

Report of the Independent Actuary

**Monument Assurance Luxembourg S.A.
and Omega Life DAC**

17 August 2020

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1 Introduction

1.1 Purpose of the Report

Monument Re Limited (“Monument Re”), is a Bermuda based class E life reinsurer and designated insurer supervised by the Bermuda Monetary Authority (“BMA”). It was incorporated on 27 October 2016 to operate as a reinsurer and acquirer of asset intensive European life insurers. Monument Re is the ultimate holding entity within the regulated group. Monument Re is backed by high quality shareholders which include Hannover Re, the world’s third largest reinsurer; NYSE listed Enstar Group plc (“Enstar”), a leading Property and Casualty (“P&C”) run-off consolidator; and E-L Financial Corporation Ltd, the parent company of Canadian life insurer Empire Life along with two individual private investors.

Through a strategy of reinsurance and/or acquisition, Monument Re looks to assume asset-based risks within its risk appetite, and efficiently operate these businesses or portfolios. The focus includes two principal areas, namely:

- Acquisition of linked savings and protection portfolios based mainly out of the key distribution centres, namely, Ireland, Benelux countries (i.e. Belgium, Netherlands and Luxembourg) and the Crown Dependencies; and
- Reinsurance of long-dated guaranteed life insurance liabilities.

Monument Assurance Luxembourg S.A. (formerly N Aspecta Assurance International Luxembourg S.A.) was incorporated in Luxembourg in 2000 as a 100% subsidiary of Talanx Group. In 2018, Aspecta was acquired by Monument Re and renamed as Monument Assurance Luxembourg (“MAL”). MAL is regulated by the Commissariat aux Assurances (“CAA”), the supervisory authority for the insurance industry in Luxembourg. MAL owns 3 branches in Italy, Spain and Germany. MAL has been closed to new business since 2011. The in-force business is predominantly unit-linked with a small portfolio of traditional products. The business was principally sold via MAL’s branches in Italy, Spain and Germany, with some business sold via freedom of services in Italy, France and Germany. In a joint venture agreement concluded in 2016, MAL acquired 25% of Quality Insurance Services Luxembourg S.à r.l. (“QISL”). At the end of the fourth quarter of 2019, a contract was signed with the joint shareholder of QISL for MAL to take on the entire shares of QISL. The transaction was finalised on 9 July 2020 and QISL will be renamed to Monument Assurance Services Luxembourg S.à r.l. (“MASL”) in late 2020. QISL is a Professionnel du Secteur des Assurances (“PSA”), registered in Luxembourg.

Omega Life DAC (“Omega”) (formerly Cattolica Life DAC until June 2020) received regulatory approval from the Central Bank of Ireland (“c”) in November 1999 to operate as a life assurance head office undertaking in Ireland and commenced trading in February 2000. Omega is authorised to conduct life insurance business in Class I (Life assurance and contracts to pay annuities on human life, but excluding Classes II and III), Class III (Contracts linked to investment funds) and Class IV (Permanent health insurance contracts) life assurance. Omega was a joint venture between former shareholders Società Cattolica di Assicurazione Società Cooperative (“Cattolica Assicurazioni”) (60%) and Banca Popolare di Vicenza (“BPV”) (40%). In June 2017, BPV was put into liquidation according to the provisions of Italian law. The liquidators sold a part of the bank to Banca Intesa. BPV was the primary distribution channel for Omega and following the loss of this distribution channel, Omega closed to new business on 28 July 2017 and no longer wrote new insurance business from this date. Prior to this, Omega wrote conventional unit-linked (single premium and regular premium) business on a freedom of services basis in Italy. The majority of the unit linked products are single premium policies with some issued on a whole of life basis.

On 7 November 2019, Monument Re entered into an agreement to acquire Omega from Cattolica Assicurazioni. The declaration of no objection was received from the CBI on 20 May 2020 and change of control completed on 4 June 2020.

It is proposed to transition the portfolio of insurance business from Omega to MAL via a portfolio transfer. Under the portfolio transfer, it is proposed that Omega will transfer all liabilities and supporting assets relating to the insurance business under the provisions of Section 13 of the Assurance

Companies Act 1909, Section 36 of the Insurance Act 1989 and Regulation 41 of the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485/2015). I refer to the proposed transfer as the “Scheme”. This Report is in respect of the proposed portfolio transfer. Omega and MAL are collectively referred to as the “Scheme Companies” throughout this Report. The terms covering the proposed transfer are set out in the ‘Draft Scheme’ that will be presented to the Irish High Court. It is anticipated that directions will be sought from the High Court in relation to the Scheme of Transfer on 1 September 2020. It is proposed that the Sanctions Hearing for the Scheme will take place on 8 December 2020, when final approval of the Scheme will be sought with a proposed effective date of 31 December 2020 (the “Effective Date”).

This Report (the “Report”) is a report prepared by the Independent Actuary in order to aid the High Court in its deliberations.

The Report describes the proposed transfer and discusses its potential impact on the relevant policyholder groups within both Omega and MAL, particularly in terms of security of benefits and levels of policyholder service. The Report is organised into nine sections as follows:

- Section 1: Describes the purpose of the Report and the role of the Independent Actuary;
- Section 2: Executive Summary and Conclusions;
- Section 3: Provides relevant background information on Monument Re;
- Section 4: Provides relevant background information on MAL;
- Section 5: Provides relevant background information on Omega;
- Section 6: Commentary on the proposed Scheme;
- Section 7: Describes the general considerations when reviewing the proposed Scheme;
- Section 8: An assessment of the proposed Scheme on the security for policyholders of Omega and MAL; and
- Section **Error! Reference source not found.**: An assessment of the proposed Scheme on the fair treatment of policyholders of Omega and MAL.

1.2 Independent Actuary

I, Brian Morrissey, am a Partner in KPMG Ireland (“KPMG”) specialising in life insurance actuarial services. I am a Fellow of the Society of Actuaries in Ireland (“SAI”) having qualified as an actuary in 1999. My summary curriculum vitae is included in **Independent Actuary CV** Appendix 3.

I have been appointed by Omega and MAL to act as the Independent Actuary in connection with the Scheme. The relevant regulatory authorities, including the CBI and the CAA, have been informed of my appointment and I understand they have not raised any objections to my appointment. The terms on which I was formally appointed are set out in an engagement letter dated 13 May 2020 and an extract of my scope is included in Appendix 2.

In terms of direct and indirect interests, I can confirm that I have no direct nor indirect interests with Omega or MAL. I consider myself able to act as an Independent Actuary on this transaction.

I have also considered the position of KPMG. I can confirm that I have carried out appropriate internal checks in line with KPMG’s internal risk management procedures with no issues being raised.

Neither I, nor any member of my team, is a qualified lawyer or tax expert. I have not considered it necessary to seek my own specific legal or tax advice on any element of the Scheme. The costs and expenses associated with my appointment as Independent Actuary and the production of the Report will be met by the shareholders of Omega and the shareholders of MAL.

This Report has been subject to internal KPMG risk management processes and peer review in line with those professional requirements. The peer review was performed by a senior actuary in KPMG’s actuarial practice.

1.3 Scope of Report

I owe an overriding duty to the Court and to give the Court an independent actuarial assessment of the proposed transfer.

This Report has been prepared in accordance with:

- S.I. No. 485/2015 – European Union (Insurance and Reinsurance) Regulations 2015, which contains the applicable Irish provisions on transfers of portfolios. Regulation 41 of the 2015 Regulations makes express reference to Section 13 of the Assurance Companies Act 1909 and Section 36 of the Insurance Act 1989. Both sections concern the sanction of transfers by the Court.
- The Actuarial Standard of Practice (“ASP”) issued by the Society of Actuaries in Ireland, ASP LA-6, “Transfer of long-term business of an authorised insurance company – role of the Independent Actuary”.
- The ASP issued by the Society of Actuaries in Ireland, ASP PA-2, “General Actuarial Practice”.

This Report is prepared primarily to assess the likely impact that the Scheme will have on the transferring policyholders of Omega and the existing policyholders of MAL if the Scheme proceeds. It is limited in its scope to the assessment of this Scheme alone and not to any other possible scheme. It is intended that this Report be submitted, in full, as evidence to the Court when it considers whether or not to sanction the Scheme.

The term “Effective Date”, as used in this Report, refers to the date at which, if the Scheme proceeds, Omega’s policies will be transferred to MAL. The proposed Effective Date is 31 December 2020.

1.4 Assurances

Whilst I have been assisted by my team, the Report is written in the first person singular and the opinions expressed are my own.

I believe that the content of this Report is accurate and complete. I have considered all matters that I regard as relevant to the opinions I have expressed, and I have considered all matters that I believe may be relevant to the policyholders of Omega and MAL in their consideration of the Scheme. All the matters on which I have expressed an opinion lie within my field of experience.

I have received assurances as follows:

- I have circulated this Report to the management of Omega and MAL respectively to ask for commentary on the detail within the Report including confirming all material information has been provided to me and how the Scheme of Transfer will be effected in practice. No issues were noted with the commentary and detail presented in the Report by either set of management. I have also been given full access to Omega and MAL staff as necessary.
- I have provided the Head of Actuarial Function (“HoAF”) of Omega (Mr. Patrick Meghen) and the Actuarial Function of MAL (Mr. Alex Brogden) with drafts of my Report to ensure they are aware of comments I have made in this Report in relation to actuarial and risk information. I understand they have shared my reporting with other colleagues in the companies to solicit their views. No issues have been noted as a result of their review of my Report.

In the course of carrying out my work and preparing this Report I have considered various documents provided to me by MAL, Monument Re, Omega, Matheson, Milliman (who provide actuarial and risk management services for Omega) and Gesellschaft für Finanz- und Aktuarwissenschaften mbH (“ifa”) (who provide actuarial services for MAL). A summary list of the main documents I have considered is set out in Appendix 1.

All of the data and information which I have requested has been provided to me by Omega, MAL, Monument Re and their advisers as appropriate. I have relied upon the accuracy and completeness of this data and information, which has been provided to me both in written and oral form by Omega, MAL, Monument Re and their advisers. I have not sought independent verification of data and information provided to me by the Scheme Companies, nor does my work constitute an audit of the financial and other information provided to me. I have, where possible, reviewed the information provided for

reasonableness. Where critical information has been initially provided orally, I have requested and obtained written confirmation.

I have met in person or conducted conference calls with representatives of the Scheme Companies to discuss the information provided to me and specific matters arising out of the considerations and analysis conducted.

I have been made aware of relevant discussions between Omega, MAL, Monument Re, the CBI and the CAA, and specifically inquired of them whether there were specific issues I should be aware of.

1.5 Qualifications and Limitations

This Report must be read in its entirety. Reading individual sections in isolation may be misleading.

A copy of the Report and a summary version of the Report (the “Summary Report”) will be made available to the Court, the regulators and the Boards of Directors of Omega and MAL. It will also be made available to policyholders free of charge from the following:

- The registered office of Omega - 26 Upper Pembroke Street, Dublin 2, Ireland.
- The Omega website - <https://www.omegalife.ie/en/>
- The registered office of MAL in Luxembourg - 5 rue Eugène Ruppert, Luxembourg.
- The Italian branch of MAL - Sede secondaria per l'Italia, Viale Monza 265, 20126, Milano, Italy.
- The MAL website - <http://www.monumentassurance.lu/>
- The Dublin office of the appointed solicitor, Matheson, 70 Sir John Rogerson's Quay, Dublin 2, Ireland.

The Summary Report covers all the material points and issues raised in this full Report and will be sent to each transferring policyholder.

This Report is prepared solely in connection with, and for the purposes of, informing the Court and relevant potentially affected policyholders of my findings in respect of the impact of the Scheme on the security and expectations of these policyholders and may only be relied on for this purpose.

This Report is subject to the terms and limitations, including limitation of liability, set out in my firm's engagement letter dated 13 May 2020. An extract from this contract describing the scope of my work is contained in Appendix 2.

This Report should not be regarded as suitable to be used or relied upon by any party wishing to acquire any right to bring action against KPMG in connection with any other use or reliance. To the fullest extent permitted by law, KPMG will accept no responsibility or liability in respect of this Report to any other party.

In my role as Independent Actuary, I have in the normal course of conducting this role, been provided with a significant and appropriate amount of information and data about the Scheme Companies' activities and performance. When forming my view as set out in this Report, these disclosures and information have formed a necessary and vital contribution.

This Report is based on information made available to me at or prior to 17 July 2020 and takes no account of developments after that date. However, my understanding is that Omega and MAL intend to request that I prepare and issue a Supplementary Report closer to the date of the final hearing at which the High Court will be asked to consider and sanction the proposed Scheme. This is discussed in further detail later in the document.

1.6 Limits of Liabilities and Legal Jurisdiction

This Report is subject to the terms and conditions, including limitation of liability and legal jurisdiction, set out in the Engagement Letter.

1.7 Terminology

In my discussion of the effects of the proposed Scheme on the policyholders concerned, I use various technical terms. The definitions of these terms as used in this Report are contained in the Glossary in 07.

1.8 Currency

I have identified clearly the currency of figures presented throughout the Report. All figures are presented in Euro (€) unless otherwise stated.

2 Executive Summary and Conclusions

2.1 Executive Summary

2.1.1 Overview

An agreement has been reached between Omega, Monument Re and MAL for the portfolio transfer of Omega's relevant policy assets and liabilities ("the Scheme") into MAL.

This Report considers the impact of the proposed transfer of the insurance business from Omega to MAL.

2.1.2 Motivation for proposed Scheme

Although not a direct consideration for me as Independent Actuary, it is nevertheless relevant for me to be aware of the rationale for the Scheme.

Omega has been in run-off since 28 July 2017 when one of the banking shareholders, BPV, was put into liquidation. The Omega business (formerly Cattolica Life DAC) was subsequently brought to market for disposal by the former shareholders.

Monument Re is a closed-book consolidator and the Omega business aligns with Monument Re's strategic plans to grow and develop its unit-linked offering and its capability for portfolios based mainly in Ireland, the Benelux region and Crown Dependencies. The transaction also offers the opportunity for material expense savings in a target market for Monument Re through the MAL entity. MAL currently operates in Italy and accordingly the proposed transfer will allow for increased operating efficiencies.

2.1.3 Approach

My approach to assessing the likely effects of the Scheme on policyholders was to:

- i. Understand the businesses of the entities affected by the Scheme; and
- ii. Understand the effect of the Scheme on the assets, liabilities and capital (on the regulatory basis) of the entities and businesses involved.

Having identified the effects of the Scheme on the various entities and businesses, I then:

- i. Identify the groups of policyholders directly affected;
- ii. Consider the impact of the Scheme on the security of each group of policyholders;
- iii. Consider the impact of the Scheme on the benefit expectations of each group of policyholders; and
- iv. Consider other aspects of the impact of the Scheme (for example, policyholder service and any changes in administration or other arrangements).

In order to consider the effect of the proposed Scheme on each of the companies and groups of policyholders concerned, I have been provided with financial information for each legal entity, including:

- Omega's historic financial information based on audited financial statements and regulatory submissions to the CBI, focusing in particular on the estimates of Solvency II regulatory capital.
- MAL's historic financial information based on audited financial statements and regulatory submissions to the CAA, focusing in particular on the estimates of Solvency II regulatory capital.

- For both Omega and MAL, the Actuarial Function Reports and Actuarial Reports on Technical Provisions in respect of historic regulatory balance sheets.
- For Omega, the Actuarial Function Report and Actuarial Report on Technical Provisions prepared in respect of the 31 December 2019 regulatory balance sheet.
- For MAL, the Actuarial Function Report and the Validation Report prepared in respect of the 31 December 2019 regulatory balance sheet.
- Updated regulatory information for both Omega and MAL at 31 March 2020 including any initial impacts arising from the COVID-19 pandemic.
- Pro-forma actuarial report prepared by MAL, illustrating the impact of the transfer as if it had occurred as at 31 December 2019.
- The projections prepared by both MAL and Omega as part of their respective own risk and solvency assessment processes ("ORSA") processes. I note that the ORSA report produced following completion of this process is not a publicly available document, hence I have not re-produced the detail from the report for either entity within this Report.

In forming my opinion, I have raised queries with key personnel responsible for core functions in the Scheme Companies and have placed reliance upon, amongst other information, estimates of the MAL capital position after allowing for the proposed Scheme.

In order to satisfy myself that these estimates are an appropriate basis on which to form an opinion, I have considered:

- The appropriateness of the methods used by the Scheme Companies to calculate the estimate of regulatory capital required; and
- Stress and scenario testing currently performed by the Scheme Companies to understand their respective regulatory capital strength and whether further testing is required.
- I have considered the different capital support arrangements available that might be drawn upon to manage adverse events which may impact the financial position of the Scheme Companies.

The key information that was provided is set out in Appendix 1.

2.1.4 Key assumptions

With regard to the Scheme, I understand that:

- Omega will have no policyholders left post the Scheme and the intention will be to hand back its insurance licence to the CBI and for the Company to be liquidated. There are no further considerations for me as Independent Actuary post the Scheme in respect of Omega.
- MAL is, and will remain closed to new business. The Scheme has no impact on it from that perspective.
- Omega will pay over assets in respect of the best estimate liability, risk margin and reinsurance recoverable at the transfer date based on Omega's Solvency II basis at the time – for the proforma analysis prepared, the position at 31 December 2019 has been used adjusting for expected 2020 the value of experience particularly in respect of expense overruns.
- MAL will become the Tax Agent under the Italian Tax Withholding system for the transferring Omega policyholders. They are already registered in respect of their own Italian policyholders. The right to receive future tax recoveries under the Italian Tax Withholding system will transfer to MAL from Omega under the Scheme with MAL paying a specific consideration. Tax advice has been provided in respect of this and I have relied on it.
- There will be no change to policy terms and conditions for the transferring Omega policyholders or the existing MAL policyholders as a result of the Scheme.

