

'Section 13' Portfolio Transfers

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Agenda

- Background
- Process
- Documents
- Cross border transfers

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Portfolio Transfer (Full)

Company A

Assets
Liabilities

Company B

Assets
Liabilities

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Portfolio Transfer (Full)

Company A

Assets
Liabilities

Company B

Assets
Liabilities

All assets & liabilities transferred

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Portfolio Transfer (Full)

Company A

Assets

Liabilities

5



Portfolio Transfer (Partial)

Company A

Assets

Liabilities

Company B

Assets

Liabilities

6



Portfolio Transfer (Partial)

Company A



Company B



Portion of
assets & liabilities
transferred



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Portfolio Transfer (Partial)

Company A



Company B



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Background

- Section 13 of the Assurance Companies Act 1909
- Applies to insurance portfolio transfers within EEA
- Independent Actuary report required
 - Must be prepared in accordance with Actuarial Standard of Practice LA-6
 - Customary for Appointed Actuary report(s) for larger/complex transfers
- Alternative approaches also involve Courts process
 - ‘Section 201’ Schemes of Arrangement & Amalgamation
 - EC (Mergers & Divisions of Companies) Regulations 1987
 - Corresponding cross border mergers legislation

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Overview of process

Preparation
Phase



Prepare
documents

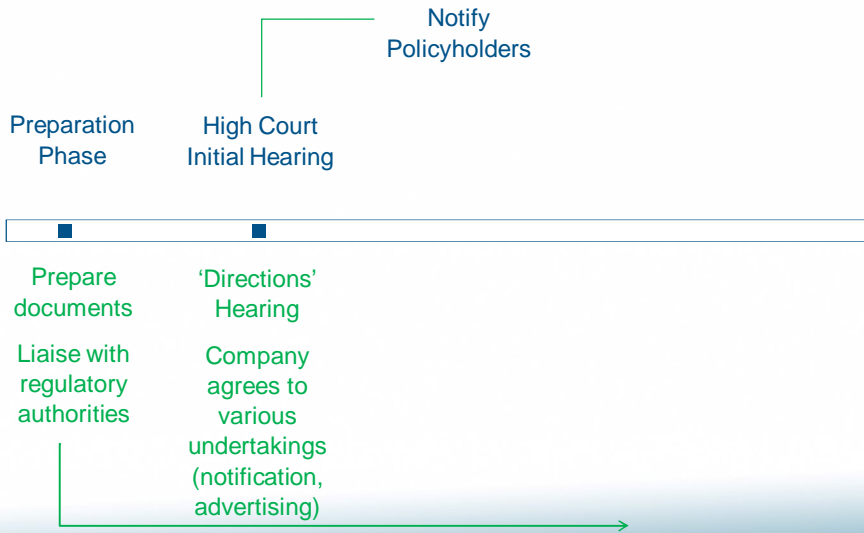
Liaise with
regulatory
authorities



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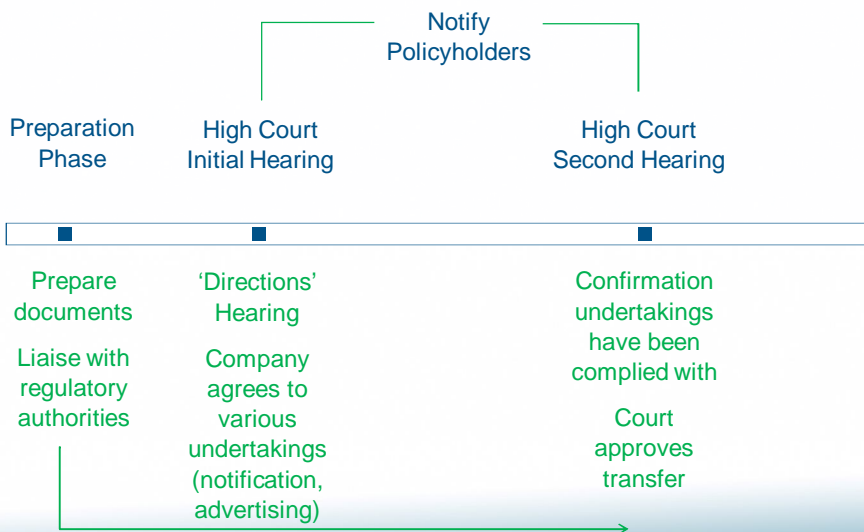
Overview of process



