



Supplementary Report to the Report of the Independent Actuary

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

Zurich International Life Limited ("**ZILL**")

to

Monument International Life Assurance Company Limited ("**MILAC**")

Prepared by:
Mike Claffey, FSAI

7 Grand Canal
Grand Canal Street Lower
Dublin 2
Ireland
milliman.ie

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1 INTRODUCTION

Purpose of this report

- 1.1 I have previously prepared a report (the "**Independent Actuary's Report**") dated 7 July 2022 on the terms of the proposed transfer of the Singapore portfolio of life insurance policies ("**the Transferring Policies**") from Zurich International Life Limited ("**ZILL**") to Monument International Life Assurance Company Limited ("**MILAC**") (collectively "**the Companies**"). The insurance policies were all issued by a branch of ZILL established and regulated in Singapore ("**ZILL Singapore**").
- 1.2 In order to complete the acquisition, an Isle of Man Court-approved portfolio transfer is required ("**the Proposed Scheme**"). The Transferring Policies in question will be transferred to MILAC via the Proposed Scheme approved by the High Court of Justice of the Isle of Man (Civil Division).
- 1.3 The Proposed Scheme covers policies issued by ZILL Singapore. The Monetary Authority of Singapore ("**MAS**") is the regulator for insurance business, including branches, established in Singapore. The MAS approved the Proposed Scheme on 23 June 2022. The General Division of the High Court of the Republic of Singapore must also approve the Proposed Scheme.
- 1.4 The Independent Actuary's Report summarised the terms of the proposed transfer and set out my conclusions on its likely effects on both the security of benefits and the fair treatment and reasonable benefit expectations of the Companies' policyholders. This was based on information available to me (as Independent Actuary) at the time of writing the report.
- 1.5 Pursuant to an Application Notice dated 21 April 2021, the Isle of Man Court made an initial order on 16 May 2022 (the "**Order for Directions**") setting directions in relation to the Companies' petition for sanction of the proposed Scheme by the Isle of Man Court. Following the Order for Directions (as amended), the Companies issued all relevant policyholder information and published details of the Proposed Scheme.
- 1.6 I understand the Companies are submitting final papers to the Courts ahead of the final Court hearings (scheduled for 20 September 2022 in the Isle of Man and expected to be 27 September 2022 in Singapore) and will seek to receive the formal court orders sanctioning the Proposed Scheme. The proposed transfer (if approved) will become effective and the transfer take place at 00:01 hours on 1 November 2022 ("**Effective Date**").
- 1.7 This report (the "**Supplementary Report**") provides an update on my conclusions as set out in the Independent Actuary's Report in the light of further information now available to me, and 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 the Independent Actuary's Report.
- 1.8 I understand that a copy of the Supplementary Report will be made available to the Isle of Man Court and will also be made available to policyholders and other interested parties on both the MILAC website <https://www.monumentregroup.com/transfers/> and ZILL website <https://www.zurich.com.sg/en/businesstransfer> and from the respective Isle of Man offices of the Companies.
- 1.9 The Supplementary Report will also be furnished to the IOMFSA and MAS as relevant regulators, as well as any person who asks for a copy at any time before an order to sanction the Proposed Scheme is made.

Parties for whom my report has been prepared

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

Reliances and limitations

- 1.11 The statements in the Independent Actuary's Report regarding qualifications and disclosures; the parties for whom my report has been prepared; reliances and limitations; and professional guidance, also apply to this Supplementary Report, except that this Supplementary Report is based on the information available to me at, or prior to, 9 September 2022, and takes no account of developments after that date.
- 1.12 All abbreviations and technical terms used in this report have the same meaning as in the Independent Actuary's Report unless otherwise indicated.
- 1.13 This Supplementary Report should be read in conjunction with the Independent Actuary's Report, as reading this report in isolation may be misleading. Similarly, both reports must be considered in their entirety as individual sections, if considered in isolation, may likewise be misleading.
- 1.14 The Supplementary Report should also be read in conjunction with the other documents that pertain to the Proposed Scheme.
- 1.15 In preparing the Supplementary Report, I have had access to certain documentary evidence provided by MILAC and ZILL, the principal elements of which I list in the Appendix to this report. In addition, I have had access to, and discussions with, the senior management of both MILAC and ZILL. I have relied on the accuracy of the information which has been provided to me in written or electronic form or verbally. My conclusions depend on the substantial accuracy of this information, and I have relied on this information without independent verification. There are no documents or other information that I have requested and that have not been provided.
- 1.16 Neither the Supplementary Report, nor any extract from it, may be published without my specific written consent having first been given, save that copies of the Supplementary Report may be made available on the Companies' respective websites, and copies will be furnished to the IOMFSA and MAS, and copies may be provided to any person requesting the same in accordance with legal requirements. In the event such consent is provided, the Supplementary Report must be provided in its entirety. In addition, a summary of this report may not be made without my written consent.
- 1.17 The Supplementary Report has been prepared within the context of the assessment of the terms of the Proposed Scheme and specifically and solely for the purposes of the Isle of Man Insurance Act 2008 and the Insurance Act 1966 of Singapore, as amended¹. No liability will be accepted by Milliman, or me, for any application of the Supplementary 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 Supplementary Report (or any summary thereof).
- 1.18 My reports have been prepared in accordance with the terms of our statement of work dated 30 April 2021 and the terms of our engagement letter to which that statement of work refers.