- The range of discretionary powers currently available to Omega for the transferring policies is reasonably limited and is not expected to change.
 - The existing reinsurance arrangements that Omega has in place with Munich Re and Swiss Re remain in place.
 - The existing reinsurance arrangements that MAL has in place with Monument Re remain in place – these reduce considerably the capital requirements required of the business but introduces exposure (albeit reduced via the collateral structure) to Monument Re.
 - The transferring Omega policies will be included in the intra-group reinsurance arrangement that MAL has with Monument Re. This is expected to be executed post the Scheme on 1 January 2021. However, I have considered the proforma results with and without the intra-group reinsurance arrangement. Given the timing, the implementation of the intra-group arrangement is not a formal consideration for me.
 - The existing asset management arrangements that Omega has in place will transfer to MAL and there are no changes planned.
 - I have assumed that the relevant outsourced service providers have been advised of the Omega portfolio transfer and the timing thereof; and appropriate consent of transfer of service provision to MAL will be received.
 - Omega policy administration services provided at present by Irish Progressive Services International (“IPSI”) will be maintained for approximately 6 months post transfer, after which it is expected they will then be migrated to the administration platform that MAL currently uses to administer its existing policies in Italy, Spain and Luxembourg i.e. QISL platform. MAL has both infrastructure and resource capacity to absorb administration of the Omega portfolio. There is a successor’s clause in the current agreement that Omega has with IPSI which allows the administration agreement to remain in-force following approval of the proposed transfer. Preliminary legal advice has been taken in respect of this regulatory matter affirming that the arrangements can continue to be provided to MAL from Ireland post the Scheme. This is a significant assumption in terms of maintaining continuity of administration support and I have relied on this legal advice. This will be subject to further discussion and agreement with IPSI and the Companies and assessed as part of my Supplementary Report.
- The longer-term migration strategy is not a specific consideration for me given the expected time period to elapse and should fall into a normal business as usual process where service standards need to be maintained.
- Customer servicing is currently outsourced to AON in Italy. The intention is to change customer service agents from AON to the Italian branch of QISL. There will be no change to the scope of services provided and data will continue to be held in Italy. The migration will be managed as part of the business as usual process and is expected to be completed by 2 November 2020, prior to Scheme.
 - Fund Administration (currently outsourced to IPSI) will be transferred to MISL who already provide these services for other Monument Re portfolios in Ireland. There is a separate project workstream that aims to deliver a fully configured, secure and resilient migration of the Omega portfolio with the migration expected to be completed by 30 June 2021 in line with the overall project plan.
 - Omega’s current IT infrastructure provided by Calnet will remain in place for circa 6 months post transfer as the company completes the de-authorisation and liquidation process, after which the services of Calnet will be decommissioned. Given the timing, it is not a specific consideration for me.
 - A project has already been established to ensure that the transition of Omega and integration into MAL has the required planning, oversight, delivery and governance. This project team will also oversee the migration of the administration services.
 - A contract has been signed with the joint shareholder of QISL for MAL to acquire the remaining shares of QISL. This is a strategically important transaction given the nature of MAL’s relationship

with QISL. MAL is the largest client of QISL with most of MAL's operations being outsourced to QISL. This strategic participation is to ensure service continuity and adequate control over the outsourced operations. The transaction was finalised on 9 July 2020. Greater control of the outsourcing relationship by MAL is a positive development more generally.

- I note that Omega currently receive rebates from investment managers in respect of the unit linked business and the majority of these are credited to policyholder accounts. These fund rebate arrangements will novate to MAL upon execution of the Scheme. Omega has not identified any reason why these rebate rates would not transfer to MAL post the Scheme. If this assumption is not correct, the impact on the policyholders would need to be revisited. I do not comment on this aspect further.
- I have not been informed of any alternative scheme or proposal and this has not been considered further in the Report.

The above assumptions underlie the analysis and conclusions in my Report. If any of these assumptions were to change, my opinion may also change. I have circulated this Report to the management of Omega, MAL and Monument Re respectively to ask for commentary on the detail within the Report, including the underlying assumptions. No issues were noted with the commentary and detail presented in the Report by either set of management, reflecting the fact that the key assumptions listed above correctly represent the current intentions and that the information I have been provided accurately reflects these businesses.

2.1.5 Findings

The findings of my Report are summarised below.

- Omega and MAL are all ultimately 100% owned by Monument Re, a reinsurance group based in Bermuda. The capital support that was available to Omega and MAL pre-transfer continues to be available if required post transfer. There is no change in this overall capital security as a result of the Scheme.
- Omega is subject to supervision by the CBI whilst MAL is subject to supervision by the CAA. Both the CAA and the CBI operate under the Solvency II regime, hence the regulatory capital regime supporting policyholders will not be impacted by the Scheme.
- In line with regulatory requirements and good practice, both Omega and MAL have comprehensive risk management and governance structures in place, with oversight from their respective Boards. There are no changes planned to the governance and risk management arrangements in place in MAL as a result of the Scheme.

Financial Analysis

- I have considered the relative capital strength of Omega and MAL both pre- and post- the transfer. I have based my financial analysis, for both entities, on the regulatory submissions to the CBI and CAA at 31 December 2019, the audited financial statements as at 31 December 2019, the ORSA reports (which project solvency coverage over 5 years in a base case and a wide range of stressed scenarios) and additional supplementary analysis made available to me, notably MAL's pro-forma results for 31 December 2019.
- For Omega pre transfer, I have identified the assets and liabilities to be transferred as part of the proforma analysis – see footnote to the table below. I have not included a post transfer position for Omega, as there will be no policyholders remaining and the Company will ultimately be liquidated after handing back its licence.
- I have reflected the estimated consideration for the portfolio transfer between the two parties.
- I have also illustrated the impact post transfer of the proposed reinsurance arrangement to be put in place with Monument Re in respect of the transferring Omega liabilities.
- A summary of the relative capital strength of Omega and MAL pre- and post-transfer is set out below:

Table 2.1: MAL Pro-forma Solvency Position as at 31 December 2019 (€m)

Component	Omega - pre transfer	Omega – business to be transferred*	MAL – pre transfer	MAL – post transfer
<i>Before intra-group reinsurance</i>				
Own Funds	18.7	1.8	30.3	30.8
SCR	4.8	4.7	5.1	9.5
Excess Own Funds over SCR	13.9	-2.9	25.2	21.4
Solvency Coverage Ratio	388%	38%	595%	325%
<i>After intra-group reinsurance</i>				
Own Funds	18.7	1.9	30.3	31.6
SCR	4.8	1.6	5.1	6.6
Excess Own Funds over SCR	13.9	0.4	25.2	25.0
Solvency Coverage Ratio	388%	123%	595%	478%

Source: 2020-07-17_Proforma-financial-analysis_MAL+Omega

*Omega Own Funds after adjustments consist of Assets of €5.1m (Cash of €2.9m and tax receivable of €2.2m) and Liabilities of €3.2m (Non-unit BEL of €2.9m, risk margin of €0.4m and a reinsurance liability of -€0.1m). The cash balance is a proxy for the losses expected to be incurred by Omega in 2020, prior to the Scheme.

**The figures reflect the transfer price based on Solvency II valuation principles.

■ I note that for Omega policyholders:

- As at year-end 2019, Omega had a regulatory capital requirement of €4.8m, with available Own Funds of €18.7m, excess of available Own Funds above the regulatory requirement of €13.9m with a solvency coverage ratio of 388%. The strong regulatory capital position reflects the management action included to transfer the policies within 18 months – this is a key consideration for me. Without the management action, Omega would be impacted with diseconomies of scale and the high costs of the TPA in place and its solvency would be threatened if these were reflected in full. This is highlighted in the Omega ORSA process - I note that it is not possible to perform a solvent run off the business without such actions. This means that policyholders, in the absence of the management action, implicit in the regulatory basis and the resulting transfer are part of a relatively weak entity.
- Post-transfer, the Omega policyholders will move to MAL, a larger life insurance company that specialises in the service and administration of closed books of insurance business such as the Omega portfolio. As at year-end 2019, MAL had a regulatory capital requirement of €5.1m, with available Own Funds of €30.3m and excess available Own Funds above the regulatory requirement of €25.2m, giving a solvency coverage ratio of 595%. Based on pro-forma results prepared by MAL, after the transfer of the Omega portfolio, post-transfer MAL is anticipated to have a regulatory capital requirement of €9.5m, available Own Funds of €30.8m, and excess available Own Funds above the regulatory requirement of €21.4m, with a solvency coverage ratio of 325%. This is in excess of the regulatory requirements and MAL's capital management targets. Therefore, Omega policyholders will be part of a stronger regulated entity post the transfer.
- I note that updated analysis has been prepared in respect of the intra group reinsurance arrangements planned to be put in place in respect of the transferring business. The solvency coverage increases from 325% to 478%. This is in excess of the regulatory requirements and MAL's capital management targets. Therefore, Omega policyholders will be part of a stronger regulated entity post the transfer.
- Based on its ORSA projections and projections prepared considering the Omega portfolio, MAL's solvency position is projected to both improve over time and to continue to meet its regulatory capital requirements and internal capital targets in a wide range of adverse scenarios.

■ I note that, for the existing MAL policyholders:

- There is a strong regulatory capital position pre- and post-transfer, both in terms of meeting the minimum regulatory requirements and its own capital management targets.
 - Pre-transfer, the Own Funds are be €30.3m, the regulatory capital requirement to be €5.1m and the solvency coverage ratio to be 595%. The transfer sees an increase in Own Funds, with a corresponding increase in the regulatory capital requirement. The Own Funds increase to €30.8m, whilst the capital requirement increases to €9.5m, leading to a reduction in coverage to 325%. Overall, the inclusion of the Omega business means that the solvency coverage which existing MAL policyholders enjoy has decreased but it remains well in excess of the regulatory minimum levels and of its capital management targets.
 - Based on its ORSA projections and projections prepared considering the Omega portfolio, MAL's solvency position is projected to both improve over time and to continue to meet its regulatory capital requirements and internal capital targets in a wide range of adverse scenarios.
- I note that the transfer is expected to take place before 31 December 2020, as part of the proforma analysis above, I have also factored into my analysis the impact of losses expected to be incurred by Omega due to the high costs of its administration arrangements and other costs associated with the Scheme in terms of my overall assessment.
- I also note that, in preparing this report, I have primarily considered the results made available to me as at 31 December 2019. However, over the first quarter of 2020, financial markets and western economies experienced significant disruption as a result of the COVID-19 pandemic. Consequently, I have also supplemented my analysis by considering the 31 March 2020 results for both entities.
- In Omega's case, I note that the available Solvency II Own Funds reduced from €18.7m to €17.6m, whilst the regulatory capital requirement fell from €4.8m to €4.3m. Therefore, Omega's coverage of the regulatory capital requirement improved and increased from 388% to 409%.
 - In MAL's case, I note that the available Solvency II Own Funds reduced from €30.3m to €29.4m, whilst the regulatory capital requirement fell from €5.1m to €4.3m. Therefore, MAL's coverage of the regulatory capital requirement improved and increased from 595% to 689%.
 - Overall, the latest results do not indicate any material deterioration in the solvency position for Omega or MAL as a result of recent market volatility. I am comfortable using 31 December 2019 figures for the purpose of the proforma analysis.
- I understand that Omega will transfer the tax asset and tax rights to recoveries to MAL for a specific consideration. The face value of these recoveries is €2.2m and they should emerge to MAL over time. This is reflected in the proforma analysis above including the consideration paid by MAL for these recoveries. I have relied on the tax advice provided such that MAL is registered to be an Italian Tax agent and is entitled to these recoveries.
- No other tax impacts are expected as a consequence of the Scheme for transferring the portfolio and the existing MAL policyholders. I have been provided with MAL's brief tax summary note addressing all aspects of the Scheme.
- I have considered the effects of the Scheme on the risk profile of each entity:
- The transferring Omega business is not materially different in terms of design features, operation and key risks to those already on MAL's balance sheet. The Omega book of business is closed - with no new business being added. The policies are now being transferred to a closed-book consolidator, who specialises in acquiring and running-off such portfolios. As the overall book of business for MAL declines, issues related to economies of scale can arise in areas such as expense and capital management, as overheads can be large relative to the size of the book. Such issues do not typically emerge in the short to medium term. I do not believe that the Omega policyholders are disadvantaged here as managing this risk is MAL's specialty and forms a core part of its business plan going forward. Similarly, existing MAL policyholders are not disadvantaged as a result of the scheme.
 - I have been provided with each entity's most recent ORSA. Post the Scheme, MAL will maintain a positive solvency capital coverage ratio (greater than 100%) under even the most adverse scenarios. This again gives comfort over the robustness and financial stability of MAL. While Omega's profile is projected to be similarly robust, it is based on the management action of the

business transferring to another entity – without the Scheme taking place and other actions, it would not be able to run off in a solvent manner. Overall, I have no issues to note.

- I have considered the effects of the Scheme on the fair expectations and treatment of each of the transferring Omega policyholders and existing MAL policyholders, focusing on the following aspects:
 - *Fund Range*: All the funds which are available to Omega policyholders will still be available after the Scheme completes. I also note that it is MAL's intention to maintain the breadth of offering currently provided by Omega. In my opinion, the implementation of the Scheme will not have an adverse effect on the fair treatment of policyholders in this regard.
 - *Entitlement to benefits*: Existing practices in respect of surrender, maturity, transfer, or death will remain in place post-transfer. Claims which are settled as part of the normal course of business will be dealt with in the same way post-transfer. Therefore, in my opinion, the implementation of the Scheme will not have an adverse effect on the fair treatment of policyholders in this regard.
 - *Policy Terms & Conditions*: Policy terms and conditions will remain unchanged as a consequence of the Scheme for all policyholders. I have no issues to note.
 - *Service standards*: In the short-term, the existing arrangements for policy and fund administration will remain in place, so there will be no immediate impact upon service standards. The assumption is that IPSI can continue to administer the business from Ireland post the portfolio transfer. In the longer-term, MAL intend to migrate the policy administration of the Omega policies from the existing service provider to one that MAL currently uses to administer its existing policies in Italy, Spain and Luxembourg i.e. QISL's platform by 30 June 2021. Given MAL's plans and the existing relationship in place with QISL, I have no specific issues to note. Customer servicing will be migrated from the current service provider, AON, to the Italian branch of QISL. There will be no change to the scope of services provide. The migration will be managed as part of the business as usual process and is expected to be completed by 2 November 2020, prior to Scheme.
 - *Expenses and charges*: These will remain unchanged as a consequence of the Scheme for all policyholders. Overall, with regard to expenses and charges, I have no issues to note.
 - *Costs of the Scheme*: All costs associated with the Scheme will be borne by the shareholders of Omega and MAL or by Omega and MAL directly. No costs will be borne by policyholders. Therefore, in my opinion the implementation of the Scheme will not have an adverse effect on the fair treatment of policyholders in this regard. I have no issues to note.
 - *Discretion*: With regard to the management of the Omega policies, the levels of discretion available to management are limited, relating to the charges levied, the funds offered and the approach to unit-pricing. Insofar as possible, MAL will endeavour to maintain the existing structures, so there are no issues emerging that I am aware of that can adversely impact upon policyholders
 - *Complaints and redress*: I note that the complaints handling procedures adopted by both entities at present are well aligned. Omega policyholders currently escalate their claims to Financial Services and Pensions Ombudsman while MAL policyholders escalate claims to the Insurance Ombudsman. These are similar bodies with similar mandates. There will be no material consequence of the Scheme for policyholders. I have no issues to note.

Therefore, I consider that the Scheme does not impact on the fair expectations of all policyholders.

2.1.6 Policyholder Communications

In terms of policyholder communications, Section 13 of the 1909 Act requires that, unless the Court otherwise directs, (and I understand Omega and MAL will seek the High Court's dispensation from this requirement in so far as it relates to existing policyholders of MAL) certain materials must be transmitted to each policyholder of each Company.

I have been provided with draft versions of this policyholder circular and I have no issues to note with the detail included in it.

I note that:

- The Omega policyholders are based in European Economic Area (“EEA”) member states namely Italy, Spain, Germany and France. The entities have sought local law advice from each of the EEA member states as to the notification requirements to be complied with and have obtained advice from local counsel in Luxembourg. Counsel in Germany, Italy and France have confirmed that there is no separate requirement to issue individual notifications to policyholders in accordance with their local laws. Local counsel in Spain have advised that from a Spanish law perspective, there is a requirement to individually notify policyholders resident in Spain about the transfer and to advise them of certain termination rights.
- The transferring Omega policyholders will each be sent a circular by IPSI on behalf of Omega (comprising of a letter with details about the Transfer, a summary of the terms of the Scheme, a summary version of this Report, a copy of the published legal notice and a questions and answer sheet in relation to the transfer).
- The letter issued to Spanish resident policyholders will be similar in all aspects to the circular above. However, it will also contain information about the policyholders’ right of termination of the policies.
- In addition to this Report, I have prepared a Summary Report which covers all the material points and issues raised in this full Report.
- The communication to Omega policyholders will include my conclusion as Independent Actuary and the Summary Report. It will also highlight very clearly the availability of my full Report on request and its availability on the Omega and MAL websites. The CBI and CAA will be advised of this approach.
- A notice will be published in the Irish official Gazette, Iris Oifigiúil, and two daily national newspapers in Ireland.
- It is Omega’s intention to advertise in the Financial Times (International Edition) which is in wide circulation throughout Europe.
- It is noted that the regulators in each of Spain, France, Italy, Germany and Luxembourg may have an obligation to publish notice of the transfer themselves.
- Subject to the directions of the Court, there is no intention to issue a direct mailing to MAL’s existing policyholders. However, MAL’s existing policyholders may contact MAL about the transfer having seen press advertising or notifications using their usual contact details. The contact centre will be provided with a separate questions and answers sheet specific to MAL’s existing policyholders and be trained to enable them to deal with the queries and complaints received regarding the proposals (with clear delineation of responses to Omega enquiries from responses to MAL enquiries). Any queries outside of the questions and answers sheet and complaints received regarding the proposals will be referred to MAL for drafting a response.

Overall, I am comfortable with this communication approach and am comfortable that the existing MAL policyholders will not be disadvantaged in any way by not being issued with a copy of either this Report or my Summary Report.

2.1.7 Supplementary Report

This Report is based on information provided to me on or before 24 July 2020 and therefore reflects a point in time view of the proposed transfer. My understanding is that Omega and MAL intend to request that I prepare and issue a Supplementary Report closer to the date of the final hearing at which the High Court will be asked to consider and sanction the proposed Scheme. My Supplementary Report will contain an update on any developments that may have occurred since 24 July 2020. In my Supplementary Report, I will review my findings and opinion which will include consideration of the following:

- Address any issues identified as part of the Directions hearing.
- Confirmation that assumptions identified in Section 2.4 remain appropriate.
- Review of the final consideration agreed between MAL and Omega.
- Progress on MAL becoming tax agents for the transferring policyholders;

- Business performance in the period and updated regulatory and financial information.
- Review of any policyholder communications/ responses received in respect of the transfer.
- Review of MAL's latest ORSA.
- Review of MAL's formal tax analysis in respect of the transfer;
- Progress on wider market and regulatory developments.
- Progress on documentation of fund rebate arrangements.
- Confirmation that policy administration services can continue to be provided to Omega policyholders post transfer by IPSI from Ireland.
- Progress on plans within MAL for migration of the policy administration and fund administration of the Omega business.
- Other issues may of course arise, and these will be factored into such a Report.

If required to be produced, this Supplementary Report is intended to be made available alongside this Report at the registered offices of Omega and MAL (both Luxembourg Head Office and Italian branch address) and on the Omega and MAL websites as soon as is practicable once it has been issued.