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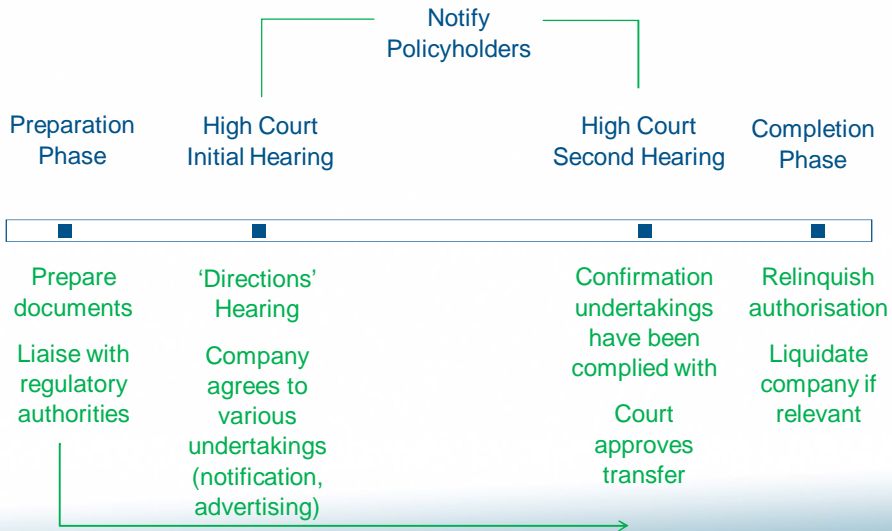
Overview of process



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Overview of process



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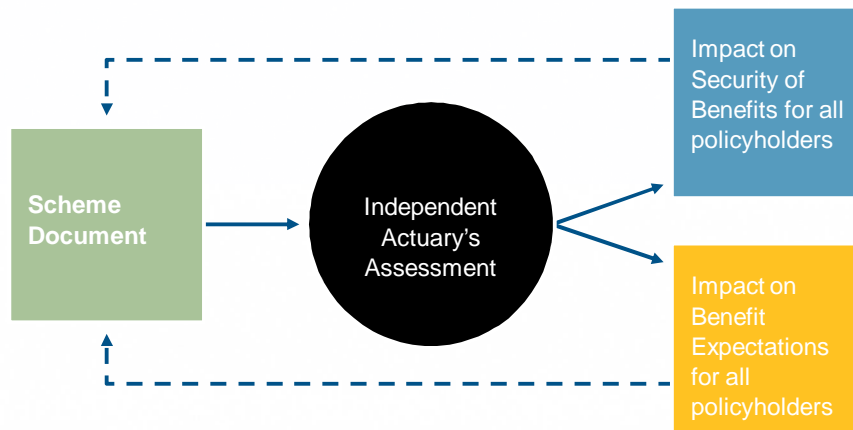
Preparation - Documents

- Legal documents
 - Scheme document
 - Petition/affidavit
- Actuarial reports
 - Independent Actuary report
 - Appointed Actuary reports
- Policyholder circular
 - Letter from CEOs of transferor and transferee
 - Summary of scheme
 - Summaries of actuarial reports

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Development of the Scheme of Transfer



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Scheme document – sample contents



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Independent Actuary's Assessment

Security of Benefits

- Company risk profiles
- Financial strength
- Relative sizes of portfolios
- Cross border
 - Different valuation regimes
 - Possible protected cells regime

Benefit Expectations

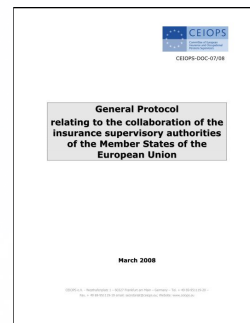
- Benefits & premiums
- Policy conditions
- Unit-linked
 - Fund choices & fund rules
 - Unit pricing & charges
 - Discretionary powers
- With profits
 - Bonus policy
 - Shareholder 'gate'
 - Voting rights
- Tax
- Costs

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Cross Border Transfers

- Governed by 'Siena Protocol'
- Transferor's home regulator must inform other relevant regulators:
 - Home regulator of transferee (who must provide solvency certificate)
 - Host regulator of branches
 - Host regulator of freedom of services business
- Other regulators have 3 months within which to raise any concerns

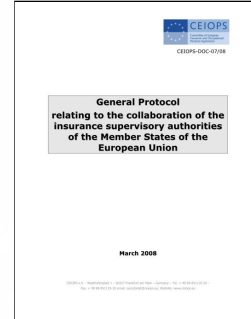


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Cross Border Transfers

- Siena protocol also covers
 - Requirements where transferee has not already written business in host member state(s)
 - Right of member states to grant policyholders cancellation rights
 - Transfers of reinsurance portfolios
 - Transfers to/from branches of third country undertakings

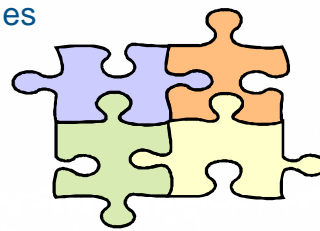


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Other Issues

- Close liaison required between all parties
 - Parallel processing
- What is the consideration amount?
 - Liabilities for assets?
 - Embedded value?
- Policyholder circular
 - All policyholders or just certain groups?
 - Paper versus electronic
 - Court approval required



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