordben and MILAC are subsidiaries of Monument Re. Therefore, the proposed transfer does not change the material nature or character of parental support provided to policyholders of either Company.

Consideration of different groups of policyholders

9.48 It is necessary to consider the position separately for relevant groups of policyholders. In the following paragraphs I set out my analysis of the implications of the Proposed Scheme for:

- Policyholders of Nordben, all of whom will transfer to MILAC;
- Existing (at the Effective Date) policyholders of MILAC.

9.49 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 two identified categories of policyholders are considered further below in paragraphs 9.51 to 9.76.

9.50 My assessment below considers the position immediately before and immediately after the Proposed Scheme.

Transferring Policyholders from Nordben

SOLVENCY

9.51 I discussed the relative solvency position of Nordben and MILAC in Sections 9.7 to 9.24 above.

9.52 Based on the information provided, 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

9.53 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.

9.54 If the Proposed Scheme is not approved, Nordben will continue to see the cost inefficiencies in running a declining book of insurance business with a relatively fixed cost base. However, within MILAC, the Transferring Policies will represent approximately 40% of the total polices inforce, and approximately 25% of the policyholder liabilities (measured as funds under management). Being part of a larger business gives the opportunity for better cost efficiency.

9.55 In both Nordben and MILAC there is a large reliance on the ongoing solvency of Monument Re as a material reinsurer. That reliance will increase for Transferring Policyholders if the Proposed Scheme is approved as there is an increased concentration risk as they become policyholders of an enlarged MILAC. However there will be risk mitigants in place, including collateral postings, which reduce the counterparty risk of MILAC to Monument Re.

9.56 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, Monument Re as the intra-group reinsurer). In addition, different risk profiles are captured in the solvency regime requiring a risk based approach to capital requirements.

RISK MANAGEMENT

9.57 MILAC has similar risk management policies, frameworks, oversight and governance to Nordben as both are subsidiaries within the Monument Group.

9.58 As noted above, both Companies make substantial use of reinsurance – both to third-party reinsurers and intra-group reinsurance to Monument Re. This acts as a risk mitigant for MILAC and Nordben, but increases the reliance on the reinsurance providers.

9.59 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

9.60 I assess MILAC's capital management policy as not materially weaker than Nordben's, and further note that both are subsidiaries within the Monument Group with the same overarching approach to capital management for all subsidiaries. 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

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

MILAC's policyholders

SOLVENCY

9.62 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 251%, whereas MILAC's position at 31 December 2021 assuming the transfer had not occurred is calculated as being 278%. Both ratios are in excess of the targets set by the Board under the company's capital management policy. In addition, the monetary amount of the available assets in excess of the required capital (pro forma at 31 December 2021) will increase from £11.6m (immediately before the transfer) to £14m (assuming the transfer takes place). This is discussed in Sections 9.18 to 9.24 in this Report.

9.63 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 satisfactory (and higher than the level required under the company's capital management policy assuming no dividends are paid).

9.64 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

9.65 The Transferring Policies are similar in nature as the current products and risks managed by MILAC.

9.66 However, some of the Transferring Policies are with-profits policies that include investment guarantees and discretionary benefits. This business is described in Sections 4.45 and 4.46 of this Report. From the end of 2020, Nordben's with-profits policies are reinsured to Monument Re as part of the IGR treaty with most of the investment risk reinsured to Monument Re. This is discussed in Section 4.28 to 4.30.

9.67 The addition of with-profits guarantees brings additional risk to MILAC, however the proposed transfer also includes the IGR on the with-profits business (equivalent to the IGR treaty with Monument Re currently in Nordben). This is a risk mitigant to MILAC.

9.68 The risk profile of MILAC currently includes material exposures to reinsurers, including material reliance on Monument Re via the existing MILAC intra-group reinsurance. This will continue should the Proposed Scheme be approved.

9.69 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

9.70 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.

9.71 The addition of with-profits brings some additional governance and expertise in the management of the discretionary benefits and the with-profits sub-funds. The decision of MILAC to appoint the current Appointed Actuary of Nordben as the Appointed Actuary of MILAC, effective end June 2022, should help bring continuity to the management of the with profits business after the Effective Date.