2.2 Conclusions

Having considered the impact of the Scheme on both the transferring policyholders of Omega and the existing policyholders of MAL, it is my opinion that:

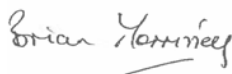
- The Scheme will not have a material adverse effect on the reasonable benefit expectations of any of the policyholders involved; and
- The risk to policyholder security is remote. Therefore, in my view, policyholders will not be materially adversely affected by the proposed Scheme.

My opinion in relation to Omega and MAL policyholders is based on:

- My review of all the pertinent historic, current and projected information provided by Omega and MAL;
- The investigations completed by the respective Omega Head of Actuarial Function, the Actuarial Function of MAL and their respective conclusions based on those investigations, as set out in their actuarial assessments; and
- Discussions with the management of Omega and MAL on what will happen post-transfer.

My assessments are made in the context of the Solvency II regulatory regime in Europe.

I note that there is adequate planned communication of the Scheme to the relevant policyholders.



Brian Morrissey, FSAI

*Independent Actuary
KPMG in Ireland*

17 August 2020

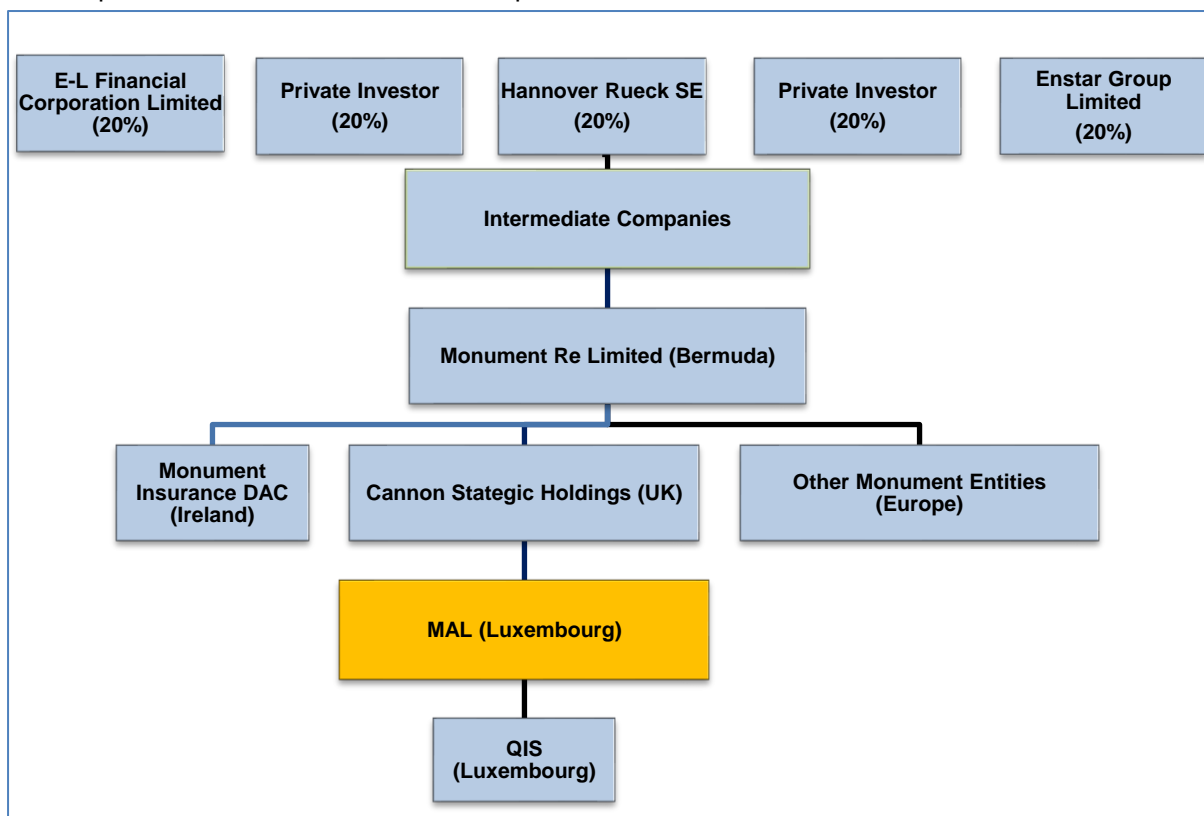
Date

3 Monument Re Limited

3.1 Overview

3.1.1 Current company structure

Monument Re Limited (“The Group”), is a Bermuda based class E life reinsurer and designated insurer with Group supervision by the BMA. It was set up to operate as a reinsurer and acquirer of asset intensive European insurers. Monument Re is the ultimate holding entity within the regulated group. The corporate structure of Monument Group is set out below:



3.2 Structure and background

Monument Re is backed by high quality shareholders which include Hannover Re, the world’s third largest reinsurer; NYSE listed Enstar Group Ltd, a leading P&C run-off consolidator; and E-L Financial Corporation Ltd, the parent company of Canadian life insurer Empire Life as well as senior insurance executives as private investors. Monument Re has an experienced Board of Directors, chaired by Jonathan Yates, former CEO of Guardian Assurance Company Ltd, and a strong management team led by Manfred Maske.

Through a strategy of reinsurance and/or acquisition, Monument Re looks to assume asset-based risks within its risk appetite, and efficiently operate these businesses or portfolios. The focus includes two principal areas, namely:

- Acquisition of linked savings and protection portfolios based mainly out of the key distribution centres, namely, Ireland, Benelux and Crown Dependencies; and
- Reinsurance of long-dated guaranteed life insurance liabilities.

3.3 Nature of business written

Some of this detail was noted earlier in different parts of my report but I am consolidating it here for completeness.

In 2017:

- Monument Re completed the acquisition of two Irish insurance subsidiaries of Barclays on 1 March 2017. These subsidiaries were rebranded Monument Insurance DAC (“MIDAC”), a non-life assurance company and Monument Assurance DAC (“MADAC”), a life insurance company. These entities are both established in Ireland and regulated by the CBI. They were established to underwrite PPI and short-term income protection to Barclays’ customers in the UK on a freedom-of-services basis. This portfolio is closed to new business. A full mis-selling indemnity was agreed with Barclays as part of the acquisition terms.
- In August 2017, Monument Re completed the acquisition of Laguna Life DAC (which changed its name to Monument Life Insurance DAC in April 2020) (“MLIDAC”) from Enstar which comprises a closed book of term life protection risks within UK and Spain. MLIDAC is established in Ireland and regulated by the CBI.
- In May 2017, Monument Re established a service company, MISL, in Ireland to provide services to the Monument entities regulated in Ireland. The staff, previously employed by MIDAC, MADAC and MLIDAC transferred to MISL. MISL now acts as an outsourcer service provider for these entities as well as supporting other limited Group activities.

In 2018:

- In March 2018, Monument Re completed the acquisition of ABN AMRO Life Capital Belgium S.A. (“AALCB”), a Belgian Life insurance company in run-off, following receipt of regulatory approval by the National Bank of Belgium. AALCB was subsequently renamed to Monument Assurance Belgium N.V. (“MAB”). On that same date, the Company established a service company, Monument Insurance Belgium Services Sprl in Belgium, to provide services to the Group’s regulated entities in the Benelux region and to also provide services to other Monument Group entities.
- In June 2018, the Company also acquired a run-off portfolio of linked and traditional business from MetLife Europe Designated Activity Company (“MetLife”), an Irish incorporated entity. This transaction was initially done through reinsurance to Monument Re. In accordance with the approval of the Irish High Court, the portfolio has transferred, as of the 1st April 2019, into MLIDAC.
- In September 2018, following receipt of regulatory approval, the Company completed the acquisition of a run-off portfolio of flexible premium retail life insurance contracts from Ethias S.A., a Belgian registered insurer, known as the FIRST A Portfolio. In accordance with the authorisation by the National Bank of Belgium, the FIRST A portfolio has transferred into MLIDAC with the terms and conditions unchanged except for the loss of Belgian state guarantee. Ireland does not maintain an equivalent system of guarantee.
- In October 2018, following receipt of regulatory approval by the Commissariat aux Assurances (“CAA”), the Company completed the acquisition of Aspecta Assurance International Luxembourg S.A. (“Aspecta”), a life insurance undertaking based in Luxembourg with branches in Germany, Italy and Spain. Aspecta specialised in unit-linked single premium products targeted towards high net-worth individuals as well as in unit-linked regular premium products for the retail market and it ceased writing new business at the end of 2010. After completion, Aspecta was renamed as MAL.
- In June 2018, Monument Re signed an agreement to acquire Robein Leven N.V. and its subsidiaries from Amerborgh Financial Services B.V. Robein Leven is a closed life insurer domiciled in the Netherlands with traditional and unit-linked products. This transaction received regulatory approval on 18th March 2019.
- In October 2018, Monument Re signed an agreement to acquire a run-off portfolio of traditional life and credit life business from Alpha Insurance S.A., a Belgian composite insurance company and a wholly-owned subsidiary of Enstar Group Limited. This transfer completed on the 29th of May, with the portfolio transfer to Monument Assurance Belgium NV, the Belgian carrier of the Monument Re Group to take effect with a date of 31 May 2019.

- In December 2018, Monument Re signed an agreement to acquire Nordben Life and Pension Insurance Co Limited (“Nordben”) from BenCo Insurance Holding B.V., which is owned 89.96% by Storebrand Livsforsikring AS. The acquisition was completed on 27th June 2019 and established Monument Re’s presence in Guernsey.

In 2019:

- In March 2019, Monument Re entered into an agreement to acquire the €140m portfolio of Irish annuities from Rothesay Life Plc, a UK based life insurer. The acquisition has been structured initially as reinsurance to Monument Re and is expected to be followed by a UK Part VII transfer of the portfolio to MLIDAC, subject to regulatory and UK court approvals.
- In March 2019, Monument Re signed a definitive agreement to acquire Inora Life DAC (“Inora”) from Société Générale S.A. Inora is a life insurer domiciled in Ireland which has ceased all new activity since 2012 but still manages a portfolio of unit-linked insurance products. The transaction will have no impact on Inora clients and policyholders. Inora is a direct subsidiary of MLIDAC and it is intended that it will transfer its entire portfolio to MLIDAC, subject to court approval, on 31 December 2020
- In May 2019, following receipt of regulatory approvals, Monument Re completed the acquisition of a run-off portfolio of traditional life and credit life business from Alpha Insurance S.A., a Belgian composite insurance company and a wholly-owned subsidiary of Enstar Group Limited. The portfolio transferred into MAB in Belgium. In December 2019, following receipt of regulatory approvals, Monument Re completed the acquisition of a run-off portfolio of traditional savings business from Curalia OVV, a Belgian mutual insurer. The portfolio transferred into MAB in Belgium. In addition to the above transactions signed in 2019, there are three further transactions to highlight which have been signed in 2020 and remain subject to regulatory approval as of the date of this report.
- In 2020: In March 2020, Monument Re signed an agreement to acquire GreyCastle Holdings Ltd and its subsidiaries, which include GreyCastle Life Reinsurance (SAC) Ltd and GreyCastle Services, from the shareholders of GreyCastle Holdings Ltd. Closing was on 27th May 2020, following receipt of regulatory approval from the Bermuda Monetary Authority.
- MADAC and MIDAC transferred their entire portfolios to MLIDAC, the scheme effective date for this transfer was 30 June 2020. MIDAC and MADAC are now in the process of surrendering their licences to the CBI.
- An agreement was reached between Zurich Life Assurance Plc (“ZLAP”) and MLIDAC for the transfer of a portfolio of ZLAP’s International Portfolio Bond business to MLIDAC by means of a transfer of the relevant policy assets and liabilities. The proposed effective date is 30 November 2020.

These transactions further support Monument Re’s strategy to build and grow its Ireland and Benelux platforms as well as develop opportunities in a number of other territories e.g. in the Crown Dependencies.

I have reviewed the financial statements¹ and the Financial Condition Report² for Monument Re for period ending 31 December 2019 as reported to the BMA. I have not reproduced the detail in this report. I have reviewed these for the purposes of understanding the financial strength of the Monument Group. No issues were noted from my review of the regulatory documents.

¹ <https://www.monumentregroup.com/wp-content/uploads/2020/06/FY19-Monument-Re-Group-Audited-Consolidated-Financial-Statements.pdf>

² <https://www.monumentregroup.com/wp-content/uploads/2020/06/FY19-Monument-Re-Group-Financial-Condition-Report.pdf>

4 Monument Assurance Luxembourg S.A.

4.1 Overview

MAL is a regulated entity in Luxembourg and operates under the supervision of the Luxembourg insurance regulator, Commissariat aux Assurances ("CAA"). It is ultimately owned by Monument Re Group's regulated parent, Monument Re Limited.

4.2 Structure and background

MAL (formerly N Aspecta Assurance International Luxembourg S.A.) was incorporated in Luxembourg in 2000 as a 100% subsidiary of Talanx Group. In 2018, Aspecta was acquired by Monument Re and renamed as MAL. MAL is a life insurance company incorporated in Luxembourg under company number B73935. MAL owns 3 branches in Italy, Spain and Germany. In a joint venture agreement concluded in 2016, MAL acquired a share of 25% in Quality Insurance Services Luxembourg S.à r.l. ("QISL"). QISL is a Professionnel du Secteur des Assurances ("PSA"), registered and regulated by the Commissariat aux Assurances ("CAA"), the supervisory authority for the insurance industry in Luxembourg. Aspecta transferred nearly its entire staff including branch operations in Italy and Spain into QISL as part of the joint venture Quality Insurance Group ("QIS Group").

QIS Group was acquired by CNP Assurance ("CNP") in December 2018. The acquisition followed a period of financial strain at QIS Group, and secured CNP control over the servicing of its customers by QIS Group in France and Luxembourg. MAL is the largest client of QISL with most of MAL's operations being outsourced to QISL. MAL holds a strategic participation to ensure service continuity and adequate control over the outsourced operations. QISL can take on the management of new business as well as third party and run-off portfolios for insurance undertakings in Europe. At the end of the fourth quarter of 2019, a contract was signed with the joint shareholder of QISL for MAL to take on the entire shares of QISL. The transaction was finalised on 9 July 2020 and QISL will be renamed to Monument Assurance Services Luxembourg S.à r.l. ("MASL") in late 2020.

MAL is authorised by the CAA to carry on life insurance business in:

- Class I (Life insurance and contracts to pay annuities on human life, but excluding Classes II and III), Class II (Marriage assurance, birth assurance);
- Class III (Contracts linked to investment funds);
- Class VI (Capital Redemption Operations); and
- Class VII (Management of group pension funds).

The transferring Omega business forms a subset of the existing MAL business.

MAL has been closed to new business since 2011. The in-force business is predominantly unit-linked with a small portfolio of traditional products. The business was principally sold via MAL's branches in Italy, Spain and Germany, with some business sold via freedom of services in Italy, France and Germany.

4.3 Nature of business written

As at 31 December 2019, MAL's technical provisions in respect of unit linked and traditional insurance policies was €226m (based on Solvency II principles) with c31,400 policies. The company received €16.8m in gross written premium income (-€109.3m net earned premium) in 2019. I note that net premiums are significantly negative due to the intra-group reinsurance contracts concluded in 2019.

These details are captured in tables 4.1 and 4.2 below:

Table 4.1: MAL Gross Written Premiums (€m)		
Line of Business	31 Dec 2018	31 Dec 2019
Insurance with profit participation	1.4	1.3
Index-linked and unit-linked insurance	18.1	15.5
Total	19.5	16.8

Source: 2018, 2019 MAL SFCR documents

Table 4.2: MAL Net Earned Premiums (€m)		
Country	31 Dec 2018	31 Dec 2019
Italy	4.5	-65.5
Spain	1.7	-19.6
Germany	2.0	-23.0
France	0.1	-1.2
Total	8.3	-109.3

Source: 2018, 2019 MAL SFCR

*Net premiums are significantly negative due to the intra-group reinsurance contracts concluded in 2019.

Table 4.3 summarises the sum at risk and policy count as at 31 December 2019.

Table 4.3: MAL Sum At Risk and Policy Count - 2019				
Line of Business	Premiums Written (€m)	Claims (€m)	Policy Count	Net Sum At Risk (€m)
Insurance with profit participation	1.3	2.5	1,717	2.1
Index-linked and unit-linked insurance	15.5	33.8	29,638	4.7
Total	16.8	36.3	31,355	6.8

Source: Overview MAL YE2019_2020Q1

4.3.1 Products

Prior to closing to new business, MAL sold unit-linked business, which is assigned to the line of business “Index-linked and unit-linked” for Solvency II purposes. A smaller part of the premiums relates to traditional business with-profit participation, which is assigned to the line of business “Life excluding health and index-linked and unit-linked” for Solvency II purposes.

At 31 December 2019, MAL has two lines of business on its books, classified under Solvency II as follows:

- Insurance with -profit participation: Traditional life insurance business and
- Index-linked and unit-linked insurance: Unit linked business

4.3.2 Insurance with-profit participation

MAL administers a smaller portion of traditional insurance products that were sold by the Italian branch until 2011. Prior to January 2016, the financial guarantees offered referred to the minimum of the maximum interest rates published by the CAA and the Italian regulator, Istituto per la vigilanza sulle assicurazioni (“IVASS”). As such, there was no long-term guarantee as the guaranteed rate was adjusted in accordance with the aforementioned maximum interest rates. Since January 2016, IVASS does not publish the reference rates and only the rates from Luxembourg are considered.

The policyholders receive an annual variable share in the investment earnings and participate in risk and cost surplus.

Additionally, there is a small portfolio of traditional policies that were sold by the Spanish branch until 2011. The policies have short-term interest rate guarantees. A minimum guaranteed interest rate is declared annually, and an additional interest rate depending on the actual investment returns is conferred semi-annually.

4.3.3 Unit linked business

Unit linked policies represent the biggest part of the MAL's in-force portfolio. From 2000 to 2010, unit-linked policies were sold mainly in Italy, Spain, France and Germany. The products do not contain any additional interest rate guarantees. However, the policyholders receive an annual share of risk and cost surplus.

Profits for MAL are mainly generated by fixed charges as well as refunds from the investment companies that are not guaranteed and could be reduced or cut-off unilaterally.

4.3.4 Assets

Table 4.4 summarise the profile of MAL's assets at 31 December 2018 and 31 December 2019:

Table 4.4: Assets (€m)	31 Dec 2018	31 Dec 2019
Investments (other than assets held for index-linked and unit-linked contracts)	32.8	30.6
Holdings in related undertakings	0.1	0.1
Government Bonds	8.6	7.6
Corporate Bonds	13.8	12.0
Collective Investment Undertakings	10.4	10.9
Assets held for index-linked and unit-linked contracts	213.9	234.8
Reinsurance recoverables	87.3	203.3
Cash and cash equivalents	10.9	13.2
Other	6.3	7.1
Total	351.2	489.0

Source: 2018, 2019 MAL SFCR

MAL's investment strategy is accomplished through an investment framework focused on governance, risk assessment and portfolio diversification. The investment strategy follows a transparent investment process considering applicable investment limits and investment principles laid down in the Investment Policy.