¹ References in this report to the Insurance Act 1966 are to the 2020 REVISED EDITION which incorporates all amendments up to and including 1 December 2021 and came into operation on 31 December 2021.

2 ANALYSIS AND CONCLUSIONS

Approach

- 2.1 I have sought and received additional information from the Companies in order to consider if any event or change in circumstances has occurred that would cause me to alter the conclusions expressed in the Independent Actuary's Report.
- 2.2 The information I have requested has been selected based on my knowledge of developments in the insurance industry and from the wider economic environment, which I consider likely to have a direct or indirect impact on the Companies.
- 2.3 In particular, I have considered developments in the following areas:
- The Directions Hearing of 16 May 2022 and subsequent order of the Isle of Man Court;
 - Any changes in the Companies' business;
 - Whether the assumptions noted in the Independent Actuary's Report remain valid;
 - Current issues in the life insurance industry, including any changes to the regulatory or legal environments; and,
 - Relevant communications received from policyholders or other interested parties relating to the Proposed Scheme.
- 2.4 Having received such additional information, I have then considered what impact, if any, this would have on the opinions I expressed in the Independent Actuary's Report.
- 2.5 The main pieces of additional information received are listed in the Appendix to this report.

Developments since the completion of the Independent Actuary's Report

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

COURT HEARINGS AND DIRECTIONS

- 2.7 On 21 April 2022 the Companies petitioned the Isle of Man Court seeking the sanction by the Court of the Proposed Scheme. The Proposed Scheme, as set out in the claim form, was unchanged from that summarised in the Independent Actuary's Report. However, at the request of the Companies, the Proposed Scheme was amended subsequent to the giving of the Order for Directions to change the effective date of the Proposed Scheme from 1 September 2022 to 1 November 2022. I confirm I have reviewed the amended Proposed Scheme.
- 2.8 The Isle of Man Court directed, among other things, that: (i) notice of the proposed Scheme be published in not less than two newspapers published and circulating in the Isle of Man; (ii) copies of the claim form and Independent Actuary's Report be available for inspection from the Companies' respective Isle of Man offices; (iii) the summary of the proposed Scheme and summary of the Independent Actuary's Report be sent to the policyholders and members of the Companies, in accordance with the steps set out in the Schedule to the Order for Directions.
- 2.9 The Isle of Man Court set the next hearing date for 20 September 2022.
- 2.10 Following submission of documents relating to the Proposed Scheme on behalf of the Companies, the MAS approved the terms of the Proposed Scheme and ZILL's proposal to publish notice of the Proposed Scheme in two Singapore newspapers. ZILL intends to make an application to the Singapore Court for confirmation of the Proposed Scheme, by way of originating summons, in September 2022 with a view to an expected hearing before the Singapore Court on 27 September 2022.
- 2.11 Based on the information provided to me, I am satisfied that the Companies either have taken or are taking the necessary actions to comply with the Court's directions.

UPDATES ON THE COMPANIES' CIRCUMSTANCES

- 2.12 I have been provided with updates on both Companies' circumstances. Each company's strategy, risk profile and capital management policy remain substantially unchanged from the position as set out in the Independent Actuary's Report.

- 2.13 As indicated in the Independent Actuary's Report, MILAC is progressing with another portfolio transfer over 2022. The details are not in the public domain. 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 am working on my separate report on my assessment of that scheme of transfer and my full report and summary extract will be available to the public following a planned Court hearing date in 2022. A policyholder Circular on this other proposed transfer will also be issued to all relevant policyholders, including all policyholders of MILAC. This separate transfer has also been notified to the relevant regulators, including the IOMFSA as the regulator of MILAC. Subject to this planned development, neither Company has engaged in any further acquisitions or disposals of business lines in the period since completion of the Independent Actuary's Report.
- 2.14 Both Companies have traded broadly in line with expectations (see below for information on the Companies' updated solvency positions).