9.72 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

9.73 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 £5.3m and will increase to £8m 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.

9.74 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

9.75 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

9.76 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.

Matters not considered

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

Summary & Conclusions – Security

9.78 I have considered the impact of the Proposed Scheme on the security of benefits for policyholders by considering them in two categories:

- Policyholders of Nordben, all of whom will transfer to MILAC
- Existing (at the Effective Date) policyholders of MILAC

9.79 Overall I believe the security of benefits for Nordben and MILAC policyholders are not adversely materially impacted by the Proposed Scheme.

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

Introduction

10.1 I must also consider whether the Proposed Scheme treats policyholders fairly and consider the effect of the Proposed Scheme on policyholders' reasonable benefit expectations.

10.2 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;
- The management of discretionary benefits on the with-profits business in Nordben;
- Any other 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 premiums, amongst others; and
- The levels of customer service to policyholders.

10.3 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.

10.4 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 AND PRODUCT CHARGES

10.5 The arrangement with regard to the costs of the Proposed Scheme are set out in paragraphs 7.34 and 7.35 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 Nordben and MILAC.

10.6 The current product charges, fund charges, and annual management fees for policies and funds of both MILAC and Nordben policyholders are unaffected by the Proposed Scheme. The existing terms and conditions for all policyholders will be unchanged by the Proposed Scheme.

10.7 As discussed in Section 7.24, the application of Value Added Tax ("**VAT**") differs between Guernsey and the Isle of Man. MILAC will ensure the fees passed to the policyholders will be unchanged under the Proposed Scheme. This is discussed in Section 7.24 of this Report.

10.8 No policyholder ongoing charges or fees applicable to transferring policyholders will increase as part of the migration to the MIS administration platform.

POLICYHOLDER COMMUNICATIONS

10.9 The proposed communications plan is summarised in paragraphs 7.39 to 7.46 of this Report.

10.10 I am satisfied that the proposed approach of sending the Circular to all policyholders of MILAC and Nordben is reasonable.

10.11 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 Nordben has not been notified that a personal representative has been appointed.

10.12 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, are reasonable.

Transferring Policyholders from Nordben

CONTRACTUAL OBLIGATIONS

10.13 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.

10.14 For linked liability business, the fund range and choice of investment managers will not change as a result of the Proposed Scheme. However, MILAC will have the same practice as Nordben 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 7.19 to 7.24 of this Report.

10.15 The existing policy options currently available in Nordben on the Transferring Policies will continue to be available in MILAC. 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 Nordben) will continue in MILAC.

10.16 A limited number of Nordben plans may have to amend bank account payment details, and MILAC will address this issue in advance of the Effective Date. No action will be required by policyholders.

TAX TREATMENT OF PREMIUMS AND BENEFITS

10.17 Nordben and MILAC have retained external tax experts to review the Proposed Scheme from the perspective of the VAT, corporate tax and policyholder/product tax implications (if any) on the Companies. The experts conclude that that the transfer of the business is exempt to UK VAT and Isle of Man or Guernsey tax.

10.18 The transfer of the business does not change the policy terms and conditions and is not expected to change the tax obligations or impacts of the life insurance policies for policyholders. The Companies have sought external tax advice on this point.

10.19 I have been provided with a summary of the tax 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

10.20 MILAC may exercise any discretion formerly available to Nordben under the terms and conditions of any policy, but will do so in accordance with any applicable regulatory principles and having regard, as appropriate, to such considerations as are from time to time in use in relation to such business in MILAC.

10.21 In relation to the ability to exercise discretion in respect of aspects of the terms and conditions applicable to the Transferring Policies, Nordben 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.

10.22 The management of the with-profits business in Nordben includes the exercise of discretion in setting the bonus levels for policyholders. The bonus philosophy and approach will continue on the same basis within MILAC.

CUSTOMER SERVICE

10.23 Nordben undertakes its own insurance administration activities using its systems and staff based in Guernsey.

10.24 MILAC will consolidate, in time, all necessary insurance administration activities relating to the transferring business in its services company MIS in the Isle of Man.