4.4 Risk Profile and management

4.4.1 Overview of risks

MAL's main risk exposure from underwriting life policies such as unit linked contracts without financial guarantees and traditional business with-profit participation are set out below:

- Market risks include risks such as equity risk, interest rate risk, currency risk and spread risk. This is the most important risk resulting from MAL's investment portfolio and technical provisions;
- Underwriting risks such as deterioration in claims experience, biometric (mortality, disability-morbidity and mortality catastrophe risk), lapse and expense risk; lapse and expense risk being the most important underwriting risks as the business is in run-off ;
- Credit risks (exposures to banks, debt instruments, reinsurers and deposit accounts); MAL is exposed to credit risk arising from the intra-group reinsurance contracts with Monument Re, as well as in relation to its financial investments, term deposits and its exposure to mortgage loans via a fund structure.

See Section 4.8.1 for breakdown of regulatory capital figures by risk category.

MAL is also exposed to a range of other risks as follows:

- Liquidity risk (the risk is where there are not enough liquid assets in MAL in order to pay claims when they are due which can arise in stressed scenarios);

- Operational risks mainly arising from management and staff e.g. key person risk, process execution (e.g. products, contracts, customer service, service providers, activity steering, communication etc.) delays to the run-off plan, relationship with QISL and the associated costs, IT dysfunction and compliance risk, and fraud;
- Group risk which include includes reputational, contagion, accumulation, concentration and intra-Group transactions risk;
- Strategic risk which include acquisition risks and failing to identify and react accordingly to threats from changes in the market; and
- Sustainability risk which include environmental, social and governance risks.

These risks are overseen and managed by the Board. The Board reviews all risk and compliance issues affecting MAL. The primary risk to the security of MAL's policyholder benefits is that one or more of the risks identified give rise to an event which renders MAL insolvent. Given the risk profile of the company's business and the current level of available assets in excess of the company's minimum solvency margin requirement, the risk of insolvency and any risk to the security of benefits could be considered remote.

4.4.2 Risk Appetite

The Risk Appetite Statement is reviewed at least annually by MAL's Board of Directors. The Board considers the business strategy of the Company in determining the risk appetite. The statement identifies the Company's key risks and provides a framework for testing these risks and establishing risk tolerances.

The MAL capital policy objective is to maintain a regulatory solvency ratio (based on the Solvency II Standard Formula) above or equal to 135%. The table below highlights different risk tolerance levels and associated actions required:

Table 4.5: Summary of MAL risk tolerance levels and actions required		
Description of measure	Metric*	Action Required
Greater than Surplus Level	> 150% of Solvency Ratio	Pay a dividend subject to criteria being met. After a dividend payment, capital should not fall below the Target Level over the business planning horizon on best estimate assumptions.
Between Surplus and Target Level	150% - 135% of Solvency Ratio	Pay a dividend subject to criteria being met. After a dividend payment, capital should not fall below the Target Level over the business planning horizon on best estimate assumptions.
Between the Target Level and the Minimum Operating Level	135% - 120% of Solvency Ratio	Agree and implement a plan to restore the Company's Solvency position to the Target Level within 12 months.
Between the Minimum Operating Level and the Recovery Level	120% - 105% of Solvency Ratio	Agree and implement a capital plan to be within risk appetite within 6 months. Frequent monitoring of solvency coverage ratio.
At or below the Recovery Level	Less than or equal to 105% of Max (SCR, MCR)	Notify regulator, review and agree recovery plan, share with regulator within 2 months. Implement recovery plan aimed at complying with 100% of SCR within 6 months.

Source: MAL Capital Management and Dividend Policy

*The Solvency Ratio is Eligible Own Funds divided by Capital Needs, where Capital Needs are the higher of: a) Minimum Capital Requirement; b) Solvency Capital Requirement and c) ORSA Capital Needs.

**MAL should hold sufficient capital to ensure that:

- MAL is able to at least cover its MCR before management actions
- MAL is able to recover to at least 100% of the higher (MCR, SCR) within a reasonable timeframe that is appropriate in the view of the MAL Board.

The Risk Committee supports the Board in their review of the Risk Appetite Statement.

4.4.3 Risk sensitivities

I have been provided with sensitivity analysis which illustrates MAL's exposure to key risks by considering the impacts that these have on MAL's solvency position as at 31 December 2019 (and subsequent years) through the ORSA process. I have not reproduced the detail. The key risks are in

line with those outlined in Section 4.4.1 above and as discussed in the MAL ORSA. The most material stresses relate to underwriting risk. In particular, the impact of increases in lapses and paid-up rates as well as an increase in expenses were analysed.

4.4.4 Risk Issues

The current listing of open risk issues for MAL was shared with me and I considered this as part of my review. I note that the list is comprehensive and covers off a substantial range of risk events and ongoing issues, with owners for each issue and actions identified (where relevant/applicable). No specific issues were identified which impact upon the Scheme.

4.4.5 Governance

MAL has adopted and implemented the Group's risk management framework which includes:

- A risk strategy and risk appetite;
- Risk tolerances, limits and triggers;
- A suite of formal risk management policies;
- Appointment of a Chief Risk Officer ("CRO"); and
- Ongoing processes to identify, measure, monitor, manage and report risk such as risk and control self-assessment on an annual basis; and event and issue management.

The risk management framework is approved annually by the Board and is owned at Board level by the executive director ("Administrateur Délégué") of MAL. It is outsourced to QISL and led by Mr. Benoît Martin, the QISL CRO and former Compliance and Risk Officer of Aspecta. It is implemented through adherence to the Group 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 Board comprises three non-executive directors, one independent non-executive director and one executive director. There are no separate sub-committees due to the size of the Board.
- The system of governance includes the anti-money laundering, compliance, risk management, actuarial and internal audit functions. Each of the key functions is attributed to one member of the Board of Directors.
- The Internal Audit Function, led by the independent non-executive director, is responsible for developing and delivering an agreed internal audit plan as well as monitoring the control environment.
- The Actuarial Function, led by the non-executive director, is responsible for performing the specified tasks set out in Article 48 of the Solvency II Directive. The key responsibilities of the actuarial function are delivery of actuarial reporting, bases, valuation models and corresponding processes for Solvency II and GAAP reporting, completion of actuarial regulatory requirements and the Implementation of processes to deliver robust monitoring of capital, liquidity and solvency positions on an ongoing basis.
- The Compliance, Anti-Money Laundering and Risk Management Functions outsourced to QISL for the day-to-day work and reports to the General Counsel of Monument Re. It is led by the executive director ("Administrateur Délégué") and is responsible for identifying, assessing, monitoring and reporting compliance risk exposure, focusing on compliance with applicable laws and regulatory requirements as well as any anti-money laundering and risk management exposures.
- Key Risk Indicators are established which set measurable thresholds for each key risk in accordance with risk appetite. These are reviewed regularly by the Group Risk and Controls Committee and a summary is reported to the Group Board Risk Committee.

4.5 Operational arrangements

MAL outsources specific business functions to reduce or control costs or to free internal resources and capital. The table below provides details of the outsourced critical or important operational functions or activities and the jurisdiction in which the service providers of such functions or activities are located:

Table 4.6: Operational arrangements		
Service provider	Activity	Jurisdiction
QIS Luxembourg	Policy Servicing, Premium collection and commission payments, Intermediaries management, Reporting and Accounting, Risk Management, Compliance and AML	Luxembourg
Gesellschaft für Finanz- und Aktuarwissenschaften ("ifa")	Actuarial services	Germany
HDI Systeme	IT support and development	Germany
Talanx Service	Reinsurance accounting	Germany
Ampega	Fund and asset management	Germany
Monument Group	Internal audit	Ireland

I note that there are two projects underway to transfer reinsurance accounting and SAP General Ledger access from Talanx. The intention was to complete most of the readiness activities in order to be able to start the IT engagement by the end of the first half of 2020. I have been informed that reinsurance accounting has been postponed to the end of Q3 2020 due to a lack of resource availability on Talanx's side. The replacement of SAP by Oracle General Ledger has been abandoned and the project will refocus on acquisition of MAL's own SAP licence and migration or extension of the Transition Services Agreement.

A key point to note is that a broad range of services including policy administration, IT, risk management, compliance, and finance, are outsourced to QISL. MAL has a comprehensive framework to mitigate the outsourcing risk. Nearly the entire staff of Aspecta was transferred to QISL, thus ensuring the know-how transfer to secure service continuity and quality; there is a common IT infrastructure between MAL and QISL; MAL and QISL staff supporting the MAL business operate from the same building, enabling close collaboration on a day-to-day basis. Furthermore, the SLA stipulates a reversibility clause describing the circumstances under which the relationship is terminated as well as the technical provisions for early termination of the contract. QISL, is also subject to regular audits which are performed on the basis of being a service provider.

I also note for completeness that, at the end of the fourth quarter of 2019, a contract was signed with CNP to take on the entire QISL shares. The transaction was finalised on 9 July 2020. The intention is to rename QISL to MASL in late 2020. As MAL is closed to new business, its focus is on managing the risks of a decreasing book of residual business. Outsourcing is a core part of MAL's run-off strategy and expense risk has been substantially reduced by the outsourcing agreements that are in place. I note that a revised QISL business plan has been produced based on the QISL transaction. Greater control of the outsourcing relationship by MAL is a positive development more generally.

Actuarial services are partially outsourced to an external service provider, ifa. In particular, the Solvency II calculations related to Pillar I and Pillar II as well as the medium-term planning of the technical result are outsourced. These calculations are then reviewed by the Actuarial Function according to the specifications of the Solvency II Directive and the Delegated Acts. The Actuarial Function reviews the underlying data, the assumptions and the calculations and reports its findings and conclusions to the Board of Directors.

IT infrastructure is currently outsourced to IPSI with the key IT systems required to manage the portfolio being licensed, hosted and supported by IPSI. The intention is for this to remain unchanged for at least 6 months post Scheme with no planned immediate changes until the evaluation of the operating model has been completed. I have been advised that the plan is to migrate from the current platform to MAL's preferred operating platform.

4.6 Reinsurance

4.6.1 Overview of reinsurance

MAL employs reinsurance agreements to reduce their exposure to mortality, morbidity, lapse and expense risk. The reinsurance arrangements are described below:

Internal reinsurance

Intra-group reinsurance contracts covering traditional life insurance business and unit linked business were drafted by Hogan Lovells under the control of Monument Re, effective January 2019. This was implemented in support of the Group's intention to efficiently manage capital and liquidity. This intra-group reinsurance provides MAL with protection against financial risks such as underwriting risk.

Two quota share reinsurance arrangements are in place for the traditional business and the unit linked business, under which 80% of all reinsurable risks are ceded to Monument Re. Both contracts cover business net of all external reinsurance. In particular, the net claim amount is determined as the difference between contractually fixed reinsurance commissions and Monument Re's share of local GAAP profits/losses before tax.

An Intra-Group Reinsurance Framework was approved by the MAL board in September 2019 which includes collateral requirements that reduce counterparty default risk. These are regularly monitored and topped up according to a series of triggers and MAL monitors the solvency and liquidity position of Monument Re Limited.

External reinsurance

MAL has been closed to new business since 2011 and from this point, there has been no active external reinsurance arrangement. Prior to this, external reinsurance, in particular quota share treaties and surplus treaties, played a major role in financing new business. The treaties are long-term in nature and are not subject to annual renewals.

The reinsurers' share was predominantly 85% on original terms. The treaties are arranged with a deficit account carrying forward the reinsurers' (initial) losses per underwriting year. The treaties allow for a recapture option for the cedant once the deficit account has been amortised. It might happen that there will be a deficit account left even in case of complete run-off of the underlying reinsured portfolio. However, there are no obligations within the reinsurance treaties for a pay-back of the outstanding amounts towards the reinsurers at any time.

These treaties are in a run-off situation following the specific reinsurance terms and conditions. However, future dynamic increases or additional top-up premium payments are subject to reinsurance as before.

There are no additional guarantees that exceed the guarantees granted to the policyholders with respect to external reinsurance arrangements.

4.6.2 Ratings of reinsurers

The default risk of the reinsurance counterparties is regularly monitored – the credit ratings of the reinsurance counterparties are described below:

- As at Q1 2020, the Standard and Poor's credit rating of Hannover Rack SE was AA-; SCOR Rückversicherung Deutschland branch of SCOR SE was AA- and Deutsche Rückversicherung AG was A+. All reinsurance companies had a stable outlook.
- Monument Re is an unrated reinsurance company, licensed as a class E reinsurer in Bermuda. Monument Re will provide an update of its capital position relative to its regulatory requirements on a quarterly basis, as per the reinsurance treaty terms. At Q4 2019, Monument Re was capitalised to a level of 474% of its minimum regulatory capital requirement.
- MAL is enabled to take credit for this reinsurance on its Solvency II balance sheet so long as Bermuda retains Solvency II Equivalence. There are no reasons to believe that this will change in the near future, as it can be noted that the Bermuda regime is making changes to its regime so as to actively maintain this status.

Table 4.7 summarises MAL's reinsurance asset by location at 31 December 2018 and 31 December 2019.

Table 4.7: MAL's Reinsurance Asset by location ("RI Asset") (€m)		
Entity	31 Dec 2018	31 Dec 2019
Italy	74.7	147.6
Spain	14.9	39.0
Germany	3.5	32.0
France	2.9	4.3
Total	95.9	223.0 *

Source: 2019 MAL SFCR

* in respect of the intra group reinsurance arrangement, the collateral requirement at 31.12.2019 was €52,349.85 for non-linked business and €0 for unit-linked business.

The assets backing gross technical provisions are held on the MAL balance sheet with a corresponding deposit liability. These assets also serve as "collateral". Additional collateral is only required if losses are expected and/or for outstanding commission payments.

4.7 Financial Profile

4.7.1 Background

The Solvency II regulatory reporting regime came into effect across the EU from 1 January 2016. As Solvency II is an EU initiative, which sets out prescribed rules on the calculation of technical provisions and capital requirements for (re)insurance undertakings, it applies in Ireland and across the EU in a harmonised way. Therefore, there is no difference between the underlying regulatory reporting regime for any insurance business sold in the EU. An overview of the Solvency II regime is given in Appendix 5.

4.7.2 Technical Provisions

Table 4.8 below summarises MAL's Solvency II technical provisions at 31 December 2019 by line of business:

Table 4.8: MAL Technical Provisions - Gross of reinsurance (€m)			
Component	Index-linked and unit-linked	Life excluding health and index-linked and unit-linked	Total
Best Estimate Liability	203.4	20.5	223.9
Risk Margin	1.9	0.1	2.0
Total	205.4	20.6	226.0

Source: 2018, 2019 MAL SFCR

Table 4.9 below summarises MAL's BEL at 31 December 2018 and 2019, Gross and Net of reinsurance.

Table 4.9: MAL Best Estimate Liability - Gross and Net of Reinsurance (€m)				
Component	31 Dec 2018		31 Dec 2019	
	Gross	Net	Gross	Net
Index-linked and unit-linked	190.1	107.2	203.4	16.2
Life excluding health and index-linked and unit-linked	21.2	16.8	20.5	4.4
Total	211.3	124.0	223.9	20.6

Source: 2019 MAL SFCR

The "Technical Provisions calculated as a whole" figures, in the context of MAL's balance sheet, correspond largely to the unit linked liabilities of the business and are determined directly from the value

of the underlying assets. The net technical provisions have decreased due to inception of the intra-group reinsurance contracts.

The gross best estimate liability is a probability-weighted average of future cashflows, discounted using a prescribed risk-free term structure of interest rates, whilst the risk margin is intended to reflect the compensation that a third-party would require for the capital costs incurred in taking on the insurance liabilities.

In terms of key judgements used to prepare their Solvency II technical provisions, at present MAL do not use any transitional measures and use the prescribed EIOPA risk free yield curve.

4.8 Solvency Position

4.8.1 Solvency II Solvency Capital Requirement

Under Solvency II, firms must hold capital equal to the higher of the Solvency Capital Requirement ("SCR") or Minimum Capital Requirement ("MCR"). In MAL's case, at year-end 2019, it is the SCR that applies.

The SCR is determined by subjecting the overall balance sheet to a prescribed series of 1-in-200 year shocks and aggregating the impacts in a specific way. The MCR represents the absolute minimum level of capital that must be held, determined using a linear function which considers, amongst other factors, the SCR, capital at risk, the Technical Provisions, written premiums and administrative expenses. The MCR is also subject to an absolute minimum amount, specified in Euro terms. Further detail on the determination of both is set out in Appendix 5.

Under Solvency II, the assets available to cover the capital requirements are referred to as "Own Funds", with the Own Funds reflecting the value of the net asset position of the firm. Comparing the SCR to the level of Own Funds gives an indication as to the level of solvency coverage within a firm.

Table 4.10 below sets out the regulatory capital position of MAL, under the Solvency II framework at 31 December 2018 and 31 December 2019:

Table 4.10: MAL SCR Coverage (€m)		
	31 Dec 2018	31 Dec 2019
Assets	351.2	489.0
Liabilities	324.1	458.7
Own Funds	27.1	30.3
SCR	13.9	5.1
MCR	3.7	3.7
Capital Required	13.9	5.1
Excess Own Funds over requirement	13.2	25.2
Solvency Coverage Ratio	195%	595%

Source: 2018, 2019 MAL SFCR

As at 31 December 2019 the Solvency II returns showed total Own Funds available net of liabilities of MAL were €30.3m, an excess of €25.2m over the solvency capital requirement of €5.1m. There was a Solvency II solvency coverage ratio of 595%. All the €30.3m Own Funds capital held is classified as Tier 1 unrestricted capital. The increase of €3.2m in the Own Funds reflects the realised profit in 2019 and valuation differences between Solvency II and statutory accounts.

In addition to the above, I note the Financial Statements show a positive financial result in 2019 of €2.7m, this is a slight decrease from €3.3m in the previous year. This was primarily driven by a reduction in the gross written premium as well as the implementation of the intragroup reinsurance contracts.

Table 4.11 sets out the breakdown of solvency capital position of MAL by risk category, under the Solvency II framework as at 31 December 2018 and 31 December 2019.