ASSUMPTIONS MADE IN THE INDEPENDENT ACTUARY'S REPORT

- 2.15 In the Independent Actuary's report, I listed a number of key assumptions that I had made when assessing and reaching my conclusions on the Proposed Scheme. I also noted that I had discussed my assumptions with the Companies, and they had not raised any objections.
- 2.16 However, I also noted that, if any of those assumptions were incorrect, it was possible that my conclusions on the Proposed Scheme could change as a result.
- 2.17 The key assumptions made were as follows:
- MILAC's application to MAS (as insurance regulator in Singapore) for authorisation as a branch presence ("MILAC Singapore") and granting of an insurance licence in Singapore is successful. This has occurred.
 - MILAC would enter into an intra-group reinsurance agreement between MILAC and Monument Re. This will materially reduce the capital requirements of MILAC. This has occurred as planned and will increase in scope (as planned) if the Proposed Scheme is approved.
 - The pricing of the MILAC intra-group reinsurance was on a commercial (arms-length) basis agreed by MILAC and Monument Re and the terms and conditions of the Proposed Scheme do not alter the commercial basis of the intra-group reinsurance. Therefore as Independent Actuary I have not assessed the impact of the intra-group reinsurance on the policyholders and cedants of Monument Re. This situation remains unchanged and therefore I have not changed my opinion.
- 2.18 I also identified some issues that were expected to change (or develop) since the date of my Independent Actuary's Report, and I undertook to comment on these issues again in the Supplementary Report. These issues were as follows:
- As explained in paragraph 2.13 above, MILAC is concurrently preparing for another scheme of transfer of another book of business into MILAC, the name of which is not currently in the public domain. It will likely occur over 2022. In preparing the Independent Actuary's Report I reviewed the scope of that separate proposed transfer to assess its impact on the Proposed Scheme. I concluded that it was consistent with the strategy of MILAC and the Monument Group. The two transfers are independent and involve different jurisdictions of policyholders.
- In any case the other scheme of transfer will require its own publication and circulation of information to all relevant policyholders and Courts and regulatory approvals. I have been appointed as the Independent Actuary on that separate transfer as the two schemes both involve MILAC and were planned to occur in close succession to each other. My appointment on that separate transfer has been approved by the IOMFSA. If the Proposed Scheme is approved, the policyholders in the Singapore branch will become policyholders of MILAC and therefore will be included in the circulation of information to policyholders on that separate scheme of transfer.
- While the other scheme of transfer has its own Court process, I have considered the possible outcomes of the other scheme of transfer and their impact on the Proposed Scheme. Whether the other scheme of transfer is approved or not approved, given the nature and expected impact on MILAC (including the impact on solvency), it would not change my conclusions on the Proposed Scheme.
- At the time of writing the Independent Actuary's Report, the formal audited 31 December 2021 annual solvency returns for MILAC and ZILL were not finalised, board approved or submitted to the IOMFSA as the submission deadline was after the date of my finalisation of the Independent Actuary's Report. The 2021

annual solvency returns were finalised and filed for the Companies as planned with no material changes to the draft versions available to me at the time of my Independent Actuary's Report.

- 2.19 I also assumed both Companies would follow their respective business strategies as articulated in their most recent ORSAs and each of the Companies will continue in its current ownership.
- 2.20 I have discussed these assumptions once more with the Companies and they have confirmed that my assumptions remain valid.

THE TRANSFERRING POLICIES

- 2.21 I have been provided with an updated summary of the Transferring Policies as at 31 July 2022. The information shows that the number and total value of the policies in question has moved broadly in line with expectations, considering that the block in question is in run-off.

THE COMPANIES' SOLVENCY POSITIONS

- 2.22 At the time of writing, the ZILL Q2 2022 solvency return to the IOMFSA has not been submitted, but the provisional solvency coverage at 30 June 2022 is 187%, with an excess of eligible own funds over the relevant regulatory capital requirement of £418 million. This was an increase from 170% and £346 million, respectively, at year end 2021. The movement over the first six months of 2022 is within normal expectations for the company and the improvement reflects the profits generated by the company over the period, together with the impact of currency exchange rates (favourable) and interest rates (favourable) outweighing the impact of equity stock markets performance (adverse).
- 2.23 At the time of writing, the MILAC Q2 2022 solvency return to the IOMFSA has not been submitted, but the provisional solvency coverage at 30 June 2022 is 275%, with an excess of eligible own funds over the relevant regulatory capital requirement of £9.6 million. This was an increase from 165% and £8.8 million, respectively, at year-end 2021. The movement over the first six months of 2022 is within normal expectations for the company and the improvement reflects introduction of the intra-group reinsurance as described above in the key assumptions as well as the financial performance of the company over the period.
- 2.24 In summary, the solvency positions of both MILAC and ZILL are broadly in line with their projected solvency positions (as per their ORSA projections). The reasons for some variations in the short term are well-understood and do not present any cause for concern, with both Companies' solvency coverage ratios remaining in excess of their target levels and the regulatory minimum requirements.
- 2.25 The risk profile of both Companies has also remained stable.