10.25 In this regard, I note the following:

- No employees will transfer from Nordben to MILAC. Therefore, there is a risk the "corporate memory" of operational details of Nordben may be lost. However, the Transitional Services Agreement allows a period of overlap between Nordben and MIS employees to allow for this 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 transferring business and will be in a position to commence services a few months after the Effective Date of the Proposed Scheme.
- In the interim, Nordben and MILAC have agreed a Transitional Services Agreement whereby Nordben will continue to administer the business after the Effective Date of the Proposed Scheme for MILAC.

- The transfer of insurance administration to MIS includes a migration of existing client information and data from the Nordben administration platform to the MIS administration platform, LIFE*fit*. 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. 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.

- 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.

10.26 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. I am also satisfied that MIS and MILAC will have the capabilities to administer the with-profits business and deal with the additional governance in managing the discretionary benefits on the with-profits business.

MILAC's Policyholders

10.27 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.

10.28 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.

Policyholder Complaints Process and Policyholder Protection Schemes

10.29 Policyholders of Nordben, as a Guernsey authorised and regulated insurer, have the right to complain to the Guernsey regulator. If the Proposed Scheme is approved, the transferred policyholders will have the rights and access to complaints procedures for Isle of Man authorised and regulated insurers, including access to the Isle of Man Financial Services Ombudsman[5] Scheme. Policyholders have the same rights under both insurers and there are no differences in rights of complainants between the two regulatory regimes.

10.30 I have discussed the impact of the Proposed Scheme on the policyholder protection schemes in paragraphs 9.33 to 9.35 of this Report. The existing policyholders of Nordben are not covered by a policyholder protection scheme or an insurance guarantee scheme as none exist in Guernsey. The Transferring Policies will become policies of an Isle of Man insurer (i.e. MILAC) but they will not be covered by the Isle of Man PCS. Therefore, the situation for Transferring Policies in respect to policyholder protection schemes is unchanged.

10.31 The addition of the Transferring Policies to MILAC does not change the current benefits or arrangements for current MILAC policyholders under the Isle of Man PCS. Therefore, the situation for MILAC policyholders in respect to policyholder protection schemes is unchanged.

Matters not considered

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

Summary & Conclusions – Fair treatment

10.33 In my opinion, for the reasons set out above, I am satisfied that the fair treatment and reasonable benefit expectations of all identified groups of policyholders will not be materially adversely affected by the Proposed Scheme.

10.34 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 Nordben and MILAC.

10.35 I am also satisfied with the proposed approach to policyholder communications in respect of the Proposed Scheme.

[5] The Ombudsman Scheme is a free, independent dispute resolution service for customers with a complaint against an Isle of Man financial firm such as a bank, insurance company or financial adviser which the firm has been unable to resolve. The role and powers of the Ombudsman Scheme are established in Schedule 4 of the Financial Services Act 2008.

11 CONCLUSIONS ON THE PROPOSED SCHEME

Conclusions

11.1 I confirm that I have considered the effects of the Proposed Scheme on the following groups of policyholders:

- Policyholders of Nordben, all of whom will transfer to MILAC;
- Existing (at the Effective Date) policyholders of MILAC.

11.2 I further confirm that I do not consider further subdivisions to be necessary.

11.3 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 Nordben and MILAC;
- the reasonable expectations of the policyholders of MILAC and Nordben with respect to their benefits; and
- the standards of administration, service, management and governance that apply to the Nordben and MILAC policies.

11.4 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 Nordben and MILAC.

11.5 I am also satisfied with the proposed approach to policyholder communications in respect of the Proposed Scheme.

11.6 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.