Table 4.11: MAL SCR Components (€m)		
Component	31 Dec 2018	31 Dec 2019
Market risk	8.3	2.9
Counterparty default risk	1.3	1.3
Life underwriting risk	11.6	2.4
Diversification	-4.9	-1.8
<i>Basic Solvency Capital Requirement</i>	<i>16.3</i>	<i>4.8</i>
Operational risk	1.6	1.5
Loss-absorbing capacity of technical provisions	-0.7	-0.0
Loss-absorbing capacity of deferred taxes	-3.3	-1.1
Solvency Capital Requirement	13.9	5.1

Source: 2019 MAL SFCR

Over 2019, it can be seen that there was a decrease in MAL's SCR from €13.9m to €5.1m. This reduction was due to the conclusion of the intragroup reinsurance contracts. MAL's counterparty default risk capital requirement for intra-group reinsurance was zero due to the collateralisation arrangement. Market risk is the largest driver as unit linked contracts without financial guarantees comprise the majority of the business, with equity risk being the largest component. Although any losses resulting from market movement are borne by the policyholder, a relevant proportion of the fees are linked to the performance of the unit-linked assets. The second main driver of the decrease in the SCR was underwriting risk exposure, in particular, lapse risk and expense risk

I also note that, in preparing this report, I have primarily considered the results made available to me as at 31 December 2019. However, over the first quarter of 2020, financial markets and western economies experienced significant disruption as a result of the COVID-19 pandemic. Consequently, I have also supplemented my analysis by considering the 31 March 2020 results for MAL. I note that the solvency position has not been materially impacted by the COVID-19 pandemic, the associated market turbulence and policyholder responses. I note that the available Solvency II Own Funds reduced from €30.3m at 31 December 2019 to €29.4m, whilst the regulatory capital requirement fell from €5.1m to €4.3m. Therefore, MAL's coverage of the regulatory capital requirement increased from 595% to 689%. These figures are captured in table 4.12 below:

Table 4.12: MAL SCR Coverage (€m) – 31 Dec 2019 and 31 Mar 2020 (€m)		
Component	31 Dec 2019	31 Mar 2019
Assets	489.0	408.6
Liabilities	458.7	379.3
Own Funds	30.3	29.4
SCR	5.1	4.3
Capital Required	5.1	4.3
Excess Own Funds over requirement	25.2	25.1
Solvency Coverage Ratio	595%	689%

Source: 2019 MAL SFCR, Q1 2020 QRT

4.8.2 Projected Solvency Position

I have considered MAL's most recent ORSA report, completed in December 2019. I have not reproduced the detail in this report.

The ORSA is an integral part of each Company's risk management system and its purpose is to include an assessment of the overall solvency needs of the Company, the compliance on a continuous basis with the Solvency II capital requirements and the significance with which the risk profile of the Company differs from the assumptions underlying the SCR. The ORSA should be an integral part of the business strategy and should be taken into account on an ongoing basis in the strategic decisions of the Company.

The ORSA is useful in terms of understanding the risks inherent in the business and the stability of the Solvency II capital position over time. The projections within the ORSA are based on a central scenario over the five-year period to year end 2024, where the projected SCR coverage ratio is targeted to exceed the internal minimum solvency ratio. I note that the Capital management and Dividend policy was reviewed and submitted for approval at the MAL March 2020 Board meeting.

The stresses are captured in table 4.13 below:

Table 4.13: ORSA Stresses and Scenarios	
Scenario	Description
Instantaneous Scenario	
Eurozone breakup	Eurozone breakup Blackrock Aladdin Eurozone Breakup hypothetical scenario (combination of change of spreads, change of interest rates, equity stress and currency stress)
Low spreads	Spreads fall to lows seen in 2004-2007 and remain at that level for 5 years (approximated by a decrease of average spreads by 50bps) Interest rates All market interest rate curves ± 200 bps (no floor)
Interest rates	All market interest rate curves ± 200 bps (no floor)
Exchange rates	25% strengthening of euro against all other currencies Fund performance Fund volume -10%
Fund performance	Fund volume -10%
Lapses	Combination of: <ul style="list-style-type: none"> 25% fall in surrender and paid-up rates as well as rejection rates for dynamic premium increases for portfolios with guaranteed interest rates 20% mass lapse over 1 year for all other business
Refund Rates	Refund rates -10%
Outsourcer failure	Failure of QISL (resulting in revised expense assumptions)
Counterparty default	Intra-group reinsurance is terminated at 31 Dec 2020
VAT	10% VAT on outsource costs (PSA expenses)
Projection Scenario	
Recession Stress	<ul style="list-style-type: none"> Blackrock Aladdin Global Recession historical scenario (combination of change of spreads, change of interest rates, equity stress and currency stress) DRM spreads at levels seen in the Global Financial Crisis Defaults on all credit assets 4x best estimate for 2 years
Expenses	10% increase in all expenses plus 1 percentage point increase in expense inflation for all projection years (except where contractually fixed)
Reverse Stress Scenario	
Lapses & Expenses up & Refund rates down & Counterparty default	<ul style="list-style-type: none"> Termination of IGR at 31 Dec 2020 Instantaneous scenario "Lapses" as described above Expenses +25% (except where contractually fixed) Refund rates -60%
Refund rates down & Counterparty default	<ul style="list-style-type: none"> Termination of IGR at 31 Dec 2020 Refund rates -83%

Source: 2019 MAL ORSA

The table 4.14 below shows the solvency coverage ratio in the base case for MAL at 30 June 2019 adjusted for a dividend payment of €7.9m in 2020. The starting figures as at 31 December 2019 reflect the expected figures at the time the ORSA projections were performed, whereas the actual

31 December 2019 figures have been shown above. While the exact figures may not tie up, I have focused on the general direction and impacts. I note that the stress and scenarios used do not take into consideration the proposed portfolio transfer as it was not anticipated at the time.

Table 4.14: Projected MAL Solvency Coverage (€m)						
Balance Sheet Component	2019	2020	2021	2022	2023	2024
Excess of assets over liabilities	27.3	19.8	20.0	20.3	20.6	21.1
SCR	4.3	4.0	3.6	3.5	3.3	3.1
Excess Own Funds over requirement	23.1	15.8	16.4	16.8	17.3	17.9
MAL Solvency Coverage	640%	498%	555%	581%	619%	669%

Source: 2020-07-17_Proforma-financial-analysis_MAL+Omega

The reverse stress tests considered are scenarios without an allowance for intra-group reinsurance. Only very extreme scenarios i.e. reserve stress scenarios led to the solvency coverage ratio falling below 100%.

Overall, the projections show a SCR coverage ratio in excess of the internal minimum solvency ratio target for each year in the base scenarios, for each stress scenario and for the reverse stresses. The financial strength of MAL remains robust under each of these scenarios over the projection period, although these scenarios do not take into consideration the Omega portfolio transfer.

I have also considered the range of management actions available to MAL as described in the ORSA and consider these to be reasonable. I have no issues to note from my review of the OSRA projections provided by MAL.

4.9 Policyholder Reasonable Expectations

In general, for Irish based life insurance entities, I am required to consider guidance issued by the Society of Actuaries in Ireland with regard to Policyholders' Reasonable Expectations ("PRE"). ASP LA-6 ("Transfer of Long-term Business of an Authorised Insurance Company – Role of the Independent Actuary") sets out items to be considered in this regard.

However, I note that in Luxembourg insurance companies are supervised by the CAA. This is the supervisory authority competent for the insurance sector. It is a public institution subject to ministerial authority and distinct from the State with financial autonomy. There is a protection regime known as the "triangle of security" and through this tripartite agreement, the CAA may block the assets of a Luxembourg life insurer directly at the custodian bank in order to protect policyholders' rights. Furthermore, insurers that are members of the Association of Insurance and Reinsurance Companies ("Association des Compagnies d'Assurances et de Réassurances", "ACA") must comply with charter guaranteeing adherence to professionalism and high ethics.

Mindful of the above guidance and requirements, my views are:

- **Benefits** payable to existing MAL policyholders are straightforward, with limited amounts of options and guarantees applying. The benefits offered to existing MAL policyholders are not going to change as a result of the Scheme.
- **Security of benefits:** the policyholders of MAL have a reasonable expectation that their benefits are secure and will be paid as they fall due. This will depend on the risks to which the policyholders are exposed to before and after the transfer, including the relevant financial position of MAL. Under Luxembourg regulations, insurance claims have a super privilege and have a priority over other claims.
- **Entitlement to benefits:** Policyholders have a reasonable expectation that valid claims will be paid in accordance with policy terms and conditions. I have reviewed some of MAL's product documentation and am satisfied that it does not confer any particular additional reasonable expectations over and above the contractual provisions. I am not aware of any legislative requirements which confer entitlements to policyholders beyond those in the policy terms or constrain the use of discretion by MAL.
- **Service standards:** MAL policyholders have a reasonable expectation that the services they receive will be provided in a professional manner and that claims and enquiries will be dealt with promptly.

The existing structures applied for policy servicing are not expected to change as a result of the Scheme.

- *Discretionary powers available to MAL:* policyholders have a reasonable expectation that any discretion available to MAL will be applied in a fair and reasonable manner. The use of discretion by MAL is reasonably limited but is broad in nature given the nature of its business mix. The Scheme does not lead to any anticipated changes with how discretion is applied for existing MAL policyholders. The use of discretion principally relates to the following general areas:
 - Assessment as to whether a claim is valid or not;
 - Appropriate premium rate to charge;
 - Assessment as to whether monthly recurring premium contracts are written such that the premium rate may be altered or the policy terminated at the discretion of MAL at each renewal date.
 - The determination of charges levied against policyholders for unit linked business; and
 - Treatment of financial guarantees.

In general, I would note that practice is well established in MAL in these areas. The approach to the use of these discretionary powers will not be materially altered as a result of the Scheme, I comment on this further in Section 0.

4.10 Complaints and Litigation

In Luxembourg, the Insurance Ombudsman was implemented by ACA and the Union Luxembourgeoise des Consommateurs (“Luxembourg Union of Consumers”, “ULC”) to find extrajudicial solutions in insurance litigation.

MAL has a formal complaints process in place which is managed by the Legal and Complaints Committee. The committee reviews and monitors open cases on a quarterly basis. QISL manages the daily information and informs MAL when a decision needs to be made. The complaints monitoring and decisions made are formalised in the committee minutes. Complaints remain open for a period of one year following inactivity or absence of feedback from the complaining party. There is a litigation database with three levels: Complaints at risk, Pre-litigation and Litigations. Any complaint that is material or has the potential to become a litigation is entered into the litigation database

The established processes in place for addressing complaints for existing MAL customers will not change as a result of the Scheme. Given the above, I have not reproduced significant additional detail within the Report.

I have received the MAL complaints register as at June 2020 and the 2019 Annual reporting of complaints to CAA. There were no material issues to note.

I have also received the MAL Complaints and Litigations dashboard containing complaints with a potential to become litigations in Italy, Spain, France, Germany and Belgium. No material issues were noted.

4.11 Other Regulatory matters

4.11.1 CAA Matters

I have been advised that MAL currently has no regulatory matters open with the CAA.

4.11.2 Compensation Schemes

I note that there is no policyholder Compensation Scheme in Luxembourg.

5 Omega Life DAC

5.1 Overview

5.1.1 Current company structure

Omega (formerly Cattolica Life DAC until 8 June 2020) is registered in Ireland under company number 307509 and is regulated by the CBI. Omega received regulatory approval in November 1999 to operate as a life assurance head office undertaking in Ireland and commenced trading in February 2000.

5.2 Structure and background

Omega was established as a joint venture between former shareholders Cattolica Assicurazioni (60%) and BPV (40%). In June 2017 the ECB deemed BPV “failing or likely to fail” and the Italian government issued a Decree by which BPV was put into liquidation according to the provisions of Italian law. The liquidators sold a part of the bank to Banca Intesa. BPV was the primary distribution channel for Omega Life DAC and following the loss of this distribution channel the Company closed to new business on 28 July 2017 and no longer wrote new insurance business from this date. Cattolica Assicurazioni acquired BPV’s shares and subsequently sold Omega to Monument Re on 4 June 2020 (following the CBI’s non-objection notification on 20 May 2020). Following the change in ownership a name change and rebranding exercise was undertaken to change the name of the entity from Cattolica Life DAC to Omega Life DAC.

Omega is authorised to conduct life insurance business in the following classes of insurance:

- Class I (Life assurance and contracts to pay annuities on human life, but excluding contracts within Classes II and III),
- Class III (Contracts linked to investment funds), and
- Class IV (Permanent health insurance contracts).

Omega’s core business is unit linked (single premium and regular premium) business on a freedom of services basis in Italy. As at year-end 2019, Omega’s total assets held for index-linked and unit-linked contracts is €168m.

5.3 Nature of business written

5.3.1 General Overview

As noted above, Omega is a life insurance company and its core business line is conventional unit linked single premium and regular premium products. Omega’s business is classified as “Index linked and unit linked insurance”. Unit linked policies are those where policyholders invest their premiums in pooled investment funds, with the value of their policies increasing or decreasing in line with the performance of the underlying assets (of the investment funds). The investment risk for such funds is borne by policyholders, with Omega generally earning a fee which is mainly set as a percentage of the fund. Unit linked policies can also have insurance benefits attached to the underlying contracts. The vast majority of unit linked products sold by Omega were single premium policies.

The main product lines are described briefly below:

- Free Selection is a single premium unit linked investment policy issued on a single life basis.
- Ensemble is a single premium unit linked investment policy issued on a single life basis.
- Portfolio Bonds are whole of life unit linked single premium contracts.

The business has been closed to new business since 28 July 2017.

There have been minor amounts of premiums received since end of June 2017 to end of 2019 of €0.9m.

Omega is currently receiving rebates from some investment fund managers. Most of these rebates are paid back to the policy holders, in accordance to policy conditions. The rebates for the period 1 January 2020 to 30 June 2020 amounted to €312k.

5.3.2 Free Selection Products

Product Overview

As at year-end 2019, the assets under management in respect of the Free Selection product totalled almost €89m, meaning it represented just over 53% of Omega's overall unit linked business.

Free Selection Product Variants and Benefits

- This is a single premium unit linked investment policy issued on a single life basis.
- There are four versions of the Free Selection product: "Retail Edition", "Private Edition", "Free Selection Retail New Edition" and "Free Selection Private UP".
- For all four versions of the Free Selection product, policyholders can receive a rebate of up to 0.96% from some of the investment managers in the Free Selection fund offering.
- Additional death benefit is a percentage of the policy value that varies by age and the surrender penalty for full and partial surrenders also varies by the policy year.

Investment Options

The policyholder can choose a maximum of 20 of the 61 "Units of Collective Investment Schemes" ("UCITS") funds available. These are externally managed funds split into 13 investment categories.

Fees and Other Features

The following text describes the nature of the fees that may apply to the policies, noting that fees can vary depending on when the contract was taken out and the exact nature of the contract chosen:

- There is no initial charge on the premium for both the Private and Retail Editions.
- There is initial commission of 3% on the Retail Edition and no initial commission on the Private Edition.
- An annual management charge is deducted from the assets under management and varies by fund.
- A €30 fixed fee applies to all surrenders (full and partial) for the Retail Edition. Surrenders in the first year are subject to a 4% surrender charge which reduces by 1% each year to 0% in the fifth policy year. Most policies have reached a duration in-force whereby such charges no longer apply or are at low levels.
- A €60 fixed fee applies to all surrenders (full and partial) for the Private Edition. Surrenders in the first year are subject to a 2% surrender charge which reduces to 0% by the fourth policy year. Most policies have reached a duration in-force whereby such charges no longer apply or are at low levels.

5.3.3 Ensemble Products

Product Overview

As at year-end 2019, the assets under management in respect of the Ensemble product totalled almost €54m, meaning it represented just over 32% of Omega's overall unit-linked business.

Ensemble Product Variants and Benefits

- This is a single premium unit linked investment policy issued on a single life basis.
- The death benefit is calculated as a percentage of the value of units and is also dependent on age.
- For the policyholders who paid a 1% initial charge, the full surrender penalty is calculated as a percentage of the policy value and varies by the policy year. Partial surrenders are subject to a minimum of €2,500 in any one year. The same surrender penalties apply to partial surrenders.
- For the protection funds, surrenders are not allowed during the first six months. Thereafter, the surrender value is equal to 98% of the current value of the basket in months 7 to 18 of the contract,

99% of value of basket in months 18 to 30 year and 100% of value of basket in subsequent years. Partial surrenders are not allowed on these funds.

- There are no rebates received from fund managers.
- Further versions of this product are available, with similar characteristics – the “Nova Ensemble” and “Carismi Ensemble” versions.

Investment Options

The policyholder can choose any combination of five funds. Four of the funds are denominated as exchange traded funds (“ETF”) funds. The ETF Fairway funds are the ETF Bilanciato & Prudente Fund, the ETF Conservativo Fund, the ETF Dinamico Fund and the ETF Vivace fund. The fifth fund is a protection fund that seeks to protect the policyholder’s initial investment while offering some upside potential. This is done through a combination of investments in bonds and options.

Fees and Other Features

- There is a 1% initial charge for investment in the four ETF funds.
- 3% initial commission is payable for investment in the four ETF funds.
- An extra 0.07% commission was paid to the broker prior to 2011, after which the broker agreement was revised.
- The initial charge and commission for investment in the protection funds varies according to each individual fund.
- An annual management charge is deducted from the assets under management and varies by fund.
- A €30 flat charge applies to each full surrender (with further details of surrender penalties on some policies outlined above).

An extra 0.07% of commission was paid to the Ensemble broker prior to 2011, after which the broker agreement was revised. I have been advised that this has been resolved and will not have an impact post-transfer.

5.3.4 Portfolio Bonds Products

Product Overview

This is a single premium unit linked investment policy issued on a single life basis. The policy terminates on the first of death or full surrender. As at year-end 2019, the assets under management in respect of the Portfolio Bonds product totalled almost €0.8m, meaning it represented less than 1% of Omega’s overall unit linked business.

Portfolio Bonds Product Variants and Benefits

The extra amount payable on death varies by the age of the life assured. This is calculated as a percentage of the value of the units which varies by age and is subject to a maximum 1% of the value of units, subject to a maximum of €50,000 when the life assured is less than 60. In the first 12 months no death claim will be paid when the cause of death is an illness. There are no other risk benefits. Top-Ups are allowed.

Investment Options

There is only one portfolio bond in-force. This is a tailored product with no pre-defined set of investment funds; investment selection is at the discretion of the policyholder. The asset allocation is based on the policyholder’s characteristics in terms of investment and risk appetite.

Fees and Other Features

- A fixed charge of €1,000 applies when paying out the death claim.
- The risk charge is 0.10% of NAV, taken on a daily basis.
- A €5,000 penalty applies on full surrender.
- A €2,500 penalty applies for other partial surrenders.

- There are no rebates received from fund managers.

5.3.5 Other Products

As at year-end 2019, the assets under management in respect of the remaining unit-linked products totalled almost €24m, meaning they represented just over 15% of Omega's overall unit-linked business. These products include: Guida Life, UBI Symphony Life, Swing, New Life Investimento and Previdenza, Duet/Flex, Personal Portfolio Insurance 30 and Private Insurance products and their variants.