OBJECTIONS AND COMPLAINTS

- 2.26 In accordance with the Order for Directions, a copy of the claim form and Independent Actuary's Report have been available for inspection from the Companies' respective Isle of Man offices, as well as being made available on the Companies' websites.
- 2.27 In addition, the Companies' plans to communicate with the holders of the Transferring Policies and other impacted policyholders (as summarised in the Independent Actuary's Report) were approved by the Court and were put into effect.
- 2.28 As at the date of this Supplementary Report, I have been informed by the Companies that 32 potential complaints, or indications of intent to object, to the proposed Scheme have been received from policyholders and/or their financial advisers, all of whom are connected to Transferring Policies.
- 2.29 In all instances, the concerns expressed by the policyholders in question have been addressed to the extent possible.
- 2.30 ZILL also informed me that it had also received queries from a number of policyholders and/or their financial advisors which could be classified as relating to one or more of the following categories (with the number of queries shown in brackets): document request (4), general enquiry (66), technical enquiry (3), other (3).
- 2.31 MILAC has informed me that it has received 2 general queries from its policyholders in relation to the Proposed Scheme that they addressed.
- 2.32 I have reviewed the potential complaints and the indications of intent to object and I am satisfied that the issues raised by policyholders (and/or their financial advisors) were addressed by the Companies. Two main themes emerged in the correspondence – firstly a concern that Zurich is a long established, well known financial services brand, and Monument is not; and secondly that policyholders should be given the option to surrender "penalty-free" (or receive all

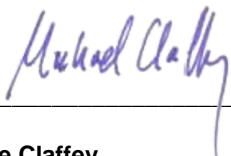
their premiums back) if they do not wish to be transferred. Having considered these themes, and the correspondence received, nothing has arisen to change my opinion on the Proposed Scheme (as summarised in Section 2.37 below).

REGULATORY AND OTHER MATTERS

- 2.33 I am not aware of any new regulatory, or other similar, matters impacting on either of the Companies in the period since the completion of the Independent Actuary's Report.
- 2.34 MILAC sent the Policyholder Circular to all MILAC policyholders following the Court hearing in June 2022. ZILL sent the Policyholder Circular to all ZILL Singapore Branch policyholders and associated distributors and financial advisors in July 2022. These dates resulted in a revision (in July 2022) of the planned Effective Date from 1 September 2022 to 1 November 2022, with Court hearings to take place in September 2022. The change of the proposed Effective Date was communicated to all MILAC policyholders in July 2022.
- 2.35 The impact of the ongoing war in Ukraine, together with the period of heightened inflation, which is currently being experienced, is being monitored closely by the Companies, and both have considered these issues in their calculated solvency positions as at 30 June 2022 (as set out in paragraphs 2.22 and 2.23 above). I would not expect either Company to be more adversely impacted by these developments than other companies in the wider life insurance industry.

Conclusion

- 2.36 Having taken account of the updated information as set out in this Supplementary Report, I believe there is no reason for me to amend or qualify any of the conclusions set out in the Independent Actuary's Report.
- 2.37 For reference, my conclusions in the Independent Actuary's Report were that I am satisfied that the implementation of the Proposed Scheme would not have a material adverse effect on:
- the security of benefits under the policies of ZILL and MILAC;
 - the reasonable expectations of the policyholders of ZILL and MILAC with respect to their benefits; and
 - the standards of administration, service, management and governance that apply to the ZILL and MILAC policies.



Mike Claffey
Fellow of the Society of Actuaries in Ireland

9 September 2022

3 APPENDIX – LIST OF PRINCIPAL ADDITIONAL DATA SOURCES

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

ZILL

- Summary Solvency II balance sheet and SCR as at 30 June 2022, as included in the provisional quarterly reporting pack due to be submitted to IOMFSA
- Updated details on the Transferring Policies as at 31 July 2022
- Directors' Report and Financial Statements for ZILL for the financial year ended 31 December 2021
- Valuation Reports from the Appointed Actuary to the Board of ZILL in respect of the year ended 31 December 2021

MILAC

- Summary Solvency II balance sheet and SCR as at 30 June 2022, as included in the provisional quarterly reporting pack due to be submitted to IOMFSA
- Update on authorisation by MAS of MILAC's branch in Singapore
- Updated 2022 ORSA incorporating latest Intra-Group Reinsurance balances and impact on target capital buffers
- Directors' Report and Financial Statements for MILAC for the financial 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

Other

- The scheme of transfer reflecting the revised proposed effective date of 1 November 2022
- Court Orders dated 16 May 2022 and 29 June 2022, following the Directions Hearing on 16 May 2022
- Updates on the actions taken by the Companies to comply with the various requirements imposed in the Court Order
- Details of policyholder and other interested parties queries, complaints and objections received
- Verbal update from the Companies on most recent regulatory communications.