Michael Claffey

Mike Claffey
Fellow of the Society of Actuaries in Ireland

7 September 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 Nordben or MILAC unless otherwise noted.

Legal documents

- Constitution of Nordben
- Constitution of MILAC
- The scheme of transfer under the provisions of the 2008 Act and 2002 Insurance Business Law and other related legal documents
- The Business Transfer Agreement between Monument Re and Nordben (due to be signed before the Court hearings Date later in 2022), and the associated Trust Novation Agreement
- 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 Nordben in respect of the year ended 31 December 2021
- Valuation Reports from the Appointed Actuary to the Board of MILAC in respect of the year ended 31 December 2021

Own Risk & Solvency Assessment (ORSA) Reports

- ORSA Report for Nordben dated 21 December 2021
- ORSA Reports for MILAC dated November 2021 (“ORSA 1” covering intra-group reinsurance and “ORSA 2” covering the Singapore Branch transfer from ZILL and “ORSA 3” on the Proposed Scheme of transfer).

Directors’ Reports and Financial Statements

- Directors’ Report and Financial Statements for Nordben for the financial year ended 31 December 2021
- Directors’ Report and Financial Statements for MILAC for the financial year ended 31 December 2021

Product documentation

- Sample policy documents for the Transferring Policies

Other documents

- Reinsurance arrangements for Nordben
- Risk management documents for Nordben
- Risk management documents for MILAC
- Capital Management Policy and Investment Policy for Nordben
- Capital Management Policy for MILAC
- Recent complaints litigation from Nordben
- Regulatory correspondence logs from Nordben
- Regulatory correspondence logs from MILAC

Correspondence

- E-mail correspondence and management calls with Nordben 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.

Guernsey Solvency regime for Insurance Companies

The Solvency Rules cover a range of categories of licences. The below summarises the Solvency Rules that apply to Commercial Life Insurers (Category 1) as this is relevant to Nordben. The Solvency Rules combine regulatory capital and solvency requirements with a choice of capital and solvency models which seek to address the main risks to which insurers may be exposed.

CAPITAL ADEQUACY

A licensed insurer must hold regulatory capital resources in excess of its Minimum Capital Requirement ("**MCR**") and in excess of its Prescribed Capital Requirement ("**PCR**"). Licensed insurers must also hold paid up share capital in excess of the Capital Floor and maintain minimum shareholders' funds of at least 75% of the Capital Floor. For Category 1 licensed insurers the Capital Floor is £250,000.

In accordance with the conditions associated with the change of control process when Monument Re purchased Nordben, the GFSC requires that Nordben maintains a solvency coverage ratio in excess of 150% of its Prescribed Capital Requirement ("**PCR**") in all reasonably foreseeable scenarios.

REGULATORY CAPITAL RESOURCES

The regulatory capital resources to meet the PCR are equal to the difference between assets and liabilities on the basis of their determination in accordance with Recognised Accounting Standards adjusted by any basis adjustment or any regulatory adjustment determined by the Commission. The regulatory capital resources to meet the MCR are as those to meet the PCR adjusted for any type 2 letters of credit, issued but uncalled capital, and other off-balance sheet assets.

MINIMUM CAPITAL REQUIREMENT (MCR)

The MCR of a licensed insurer writing life business is the higher of 2.5% of total reserves, net of reinsurance; and the Capital Floor.

PRESCRIBED CAPITAL REQUIREMENT (PCR)

The PCR for Category 1 life insurers is the capital required to ensure that the licensed insurer can meet its obligations over the next 12 months with a probability as defined by a 99.5% confidence level.

The PCR may be calculated by applying the 'Guernsey standard formula'; or by applying a 'recognised standard formula'; or by using an internal model developed by the company to reflect the circumstances of its business; or by using a partial internal model which is a combination of the approaches specified in previously; or by using any one of the approaches specified previously and modifying it to take account of the Green Discount set out in the Solvency Rules.

Nordben has elected to use the Bermuda Monetary Authority's standard formula, which is a recognised standard formula.

REGULATORY BALANCE SHEET

For the purpose of preparing the Regulatory Balance Sheet the value of the assets and the value of the liabilities must be determined on the basis of the Recognised Accounting Standards used to prepare the financial statements, but may be adjusted for any basis adjustment. The GFSC lists the Recognised Accounting Standards which they have approved for insurance purposes.

Basis adjustments are adjustments that should be applied to both on-balance sheet and off-balance sheet assets and liabilities for the purpose of ensuring an economic valuation for regulatory purposes.