- Guida Life policyholders can receive rebates from investment fund managers of up to 0.73%;
- Shareholders, not policyholders, receive rebates for the New Life Investimento and Previdenza products of up to 0.21%.
- The rest of the products do not offer any rebates from fund managers.

Omega has two products with an actuarial funding feature. For these products, the unit liability held is equal to the actuarially funded unit liability. An out of model adjustment is performed in Excel to calculate the cost of repurchasing actuarially funded units. This adjustment is added to the best estimate liability calculated in Moses. This adjustment does not have a material impact - c.€17k in December 2019.

5.4 Reinsurance

Omega has two reinsurance treaties in place (one with Munich Re and one with Swiss Re):

- The treaty with Munich Re was entered into in October 1999. This is a 90% quota share treaty covering the additional death benefit on the New Life Previdenza product.
- The treaty with Swiss Re was entered into in December 2002. This is a 90% quota share treaty covering all risk benefits on the New Life Investimento product, Guida Life regular premium and Guida Life single premium products.

The cover provided matches the underlying risk on the associated policies, noting that a limited number of policies are involved. The reinsurance cover is in respect of the death benefits on the underlying policies. Therefore, it is not considered that there are latent or unknown risks that might not be covered by the reinsurance. Omega's policy is to reinsure a substantial proportion of the sum at risk under treaty cover on any product where a significant death benefit is offered - defined as being in excess of €75,000 (with exceptions subject to agreement). The maximum amount of net risk that Omega will retain on any one life is €100,000. Exposures to reinsurers are monitored on an ongoing basis, with monitoring of the total sum at risk, total sum reinsured, and total recoveries due from each reinsurer.

In recent years, Omega has made a loss on the reinsurance treaties, and the year-end projections indicate that premiums will be larger than the recoveries on best estimate assumptions in relation to the treaties going forward. The reinsurance asset as at 31 December 2019 was -€0.1m.

Omega does not make any use of facultative or non-traditional reinsurance. No intra-group reinsurance services are used.

All existing reinsurance treaties are expected to remain in place. Consequently, I do not comment further on the reinsurance arrangements in place as they will not be impacted or change as a result of the Scheme

5.5 Risk profile and management

5.5.1 Overview of risks

Omega is exposed to a range of risks which it separates by nature and manages through a systematic risk management approach. The most significant individual risks as described in the ORSA are described below:

- Market risk, notably equity, interest rate and currency risk:
 - Equity risk arises from price fluctuations on equity securities.
 - Interest rate risk is the risk of loss due to changes in interest rates and arises for Omega as assets held (both directly by Omega and within the unit linked funds) can be adversely impacted by interest rate movements.

- Currency risk is the risk of loss due to changes in exchange rates and this arises from small holdings of unit linked funds from policyholder surrenders and derivatives until such time as these can be disposed of. Omega has limited exposure and the exposure is mainly through the management charges on its unit-linked assets.
 - Omega assumes market risk through direct shareholder investments and indirectly through its unit linked business which is invested in equities and bonds on which it earns a management charge. Omega receives income on unit linked business which is proportional to the value of the assets under management, and changes in the value of the underlying assets can impact this income. The income rises and falls in line with the unit linked funds. Omega's exposure to some death benefits increases slightly when fund values fall below the original premium paid so that market risk can also result in some increased mortality payments.
 - Omega aims to take limited market risk on its shareholder investments and considers it appropriate that its shareholder assets should be invested with minimal market risk so that cash and short-term government bonds or money market instruments will comprise the majority of these assets.
- Omega has a limited amount of credit spread exposure. Any credit risk on policyholder funds is passed on to the policyholders and Omega does not assume significant credit risk on the shareholder investments. The majority of the shareholder investments are invested in bank accounts or money market instruments. There is also an exposure to spread risk connected to falls in unit linked fund values and fund management charge income. Omega also typically has a small amount of exposure to investment banks as a result of assuming Ensemble assets upon optional surrender by the policyholders.
 - Counterparty risk arises through its exposure to Munich Re and Swiss Re in relation to the reinsurance of death benefits on some older products. Counterparty risk also covers cash at bank and it is this aspect of counterparty risk that dominates its capital requirement – majority of the shareholders' funds were previously with one bank counterparty; however the Company has since moved into money market funds. There is also some minor indirect exposure to counterparty risk on derivative assets used within the Ensemble products.
 - Life insurance underwriting risk primarily arises for Omega on its protection products, where claims costs (arising from mortality) exceed that expected, either as a result of short-term volatility or due to changes in long term demographic behaviour.
 - Operational risk also exists within Omega's risk universe. This refers to the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events. The complexity and scale of the business can drive such exposures, which are managed through internal controls and the risk management framework itself.
 - Liquidity risk refers to the risk that undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due. This exists in relation to the Italian substitute tax arrangement. The nominal value of the asset was 5.5m at end December 2019 and the liquidity of this asset is linked to policyholder recoveries and thus dependent on market performance. The amount of this asset has since reduced to circa €2.5m at the date of change in ownership, as some of the Italian tax asset was exchanged with Omega for a cash payment as part of the consideration.

5.5.2 Risk Management Framework

To facilitate a structured approach to risk-taking, Omega has adopted a three-level structure to its risk management governance. The three levels are Risk Management, Risk Oversight and Independent Assurance. The Actuarial and Risk Management Functions are outsourced to Milliman. No material issues were noted as part of my review, but I have commented on some specific components of the broader framework below.

5.5.3 Risk Appetite

As part of its broader Risk Management Framework, Omega has established a Risk Appetite Statement, which is intended to allow Omega to operate its Risk Management system in a controlled manner. The Risk Appetite Statement provides details on how Omega seeks to manage its capital and risk exposures so that it is able to meet all financial commitments to policyholders in full after an extreme shock. Omega's Risk Appetite considers the risk universe to which Omega is exposed and the aggregate level

of risk that Omega is willing and has capacity to assume to achieve its strategic objectives. Omega seeks to maintain sufficient capital to allow it to operate for a period of 18 months before SCR coverage would fall to a 150% coverage ratio. A capital buffer of at least 50% in excess of the SCR is maintained. No issues were noted as part of my review.

5.5.4 Risk Sensitivities

I have been provided with Omega's Record of the ORSA process. The ORSA is mandated under the Solvency II regulatory regime that applies to life insurance companies in Europe and requires an entity to consider its capital requirements and risk exposure. It is also expected that the ORSA will illustrate the entity's exposure to key risks by performing a series of stress and scenario tests.

Omega's latest approved ORSA report was prepared as at 30 June 2019 and I have considered the sensitivity analysis prepared within that report. I have not reproduced the detail. The key risks are in line with those outlined in Section 5.5.14.4.1. As discussed in the Omega ORSA process, the most material relate to an adverse run-off and strategic scenario in which the length of time to effect a transfer is extended. Market and insurance risks are less material given the reduction in the in-force business.

5.5.5 Risk Issues

The current listing of open risk issues for Omega was also shared and I considered this as part of my review. No specific issues were identified which impact upon the Scheme.

5.5.6 Governance

Omega has a comprehensive governance structure in place which establishes roles and responsibilities across the entity.

The Omega Board

Omega's Board of Directors ('the Board') is responsible for establishing an adequate Internal Control System within Omega, that includes defining clear roles and responsibilities for managing risks and determining the extent to which internal controls have to be evaluated. The Board of Directors meets at least 4 times per year and their responsibilities include:

- Setting the direction, strategies and financial objectives of the Company;
- Oversight of the Company, including its control and accountability systems;
- Monitoring compliance with statutory and regulatory requirements;
- Reviewing and ratifying systems of risk management and internal control;
- Approval of Financial Statements and Report of the Directors; and
- Approval of key strategic decisions.

Committees of the Omega Board

The Board has established the following committees which report directly to it:

- The Audit Committee supports the Board in financial reporting, internal controls, internal audit, external audit and compliance. The Committee is comprised solely of Non-Executive Directors, with the majority being independent non-executive directors. The chair of the audit committee is also an independent non-executive director.
- The Risk Committee is responsible for providing oversight and advice to the Board on the risk exposures of Omega and future risk strategy. It also provides direction and oversight in relation to risk identification, assessment, management and monitoring and oversee the Risk Management function. The Committee has three or more members, with the majority being independent non-executive directors. The chair of the committee is also an independent non-executive director

Key Functions

Omega's Internal Control Framework uses the "Three Lines of Defence" model.

The first line of defence in the model consists of the business departments.

The second line of defence consists of the risk management, compliance, and actuarial functions. These functions report to the Board or appropriate Board sub-committees on a specified basis:

- The Risk Management function which is outsourced to Milliman and is led by the CRO, Eamonn Phelan who is employed by Milliman. The function is responsible for developing and monitoring the risk management system. Other responsibilities include advising the Board in relation to risk management strategy, developing and maintaining risk management policies and procedures and advising the Board regarding risk appetite.
- The Compliance function, which is implemented by the Compliance officer, an Omega employee, is responsible for identifying the key compliance risks to Omega and monitoring the activities of the business to ensure compliance with the requirements of the CBI and with the requirements of the regulatory authorities in other jurisdictions where Omega operates. Amongst other things, the Compliance function identifies, develops and coordinates the establishment and maintenance of appropriate Omega policies, procedures and systems required to comply with applicable legislative and regulatory provisions and manages corporate risks
- The Actuarial function, which is outsourced to, is responsible for carrying out the actuarial activities of Omega including the provision of regular reports to the Board on Technical Provisions. Patrick Meghen who is employed by Milliman fulfils the role of Head of Actuarial Function for Omega. The actuarial function has responsibilities in relation to the coordination of the technical provisions, data quality, monitoring experience, reviewing underwriting and reinsurance and contributing to the effective implementation of the risk management system.

The third line of defence is the internal audit function. It is provided on a secondment basis using the internal audit function with Monument Re Group, and is independent of Omega's business operations. The internal audit function is responsible for providing independent assurance to the Audit Committee and the Board. It reviews the effectiveness of the first and second lines of defence and suggests improvements to be implemented.

5.6 Financial profile

5.6.1 Background

Omega is regulated by the CBI and assesses its regulatory capital requirements in line with Solvency II, a pan-European regulatory regime which came into effect from 1 January 2016.

Solvency II is an EU initiative, which sets out prescribed rules on the calculation of technical provisions and capital requirements for (re)insurance undertakings.

The CBI introduced the Domestic Actuarial Regime following the introduction of Solvency II, which introduced a prescribed role known as "The Head of Actuarial Function" ("HoAF"). This is a Pre-Approved Controlled Function or PCF role under the CBI's Fitness and Probity Regime. For Omega, the role of HoAF is discharged by Patrick Meghen.

A summary overview of the Solvency II regime is given in Appendix 5.

5.6.2 Italian Tax Asset

Omega Life opted into the substitute tax regime in Italy in June 2006 and as such there is a tax asset on the balance sheet. Under the tax codes, Omega is required to make an advance payment of policyholder taxes to the Italian Revenue Authorities. The annual rate of prepayment in respect of Italian tax is 0.45% of the funds under management. The nominal value of the asset at 31 December 2019 is €5.5m and it is valued at €4.9m in the Solvency II balance sheet. Part of the Italian tax asset was subsequently transferred to Cattolica Group in exchange for a cash payment as part of the sale agreement concluded in the second quarter of 2020. The value of the Italian tax asset as at 31 May 2020 was estimated as €2.5m nominal and €2.2m net of write-down.

5.6.3 Technical Provisions

Table 5.1 below sets out the Omega Technical Provisions, as required under Solvency II, for the lines of business introduced in Section 5.3.

Table 5.1: Omega Technical Provisions as at YE 2019 (€m)				
Line of Business	Technical Provisions calculated as a whole	Best Estimate Liability	Risk Margin	Total Technical Provisions
Index-linked and unit-linked insurance	167.9	3.1	0.5	171.5
Total	167.9	3.1	0.5	171.5

Source: Overview MAL YE2019_2020Q1

The “Technical Provisions calculated as a whole” figures, in the context of Omega’s balance sheet, correspond to the unit linked liabilities of the business and are determined directly from the value of the underlying assets. All liabilities are within the one line of business, index-linked and unit linked insurance.

The gross best estimate liability is a probability-weighted average of future cashflows, discounted using a prescribed risk-free term structure of interest rates. A deterministic projection is used given the absence of guarantees in the portfolio. The risk margin is intended to reflect the compensation that a third party would require for the capital costs incurred in taking on the insurance liabilities.

In terms of key judgements used to determine the Technical Provisions, Omega do not apply any transitional measures or volatility adjustment to the prescribed risk-free term structure of interest rates.

Material judgments are made in relation to:

- The choice of per policy expense assumptions and the choice of 18 months as the period required before Omega can achieve marginal expenses. The closure to new business resulted in the introduction of an expense overrun reserve in 2017. The marginal expense assumption was set based on the 2016 business plan (plus an allowance for inflation) and an additional overrun reserve allows for the period of time required for Omega to achieve that marginal expense assumption. This assumption is updated each year and reflects 18 months of IPSI expenses which is the biggest driver of the per policy expenses.
- The choice of surrender assumptions given the exceptional experience and events in the past three years (closure to new business and liquidation of BPV).

5.6.4 Solvency II Capital Requirements and Capital Coverage

Under Solvency II, firms must hold capital equal to the higher of the Solvency Capital Requirement (“SCR”) or Minimum Capital Requirement (“MCR”). In Omega’s case, it is the SCR that applies.

The SCR is determined by subjecting the overall balance sheet to a prescribed series of 1-in-200 year shocks and aggregating the impacts in a specific way. Further detail on the determination of the SCR is set out in Appendix 5.

Under Solvency II, the assets available to cover the capital requirements are referred to as “Own Funds”, with the Own Funds reflecting the value of the net asset position of the firm. Comparing the SCR to the level of Own Funds gives an indication as to the level of solvency coverage within a firm.

The table below sets out Omega's overall SCR for 31 December 2018 and 31 December 2019.

Table 5.2: Omega Solvency Coverage (€m)		
	31 Dec 2018	31 Dec 2019
Assets	287.2	196.7
Liabilities	264.4	178.0
Own Funds	22.8	18.7
SCR	5.7	4.8
MCR	3.7	3.7
Capital required	4.8	4.8
Excess of Own Funds over SCR	17.1	13.9
Solvency Coverage Ratio	401%	388%

Source: 2019 Omega SFCR

The table below sets out the components of Omega's SCR for year-end 2018 and year-end 2019. The main drivers of Omega's capital requirements are life underwriting risks (arising from the insurance risks underwritten) and market risks.

Table 5.3: Omega SCR Components (€m)		
Component	31 Dec 2018	31 Dec 2019
Market risk	2.4	1.9
Counterparty default risk	1.5	1.4
Life underwriting risk	3.0	2.3
Diversification	-1.9	-1.6
<i>Basic Solvency Capital Requirement</i>	<i>4.9</i>	<i>4.1</i>
Operational risk	1.4	1.2
Loss-absorbing capacity of technical provisions	0.0	0.0
Loss-absorbing capacity of deferred taxes	-0.7	-0.4
Solvency Capital Requirement	5.7	4.8

Source: 2019 Omega SFCR

In preparing this report, I have primarily considered the results made available to me as at 31 December 2019. However, over the first quarter of 2020, financial markets and western economies experienced significant disruption as a result of the COVID-19 pandemic. Consequently, I have also supplemented my analysis by considering the 31 March 2020 results from Omega. I note that the solvency position has not been materially impacted by the COVID-19 pandemic, the associated market turbulence and policyholder responses. I note that the available Solvency II Own Funds reduced from €18.7m to €17.6m, whilst the regulatory capital requirement fell from €4.8m to €4.3m. Therefore, Omega's coverage of the regulatory capital requirement increased from 388% to 412%.

This is captured in table 5.4 below:

Table 5.3: Omega Solvency Coverage – 31 Dec 2019 and 31 Mar 2020 (€m)		
Component	31 Dec 2019	31 Mar 2020
Assets	196.7	165.8
Liabilities	178.0	148.2
Own Funds	18.7	17.6
SCR	4.8	4.3
MCR	3.7	3.7
Capital Required	4.8	4.3
Excess Own Funds over requirement	13.9	13.3
Solvency Coverage Ratio	388%	412%

Source: 2019 Omega Q1 2020 QRT

5.6.5 Projected Solvency Position

As noted above, as part of my review I was provided with the Omega ORSA report. I have considered the report as part of my review but have refrained from replicating all of the detail within this Report.

The ORSA is an integral part of each company's risk management system and its purpose is to include an assessment of the overall solvency needs of the company, the compliance on a continuous basis with the Solvency II capital requirements and the significance with which the risk profile of the company differs from the assumptions underlying the SCR. The ORSA should be an integral part of the business strategy and should be taken into account on an ongoing basis in the strategic decisions of the company.

The ORSA is useful in terms of understanding the risks inherent in the business and the stability of the Solvency II capital position over time. As part of Omega's overall ORSA process, a central base projection was prepared, which considered how the Solvency II capital position is expected to emerge over Omega's business planning horizon.

In general terms, the central projection indicates that Omega expects to transfer the business to another insurance company within an 18-month time period and assumes a transfer occurs at end 2020.

Omega also subjects its projected balance sheet to a number of adverse stresses and scenarios reflecting the 18-month portfolio transfer time horizon. Some of the scenarios are in respect to the portfolio transfer; there is a scenario regarding the portfolio transfer being delayed the end of 2022 and a run-off scenario in which the transfer does not take place over the business planning period. I have not replicated the detail within this Report.

Table 5.4: Projected Omega Solvency Coverage (€m)			
Balance Sheet Component	30 Jun 2019	31 Dec 2019	31 Dec 2020
Excess of assets over liabilities	21.8	22.0	18.7
SCR	5.4	4.3	3.7
Excess Own Funds over requirement	16.4	17.7	15.0
MAL Solvency Coverage	401%	509%	504%

Source: 2019 Omega Record of ORSA Process

While Omega's profile is projected to be similarly robust, it is based on the business transferring to another entity – without the Scheme taking place and other management actions, it would not be able to run-off in a solvent manner. Overall, I have no issues to note.

5.7 Operational arrangements

The majority of Omega's operations, and in particular its key management operations, are carried out in its offices in Ireland. However, some critical activities are outsourced, and the table below summarises this.

Table 5.5: Operational arrangements

Service Provider	Services Provided
Calnet	Management of IT Infrastructure, Support and Maintenance
AON Italia S.p.A.	Call centre, some post sale transactions, claims (collection of documents only)
Dillon Eustace	Legal advice in relation to specific requests
IPSI	Policy Administration, Fund Administration, Accounting, IT Systems
Milliman	Actuarial and Risk Management
Monument Re Group	Internal Audit

Source: 14.1 Summary of all outsourcing arrangements

For the Omega portfolio, a key point to note is that the administration for this portfolio of business is outsourced to IPSI, an outsourced provider of administration services. IPSI, through its Irish operations, provides policy servicing, policy administration and fund administration services for the Omega policies. Policy administration, performance of screening and checks will be transferred to the QISL administration platform which MAL currently uses and is supported by the staff of the Italian branch. Fund administration will be migrated to MISL to manage. MISL are already managing fund administration for portfolios in Ireland. There is a separate project workstream that aims to deliver a fully configured, secure and resilient migration of the Omega portfolio with the migration expected to be completed by 30 June 2021 in-line with the overall project plan.

Customer servicing is performed in Italy by AON. The intention is to change agents from AON to the Italian branch of QISL. There will be no change to the scope of services provided and data will continue to be held in Italy. The migration will be managed as part of the business as usual process and is expected to be completed by 2 November 2020, prior to Scheme.

IT infrastructure is currently outsourced to Calnet, with the key IT systems required to manage the portfolio being licensed, hosted and supported by Calnet. The intention is for this to remain unchanged for at least 6 months post Scheme with no planned immediate changes until the evaluation of the operating model has been completed. I have been advised that the plan is to migrate from the current platform to MAL's preferred operating platform.

5.8 Policyholder Reasonable Expectations

For life insurance entities, I am required to consider guidance issued by the Society of Actuaries in Ireland with regard to Policyholders' Reasonable Expectations ("PRE"). ASP LA-6 ("Transfer of Long-term Business of an Authorised Insurance Company – Role of the Independent Actuary") sets out items to be considered in this regard.

Furthermore, I note that under the new Solvency II regime there is a statutory requirement for the HoAF of life insurance entities to consider PRE as set out in the CBI guidance note entitled 'Domestic Actuarial Regime and Related Governance Requirements under Solvency II'. Being mindful of the above guidance and requirements, considering the detailed consideration which the Omega HoAF gives to PRE within his annual Actuarial Function Report, and considering the transferring policies in isolation, my views are:

- *Benefits* arising under the policies are straightforward and are determined with reference to the value of the underlying unit linked funds. Fund rebates are paid to policyholders with certain unit linked funds.
- *Security of benefits*: policyholders have a reasonable expectation that their benefits are secure and will be paid as they fall due. This will depend on the risks to which the transferring policyholders are exposed to before and after the transfer, including the relevant financial position of the companies.

- *Entitlement to benefits:* policyholders have a reasonable expectation that withdrawals, surrenders, maturity and valid death claims will be paid in accordance with policy terms and conditions. I have reviewed some of Omega's product documentation and am satisfied that it does not confer any particular additional reasonable expectations over and above the contractual provisions. I am not aware of any local legislative requirements which confer entitlements to policyholders beyond those in the policy terms other than legislation in both Italy and Spain stating a prescribed time period in which transferring policyholders have the ability to cancel their contract (as explained in Section 6.15 below).
- *Service standards:* policyholders have a reasonable expectation that the services they receive will be provided in a professional manner, that claims and enquiries will be dealt with promptly. Policy and claims administration is currently outsourced to IPSI. MAL management have indicated that this may change after completion of the transfer of the Scheme and I have commented on this later in the Report.
- *Discretionary powers available to Omega:* policyholders have a reasonable expectation that any discretion available to Omega will be applied in a fair and reasonable manner. The use of discretion by Omega is reasonably limited and principally relates to:
 - Assessment as to whether a death claim is valid or not;
 - Appropriate ongoing charges to apply.

Practice is well embedded on these matters in Omega.

5.9 Complaints and Litigation

Omega has a well-established complaints process in place to ensure complaints are dealt with quickly. Complaints are raised at the Committee or Board meetings. I have been advised that Omega has never had in its history a large number of complains. The total number of complaints received since 2017 is 8. All of these complaints have been resolved by issuing a letter explaining to the claimant the reasons behind Omega's actions. Most of these complaints were requests for further clarification from Omega.

Where the policyholder is not satisfied with Omega's response, they have the option to refer the complaint to the Financial Services and Pensions Ombudsman ("FSPO"), which is an independent statutory body in Ireland for dealing with such issues.

As part of my review, I was provided with specific information relating to historic and ongoing complaints associated with the Omega portfolio. With regard to the open complaints in particular, I note that in 2015, there was a complaint, which, after several letters were exchanged, ended up in court in 2018. The complainant was claiming to be the rightful beneficiary upon death of a policyholder. The judgment is still pending, waiting for verdict. This is not expected to generate either significant costs or set a precedent that may have implications for other Omega policyholders.

5.10 Other Regulatory matters

5.10.1 CBI Matters

I have asked about any regulatory matters open with the CBI – no material issues were noted.

5.10.2 Compensation Schemes

I note that there is no policyholder Compensation Scheme in Ireland.

6 The proposed Scheme

6.1 Background to and motivation for the proposed Scheme

6.1.1 Motivation for proposed Scheme

Although not a direct consideration for me as Independent Actuary, it is nevertheless relevant for me to be aware of the rationale for the Scheme.

Omega decided to transfer its insurance business which has been in run off since 28 July 2017 after one of the shareholders, BPV, was put into liquidation. The business was brought to the market and acquired by Monument Re in 2019. Monument Re is a closed-book consolidator and the Omega book aligns with Monument Re's strategic plans to grow and develop its unit-linked offering and capability in the Benelux region. To achieve operational and cost synergies, the portfolio is being transferred into MAL.

6.1.2 Overview of proposed Scheme

The Scheme proposed is one for the transfer of the insurance policies of Omega by order of the Irish High Court. The transfer of the Omega insurance policies to MAL will be completed under the provisions of Section 13 of the Assurance Companies Act 1909, Section 36 of the Insurance Act 1989 and Regulation 41 of the European Union (Insurance and Reinsurance) Regulations 2015. The Scheme provides for the transfer of the Omega insurance policies, incorporating the underlying insurance contracts, together with the associated liabilities and unit linked assets as at the Effective Date to MAL, such that Omega's policyholder liabilities are extinguished.

The Scheme proposes on the Effective Date:

- To transfer the Omega policyholder liabilities from Omega to MAL.
- That MAL will establish regulatory technical provisions in respect of the transferring liabilities and associated capital requirements under the Solvency II regulatory basis and methodology.
- That the portfolio transfer will be made on an arm's length basis and will include the transfer of assets to support the maintenance of the portfolios post the portfolio transfer.
- To maintain policyholder terms and conditions, i.e. there will be no changes to policyholders' terms and conditions across any of the entities.
- To allocate the same type, number and overall value of units in the MAL unit linked funds as held by Omega in their unit linked funds for the policies transferring as part of the Scheme.
- To maintain the operation of the insurance contracts, i.e. the operation of the policies will not change and all supporting contractual arrangements such as scheme administration should remain unchanged – the IPSI administration arrangement novates or transfers across as part of the Scheme.

The Effective Date of the Scheme is expected to be 31 December 2020.

6.2 Continuity of proceedings

Omega is a party to complaints, legal actions and regulatory proceedings arising out of normal business operations related to the insurance business, including as the plaintiff and defendant in arbitration and litigation matters related to contested insurance claims. Whilst Omega has indicated that it cannot predict the outcome or impact of any pending or future arbitration, litigation or regulatory proceedings, it does not believe that any pending arbitration, litigation or regulatory proceedings will have a material adverse effect on its business, financial condition or results of operations.

It is my understanding that at the Effective Date, any legal proceedings which may be pending, current or future against Omega in relation to the insurance business being transferred will become the responsibility of MAL.

6.3 Rights and obligations

Every holder of a transferring policy will be entitled to the same contractual rights against MAL as the holder currently has against Omega. As such there are no changes to the contract terms and conditions as a result of the Scheme. The effect of the Scheme will be that every holder of or the potential claimant against a transferring policy shall become entitled to the same rights against MAL as the holder or potential claimant has against Omega and shall be subject to the same obligations to MAL as the holder or potential claimant.

6.4 Administration arrangements

At the Effective Date, it is intended that the existing administration arrangements will be maintained and the contracts in place with transfer to MAL

MAL has indicated that it is their intention to maintain the IPSI arrangement in respect of policyholder and fund administration for circa 6 months following the completion of the Scheme (30 June 2021) and customer service will be migrated from AON to QISL shortly before the Scheme (2 November 2020).

There are no immediate impacts upon the administration arrangements as a result of the Scheme.

6.5 Maintenance of existing reinsurance arrangements

The existing reinsurance structures in place in Omega are not anticipated to change. Both reinsurance arrangements with Munich Re and Swiss Re will form part of the transferring contracts. The transferring Omega policies will be included in the intra-group reinsurance arrangement that MAL has with Monument Re. This is expected to be executed post the Scheme on 1 January 2021.

6.6 Other arrangements

I note that Omega currently receive rebates from investment managers in respect of certain business and the majority of these are credited to policyholder accounts. The investment managers have been advised of the portfolio transfer and have raised no concern regarding this. The rebate contracts have been reviewed by local counsel and will novate to MAL upon execution of the Scheme.

6.7 Maintenance and operation of funds

This refers to the breadth of fund offering and the level of charges associated with the investment funds available to Omega policyholders. There are no changes to the charges or breadth of offering available to policyholders as a result of the Scheme.

6.8 Quality of assets

This refers to the management of Omega and MAL available capital or Own Funds. There are no planned changes in investment approach for either entity as a result of the Scheme.

6.9 Capital support arrangements

Post transfer, all Omega policies will be on the balance sheet of MAL, which is part of a larger group, Monument Re. MAL will have the option of availing of capital support from its parent, if so required.

6.10 Target Capital

Both entities have defined a level of target capital in excess of the overall Solvency II SCR. I would note that, as a percentage of the SCR, MAL's approach is to target a level (135% of SCR) which is lower than that of Omega (150% of SCR). However, MAL has a higher level of excess Own Funds over SCR in absolute terms (€25.2m vs. €13.9m). The approach adopted is generally similar in both entities and there will be no revisions in approach as a result of the Scheme.

6.11 Risk Management

Both entities have a comprehensive risk management framework in place, reflecting the requirements of the Monument Re Group and the Solvency II regime, as regulated by the CBI and the CAA. There are no planned changes are planned to the risk management approach of either entity as a result of the Scheme.

6.12 Exercise of options

Any policy options that currently exist under the Omega policies will continue to exist and there are no planned changes in this regard. There are no planned changes to the policy options of other policies of either entity as a result of the Scheme.

6.13 Other aspects

I note that:

- In addition to the existing Omega management team, additional support services will be provided by the Monument Group. The existing outsourcing arrangements will remain in place until replaced as part of the portfolio integration post the Scheme.
- IT infrastructure, which is currently outsourced to Calnet, will remain unchanged for circa 6 months post transfer as the company completes the de-authorisation and liquidation process, after which the services of Calnet will be decommissioned.

6.14 Taxation

I have been provided with a summary note from MAL briefly setting out the impacts of tax on the Scheme, noting that I am not a tax expert. I have not obtained separate tax advice and have relied on the independent tax advice prepared by the tax advisors to MAL.

6.14.1 Italian Tax Asset

I understand that MAL will become the Tax Agent under the Italian Tax Withholding system for the transferring Omega policyholders. The right to receive future tax recoveries under the Italian Tax Withholding system will also transfer to MAL under the Scheme for a specific consideration.

6.15 Costs of the proposed Scheme

All costs associated with the Proposed Transfer will be borne by the shareholders of Omega and MAL, with no impacts upon either the transferring Omega policyholders and the existing MAL policyholders.

6.16 Policyholder communications

In terms of policyholder communications, Section 13 of the 1909 Act requires that, unless the Court otherwise directs, (and I understand Omega and MAL will seek the High Court's dispensation from this requirement in so far as it relates to the existing policyholders of MAL) certain materials must be transmitted to each policyholder of each Company.

I note that:

- The Omega policyholders are based in EEA member states namely Italy, Spain, Germany and France. The entities have sought local law advice from each of the EEA member states as to the notification requirements to be complied with and have obtained advice from local counsel in Luxembourg. Counsel in Germany, Italy and France have confirmed that there is no separate requirement to issue individual notifications to policyholders in accordance with their local laws. Local counsel in Spain have advised that from a Spanish law perspective, there is a requirement to individually notify policyholders resident in Spain about the transfer and to advise them of certain termination rights.

- The transferring Omega policyholders will each be sent a circular by IPSI on behalf of Omega (comprising of a letter with details about the Transfer, a summary of the terms of the Scheme, a summary version of this Report, a copy of the published legal notice and a questions and answer sheet in relation to the transfer).
- The letter issued to Spanish resident policyholders will be similar in all aspects to the circular above. However, it will also contain information about the policyholders' right of termination of the policies. In addition, I note that MAL will write to all transferring policyholders following the Scheme Effective Date. The purpose of this communication will be to inform the transferring policyholders about the Transfer and to inform them about their right to terminate their contract. The Italian Insurance Code provides that policyholders have the right to cancel their contracts within 60 days after the approval of the Transfer has been published on the IVASS Supervisory Bulletin.
- In addition to this Report, I have prepared a Summary Report which covers all the material points and issues raised in this full Report.
- The communication to Omega policyholders will include my conclusion as Independent Actuary and the Summary Report. It will also highlight very clearly the availability of my full Report on request and its availability on the Omega and MAL websites as well as the relevant registered offices of both entities and Matheson (the appointed legal advisor). The CBI and CAA will be advised of this approach.
- A notice will be published in the Irish official Gazette, Iris Oifigiúil, and two daily national newspapers in Ireland.
- It is Omega's intention to advertise in the Financial Times (International Edition) which is in wide circulation throughout Europe.
- It is noted that the regulators in each of Spain, France, Italy, Germany and Luxembourg may have an obligation to publish notice of the transfer themselves.
- Subject to the directions of the Court, there is no intention to issue a direct mailing to MAL's existing policyholders. However, MAL's existing policyholders may contact MAL about the transfer having seen press advertising or notifications using their usual contact details. The contact centre will be provided with a separate questions and answers sheet specific to MAL's existing policyholders and be trained to enable them to deal with the queries and complaints received regarding the proposals (with clear delineation of responses to Omega enquiries from responses to MAL enquiries). Any queries outside of the questions and answers sheet and complaints received regarding the proposals will be referred to MAL for drafting a response.

6.17 Governing law

The sanctioning of the Scheme is subject to the laws of Luxembourg, in particular Law of 7 December 2015 and the amended CAA Regulation 15/03 of 7 December 2015 and the laws of Ireland, in particular Section 13 of the Assurance Companies Act 1909, Section 36 of the Insurance Act 1989 as well as Regulation 41 of the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485/ 2015).

7 General considerations when reviewing the proposed scheme

7.1 Introduction

As the Independent Actuary, the key areas in my opinion that I need to consider for the different groups of policyholders that could potentially be affected by the Scheme, namely the transferring Omega policyholders and the existing MAL policyholders are:

- Security of policyholder benefits; and
- Fair treatment of policyholders and impacts upon their reasonable expectations, which include disclosures to policyholders, maintenance of terms and conditions, the use of discretion by companies, local legislative requirements and the day to day administration of policies.

The considerations when reviewing the proposed Scheme are discussed briefly below and then assessed in Section 7 and 8 of this Report.

7.2 Impact on the security of policyholders' benefits

Aspects of the business and the Scheme which could impact on the security of policyholder benefits and should therefore be considered when reviewing the Scheme include:

- Financial security following the implementation of the Scheme for the different groups of policyholders, through consideration of the regulatory capital position under Solvency II.
- Policyholders remain part of the same overall group, Monument Re as a result of the Scheme. Nothing changes in that regard.
- I note that the CBI supervises Omega and that the CAA supervises MAL under the Solvency II regulatory regime. Once the Scheme is implemented, the Scheme will be subject to supervision by the CAA under Solvency II.
- I consider the financial impact of the transaction which gives effect to the Scheme i.e. a payment from Omega to MAL and ensure it is reflected in my assessment of the implementation of the Scheme.
- Other elements impacting on financial security involves consideration of:
 - Business planning outlook;
 - Stress and Scenario tests on a plausible basis to understand how robust the regulatory capital position is to such tests;
 - Impact of the Scheme on the risk levels in MAL and Omega and whether new additional risks are created as a result of the Scheme;
 - Quality of capital including any capital support arrangements;
- External reviews/ audit findings on material areas;
- Continuation of reinsurance arrangements and any potential issues with reinsurance counterparties;
- Other elements including custody of assets; Group financial support; and any other aspects worthy of consideration e.g. expenses, outsourcing, strategic asset allocation.

7.3 Fair treatment of policyholders and the impact on their reasonable expectations

Aspects of the business and the Scheme which could impact on the fair treatment of policyholders and their reasonable expectations which should be considered when reviewing the Scheme include, but are not limited to:

- Policy terms and conditions;
- Servicing of policies;
- Application of discretion;
- Expenses and charges;
- Costs of the Scheme;
- Current practices and approaches;
- Complaints and redress; and
- Policyholder communications.

8 Assessment of the Scheme on the financial security of policies

8.1 Introduction

The following section considers the pro-forma regulatory balance sheets of the entities (Omega and MAL) following implementation of the Scheme. I comment on the relative level of security of transferring Omega policyholders and existing MAL policyholders by considering the impact of the transfer under the Solvency II regime.

In this consideration, I have examined the transfer on both a quantitative and qualitative basis.

I also include discussion of other aspects of the Scheme relating to Omega and MAL that could affect security to policyholders and note my conclusions on them.

8.2 Financial Strength Assessment

8.2.1 Introduction

I have considered the relative capital strength of Omega and MAL respectively prior to and post the Scheme and in respect of all groups of policyholders. I have based my analysis on the most recent audited financial information at 31 December 2019, including regulatory returns provided to the regulator, pro-forma results prepared as at 31 December 2019 and the ORSA projections produced by both entities. I have also considered the regulatory returns provided to the regulator as at 31 March 2020.

For MAL, I have focused on the pro-forma 31 December 2019 position, as it reflects the most up to date position of the entity combined with the impacts of the transfers that are anticipated to take place in advance of the Scheme. Year-end 2019 pro-forma results were considered rather than year-end 2020 pro-forma results as there are already a number of pro-forma adjustments captured in the year-end 2019 results provided and the ORSA base case projection captures all anticipated transactions and indicates solvency coverage is expected to increase over the year.

I have had regard to the 31 March 2020 position as well given the market volatility and general economic uncertainty arising from COVID-19.

As described in Section 6 above, the Scheme will not make any material change to the assets and liabilities of Omega or MAL. The liabilities being transferred are unit linked in nature, meaning that the bulk of the assets transferring are those committed to policyholders in line with policy terms and conditions. Where there is a transfer of assets outside of the unit linked assets, this reflects the cash consideration paid by Omega to MAL under the terms of the Scheme.