An economic valuation is a valuation such that the resulting assessment of the licensed insurer's financial position is not obscured by hidden, or inherent, conservatism or optimism in the valuation.

TECHNICAL PROVISIONS

Rules for the calculation of technical provisions are not specified in the Solvency Rules (which allow the assets and liabilities to be determined on the basis of Recognised Accounting Standards adjusted for a basis adjustment). Consistent with its elected

PCR standard formula, Nordben calculates its technical provisions in line with the Bermuda Monetary Authority's Economic Balance Sheet ("**EBS**") approach, i.e. its 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 and consistent with its elected PCR standard formula Nordben uses the rate specified by the Bermuda Monetary Authority.

INVESTMENTS

The Solvency Rules require that licensed insurers adopt an investment policy and that they consider the investments held to ensure that they are appropriate and that the licensed insurer is able to properly assess and manage the risks of those assets.

RISK MANAGEMENT AND OWN RISK SOLVENCY ASSESSMENT

Licensed insurers are required to establish a risk management framework that provides for the identification and quantification of material risks under a sufficiently wide range of outcomes using techniques which are appropriate to the nature, scale, and complexity of the risks it bears. The framework should include a risk management policy and a risk tolerance statement.

Licensed insurers are required to carry out an annual Own Risk and Solvency Assessment, which should contain an assessment and calculation of its solvency, an assessment of risk management; and an assessment of the adequacy of capital resources to meet future capital requirements

GREEN ASSETS

Green Assets are defined as resources controlled by an insurer, as a result of past events, from which future benefits are expected to flow to the insurer and which meet one of the green criteria as defined by the GFSC.

A Category 1 or Category 2 insurer that makes investments into Green Assets may apply an adjustment known as a "Green Discount", when calculating their PCR, as specified by the GFSC.

APPENDIX C: GLOSSARY OF TERMS

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

Term	Definition
2002 Insurance Business Law, The	The Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended
2008 Act, The	The Insurance Act 2008, as amended (Isle of Man)
Appointed Actuary	The person, as nominated by the company's board of directors and approved by the IOMFSA (or GFSC), with overall responsibility for the tasks called out for the actuarial function under the relevant regulatory regime in the Isle of Man, and Guernsey, respectively.
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
Business Transfer Agreement	An agreement between Nordben and MILAC setting out the terms of the transfer of long-term business from Nordben to MILAC
Circular, The	A statement summarising the Proposed Scheme together with an abstract summarising the Independent Actuary's Report
Companies, The	NORDBEN and MILAC, collectively
Courts	The Guernsey Court and the Isle of Man Court
Effective Date, The	00:01 hours on 29 December 2022, or such other date as may be determined by MILAC within three months of the date of the order of the Isle of Man Court sanctioning the Proposed Scheme
FSAI	Fellow of the Society of Actuaries in Ireland
GAAP	Generally Accepted Accounting Principles
GFSC	Guernsey Financial Services Commission, the regulatory body for the finance sector in the Bailiwick of Guernsey.
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 Regulations, The	The Insurance Regulations 2021 of the Isle of Man (effective from 30 June 2022)
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)
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
Members	Members of Nordben and MILAC are the shareholders of each company. Both companies have the same shareholder – i.e. Monument Re
MILAC	Monument International Life Assurance Company Limited
Milliman	Milliman Ltd., Consultants & Actuaries, 7 Grand Canal Street Lower, Dublin 2
MIS	Monument Insurance Services (IOM) Limited
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
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 Nordben 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.
RERs	Regulatory Electronic Reporting templates. These are specific forms which insurers must complete on a regular basis under the RBC Framework. Some RERs 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%
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 Guernsey and Isle of Man Court hearings to sanction the Proposed Scheme. The purpose of the supplementary report is to provide an update for the Courts 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
Transferring Policies	The policies that are proposed to be transferred from Nordben to MILAC under the Proposed Scheme
Trustee	Zedra Trust Company (Guernsey) Limited, a non-cellular company incorporated with limited liability in Guernsey with company number 24531
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
ZILL	Zurich International Life Limited