8.2.2 Solvency Coverage at Transfer Date

Table 8.1 below sets out the pro-forma balance sheet of MAL post the Scheme. I note:

- Both entities are part of the Monument Re Group and the Scheme does not change this – policyholders ultimately remain part of the Monument Re Group and the capital support arrangements remain unchanged.
- This analysis considers the point in time solvency cover pre- and post-transfer, taking account of the impact of the Scheme in line with the Solvency II requirements, as if it had been implemented at 31 December 2019. I note that due to time constraints various simplifications were applied. ifa will carry out a more detailed analysis in the 2020 MAL ORSA and this will be included in the Supplementary report.

- For Omega pre transfer, I have identified the assets and liabilities to be transferred as part of the proforma analysis – see footnote to the table below. I have not included a post transfer position for Omega, as there are no policyholders remaining and the Company will ultimately be liquidated after handing back its licence to the CBI.
- I have also illustrated the impact post transfer of the proposed reinsurance arrangement to be put in place with Monument Re in respect of the transferring Omega liabilities.
- The paper prepared by ifa supporting the assumed level of expenses have been shared with me and the approach appears reasonable. I note that various simplifications have been applied due to time constraints. Further work will need to be done in terms of formalising the likely cost structure by the time of the portfolio transfer. I will assess this as part of my Supplementary Report.

It should be noted that the results prepared by MAL reflect the anticipated financial impacts of the transfer, in terms of:

- The consideration to be settled between Omega and MAL in respect of the portfolio transfer including the rights to tax recoveries transferred to MAL (with a face value of these recoveries of €2.2m and these recoveries should emerge to MAL over time);
- The one-off costs anticipated to be incurred in implementing the migration;
- The impact that the transfer is expected to have on MAL's expense profile going forwards.

This is reflected in the proforma analysis set out below.

Table 8.1: MAL Pro-forma Solvency Position as at 31 December 2019 (€m)				
Component	Omega – pre transfer	Omega – business to be transferred*	MAL – pre transfer	MAL – post transfer
<i>Before intra-group reinsurance</i>				
Own Funds	18.7	1.8	30.3	30.8
SCR	4.8	4.7	5.1	9.5
Excess Own Funds over SCR	13.9	-2.9	25.2	21.4
Solvency Coverage Ratio	388%	38%	595%	325%

Source: 2020-07-17_Proforma-financial-analysis_MAL+Omega

* Omega Own Funds after adjustments consist of Assets of €5.1m (Cash of €2.9m and tax receivable of €2.2m) and Liabilities of €3.2m (Non-unit BEL of €2.9m, risk margin of €0.4m and a reinsurance liability of -€0.1m). The cash balance is a proxy for the losses expected to be incurred by Omega in 2020, prior to the Scheme.

**The figures reflect the transfer price based on Solvency II valuation principles.

In terms of the impacts upon MAL's balance sheet, I note the following:

- Overall, MAL's level of Own Funds is expected to increase from €30.3m to €30.8m as a result of the transfer of the Omega assets and liabilities to the MAL balance sheet. The combined view is slightly lower than the sum of the two companies (€30.8m compared to €32.1m) due to the allowance for the consideration agreed between both parties and the increase in the risk margin of c.€0.5m (i.e. when the risk drivers are combined and then applied to the combined SCR, the resulting risk margin is larger than the sum of the individual companies' risk margins).
- MAL's SCR is expected to increase from €5.1m to €9.5m. The combined view is lower due to a reduction in the counterparty default risk and a positive diversification effect.
- The level of excess Own Funds (i.e. the level of Own Funds available in excess of the SCR) falls by a small amount, from €25.2m to €21.4m. However, MAL's solvency coverage is still above its internal capital management target level at 325% and well in excess of regulatory minimum levels.

The above results do not reflect the reinsurance arrangements that MAL management expect to put in place in respect of the Omega policies. I note that it is the broad intention of MAL to put reinsurance cover in place for the Omega business post-transfer. This reinsurance cover is anticipated to be aligned to the existing structures that MAL has in place with Monument Re and will help mitigate risk associated with the mortality, lapse and expense risks within the acquired portfolio. However, this will also include

a transfer of the market risk. It is intended that the arrangement will make use of a similar collateral/funds withheld arrangement (as used for the current reinsurance).

As noted elsewhere in this Report, although MAL management intend to put reinsurance cover in place, plans are not well developed in this regard. MAL has provided results, which illustrate the impact that the transfer would have on MAL's year-end 2019 balance sheet if the reinsurance cover were to be put in place immediately (i.e. at the Effective Date). Whilst not a key item to consider in my overall assessment of the Scheme, I have reviewed these results and they are set out below:

Table 8.2: MAL Pro-forma Solvency Position as at 31 December 2019 (€m)

Component	Omega – pre transfer	Omega – business to be transferred*	MAL – pre transfer	MAL – post transfer
<i>After intra-group reinsurance</i>				
Own Funds	18.7	1.9	30.3	31.6
SCR	4.8	1.6	5.1	6.6
Excess Own Funds over SCR	13.9	0.4	25.2	25.0
Solvency Coverage Ratio	388%	123%	595%	478%

Source: 2020-07-17_Proforma-financial-analysis_MAL+Omega

* Omega Own Funds after adjustments consist of Assets of €5.1m (Cash of €2.9m and tax receivable of €2.2m) and Liabilities of €3.2m (Non-unit BEL of €2.9m, risk margin of €0.4m and a reinsurance liability of -€0.1m). The cash balance is a proxy for the losses expected to be incurred by Omega in 2020, prior to the Scheme.

**Adjustments have been made to reflect the impact of IGR (Own Funds increase by €0.1m and the SCR decreases by €3.2m)

**The figures reflect the transfer price based on Solvency II valuation principles.

This reinsurance, should it be put in place, would mean that the Scheme would lead to a lower reduction MAL's overall solvency position from 595% to 478%. The reinsurance would alleviate some of the increase in the SCR, but the increase in Own Funds would be smaller as the costs of the reinsurance arrangement are allowed for.

I also note that, in preparing this report, I have primarily considered the results made available to me as at 31 December 2019. However, over the first quarter of 2020, financial markets and western economies experienced significant disruption as a result of the COVID-19 pandemic.

Given the results provided, I have considered below the impacts of the Scheme upon the various policyholder groups, focusing on the information pertaining to the last audited balance sheet as at 31 December 2019 and the related pro-forma balance sheets:

Omega Policyholders

For the Omega policyholders, I note the following impacts of the Scheme based on the analysis above:

- Pre-transfer, the Omega policyholders have a strong regulatory capital position with a solvency coverage ratio of 388%. However, the strong regulatory capital position reflects the management action included to transfer the policies within 18 months – this is a key consideration for me. Without the management action, Omega would be impacted with diseconomies of scale and the high costs of the TPA in place and its solvency would be threatened if these were reflected in full. This is highlighted in the Omega ORSA process - I note that it is not possible to perform a solvent run off the business without such actions. This means that policyholders, in the absence of the management action, implicit in the regulatory basis and the resulting transfer are part of a relatively weak entity.
- Post-transfer, the Omega policyholders are part of MAL, with Own Funds post-transfer of €30.8m and solvency coverage of 325%. Therefore, the Omega policyholders become part of a company with a higher level of Own Funds (and a higher excess of Own Funds over the regulatory capital requirements) than they enjoyed prior to the transfer, with a lower overall capital requirement. However, the solvency coverage ratio is not threatened and is sustainable without management action.
- Both the level of Own Funds and the level of solvency coverage are projected to be higher than Omega's. The level of solvency coverage is in excess of the regulatory minimum levels and, as noted above, once the intragroup reinsurance is effective, there will be an enhanced level of cover.

- In both scenarios, the solvency coverage is in excess of the regulatory requirements and MAL's capital management targets. Therefore, Omega policyholders will be part of a stronger regulated entity post the transfer.

Existing MAL Policyholders

For the existing MAL policyholders, I note the following impacts of the Scheme based on the analysis above:

- Before and after the transfer, the existing MAL policyholders also have a strong regulatory capital position, in terms of meeting the minimum regulatory requirements and its own capital management targets.
- Pre-transfer, the MAL policyholders have Own Funds of €30.3m, a SCR of €5.1m and a solvency ratio of 595%. Post the transfer, the Own Funds increase to €30.8m and the SCR increases to €9.5m as a result of the increased market risk exposure introduced by the Omega portfolio. The solvency ratio reduces to 325%. Overall the solvency coverage which existing MAL policyholders enjoy has decreased but it remains well in excess of the regulatory minimum levels and of its capital management targets.
- If the planned reinsurance is allowed for, then the impacts are less material – the increase in Own Funds and capital requirements are smaller, with a less significant impact on solvency coverage. This is useful to note from the perspective of the existing MAL policyholders, as the planned reinsurance is similar in nature to the existing reinsurance structures that are already in place.

Overall

Based on the above I do not believe that the implementation of the Scheme should have a material adverse effect on the financial security of the transferring Omega policyholders and the existing MAL policyholders. The level of Own Funds and solvency coverage in MAL post-transfer is well in excess of the regulatory minimum and is above the internal target levels set by MAL.

8.2.3 Capital Targets

Both entities have defined a level of target capital in excess of the overall Solvency II SCR. Omega seeks to maintain sufficient capital to allow it to operate for a period of 18 months before SCR coverage would fall to a 150% coverage ratio. MAL's objective is to maintain a regulatory solvency ratio above or equal to 135%. I would note that, as a percentage of the SCR, MAL's approach is to target a level (135% of SCR) which is lower than that of Omega (150% of SCR). However, MAL has a higher level of excess Own Funds over SCR in absolute terms (€25.2m vs. €13.9m). The approach adopted is similar in both entities and there will be no revisions in approach as a result of the Scheme.

8.2.4 Business Plan and Projected Solvency

As noted above, I was provided with the most recent Omega ORSA report, which considered the projected balance sheet for Omega after the transfer. I note that the proposed Scheme has no material impact on Omega's projected solvency.

For MAL, I was also provided with the most recent ORSA report as at December 2019, prepared using 30 June 2019 figures as a starting point, showing the projected balance sheet and the ability of the balance sheet to absorb stresses from a variety of stress events. I have also been provided with the pro-forma projection of MAL based on MAL's ORSA results as at 30 June 2019 with an adjustment for a dividend payment of €7.9m. The projections take into consideration the diversification effects in the SCR and the risk margin. The results from these projections do not coincide exactly with the pro-forma positions provided above – this is due to the fact that the ORSA was prepared in advance of year-end 2019, whereas the reported results reflect /actual asset and liability positions at the reporting date. I have discussed the drivers of these differences with MAL and am satisfied that they are reasonable and do not lead to concerns with either the pro-forma positions above, or the projections below.

The below projection illustrates that initially Own Funds decrease in 2020 due to the dividend payment of €7.9m. From 2020 until the end of the projection period, there is an increase in Own Funds. MAL's SCR coverage is projected to grow over time, with a projected level of capital coverage in excess of

both internal capital targets and the regulatory minimum. The ORSA results, combined with the projection below, illustrate MAL's ability to continue to withstand adverse shocks.

Table 8.3: MAL Pro-forma solvency projection (€m)

Component	2019	2020	2021	2022	2023	2024
<i>Before intra-group reinsurance</i>						
Own Funds	28.7	20.7	21.1	21.4	21.8	22.3
SCR	8.7	6.8	4.9	3.8	3.5	3.2
Capital required*	8.7	6.8	4.9	3.8	3.7	3.7
Excess Own Funds over requirement	19.3	13.9	16.2	17.6	18.1	18.6
Solvency Coverage Ratio	322%	305%	433%	557%	589%	603%
<i>After intra-group reinsurance</i>						
Own Funds	28.6	21.2	21.4	21.7	22.0	22.5
SCR	5.8	5.4	4.3	3.5	3.3	3.2
Capital required*	5.8	5.4	4.3	3.7	3.7	3.7
Excess Own Funds over requirement	22.8	15.8	17.2	18.0	18.3	18.8
Solvency Coverage Ratio	494%	393%	504%	586%	595%	608%

Source: 2020-07-17_Proforma-financial-analysis_MAL+Omega

*SCR has been floored with MCR of €3.7m.

** ORSA projections are adjusted for a dividend payment of €7.9m in 2020.

***The figures reflect the transfer price based on Solvency II valuation principles.

Considering the above, I have not identified any concerns with regard to MAL's projected solvency coverage after the transfer.

8.2.5 Sensitivity Testing

As noted earlier, I have been provided with the most recent ORSA reports prepared by MAL and the Record of ORSA process prepared by Omega, which illustrate the sensitivity of the Scheme Companies to various risk issues.

For MAL, whilst I have not been provided with any explicit sensitivities which capture the impacts of the Omega portfolio, considering the existing ORSA projections and stresses in conjunction with the pro-forma balance sheet enable me to form a view as to how MAL's balance sheet may evolve in stressed situations after completion of the Scheme. I have not identified any material issues.

8.2.6 Risk Profile

The primary differences here arise due to the mix of business of the two Scheme Companies and I have considered the impacts for the relevant policyholder groups below.

The transferring Omega business is not materially different in terms of design features, operation and key risks to those already on MAL's balance sheet. The Omega book of business is closed-book with no new business being added. The policies are now being transferred to a closed-book consolidator, who specialises in acquiring and running-off such portfolios. As the overall book of business for MAL declines, issues related to economies of scale can arise in areas such as expense and capital management, as overheads can be large relative to the size of the book. Such issues do not typically emerge in the short to medium term. I do not believe that the Omega policyholders are disadvantaged here as managing this risk is MAL's specialty and forms a core part of its business plan going forward. Similarly, existing MAL policyholders are not disadvantaged as a result of the scheme.

8.3 Reinsurance arrangements

Omega has external reinsurance arrangements in place with Munich Re and Swiss Re. These are 90% quota share treaties covering benefits on the New Life products. The reinsurance arrangements will form part of the contracts that are transferring. The transferring Omega policies will be included in the

intra-group reinsurance arrangement that MAL has with Monument Re. This is expected to be executed post the Scheme on 1 January 2021. However, I have considered the proforma results with and without the intra-group reinsurance arrangement.

This reinsurance cover is anticipated to be aligned to existing structures that MAL has in place with Monument Re and will help mitigate the mortality, lapse and expense risks associated with the acquired portfolio. However, this will also include a transfer of the market risk.

It is intended that the arrangement will make use of a similar collateral/funds withheld arrangement (as used for the current reinsurance). Use of collateral minimises the counterparty default risk associated with the reinsurance cover. I further note that MAL takes the approach of setting its internal capital targets with reference to the cost of replacing the reinsurance cover, hence the planned reinsurance will be factored into MAL's internal assessment of its capital needs.

In Section 3, I have commented upon the financial strength of Monument Re and the capital requirements of the Bermuda regulatory regime. Hence, I have identified no issues in respect of the information shared at this stage of the process.

8.4 Conclusion on the impact of the Scheme on the security of policies

8.4.1 Conclusion on the impact of the Scheme on the security of the transferring Omega policyholders

In this section I have considered the aspects of the Scheme that I consider having the potential to affect the security of the transferring Omega policyholders. The key areas are:

- Regulatory regime requirements
- Capital resources available
- Risk profile
- Capital profile
- Risk and capital mitigation plans.

Based on my consideration of these key elements, in my opinion the risk of the Omega policyholders' benefits being adversely affected in terms of financial security is remote. Therefore, in my view, the Omega policyholders will not be materially adversely affected by the proposed Scheme.

8.4.2 Conclusion on the impact of the Scheme on the security of MAL policyholders

In this section I have considered the aspects of the Scheme that I consider having the potential to affect the security of MAL policyholders. The key areas are:

- Regulatory regime requirements
- Capital resources available
- Risk profile
- Capital profile
- Risk and capital mitigation plans.

Based on my consideration of these key elements, in my opinion the risk of MAL policyholders' benefits being adversely affected in terms of financial security is remote. Therefore, in my view, MAL policyholders will not be materially adversely affected by the proposed Scheme.

9 Assessment of the Scheme on the fair treatment of policyholders

9.1 Introduction

The fair treatment of policyholders is a key consideration for Omega and MAL. The concept relates to how insurance companies deal with their policyholders across a wide range of areas and the following paragraphs cover the areas which, in my opinion, need to be specifically addressed in relation to the Scheme. I note that there are more explicit requirements on the HoAF under CBI requirements, I consider both entities operate with prudential and consumer requirements on treating customers fairly.

I have discussed with Omega and MAL the key elements of fair treatment (or PRE as it is understood in Ireland) and what will happen post-transfer. In particular, I have discussed with the Actuarial Function of MAL the company's views of PRE and what existing PRE practices in respect of the Omega policies will remain unchanged post the transfer.

In particular, I have considered the following:

- *Security of benefits*: Policyholders have a reasonable expectation that their benefits are secure and will be paid as they fall due. I have considered financial strength and ongoing compliance with the Solvency II regulatory requirements in Section 7 above.
- *Fund range*: Policyholders have a reasonable expectation that the available fund range will be maintained.
- *Entitlement to benefits*: Policyholders have a reasonable expectation that valid claims will be paid in accordance with policy terms and conditions, and that maturity, surrender and withdrawal claims will be paid when requested.
- *Terms and Conditions*: Policyholders have a reasonable expectation that contracts remain unchanged.
- *Service standards*: Policyholders have a reasonable expectation that the services they receive will be provided in a professional manner, that claims and enquiries will be dealt with promptly.
- *Charges*: Policyholders have a reasonable expectation that charges levied remain in line with policy terms and conditions and that approaches do not change.
- *Discretion*: Policyholders have a reasonable expectation that the application of discretion will remain unchanged.
- *Policyholder notifications*: Policyholders impacted by the Scheme would have an expectation that they would be communicated with (including technical information on the Scheme along with a summary of the Independent Actuary Report) and if they had issues, to have the option to raise them.

My overarching assessment is to focus on changes to any of the broad requirements brought about by the Scheme.

9.2 Specific considerations

9.2.1 Security of benefits

This is considered in Section 7.

9.2.2 Fund Range

There will be no change to current investment funds available to the transferring Omega policies or the existing MAL policies.

Therefore, in my opinion the implementation of the Scheme will not have an adverse effect on the fair treatment of policyholders in this regard.

9.2.3 Entitlement to Benefits

Existing practices in respect of surrender, maturity, transfer, death or conversion to paid up will remain in place post transfer. Claims which are settled as part of the normal course of business will be dealt with in the same way post-transfer. Fund rebates which are currently received by certain Omega policyholders will continue to be paid. For disputed claims, I note that the claims governance processes within Omega and MAL are similar and the approach will not be impacted by the transfer.

Therefore, in my opinion the implementation of the Scheme will not have an adverse effect on the fair treatment of policyholders in this regard.

9.2.4 Policy Terms & Conditions

There will be no change to policy terms and conditions of the transferring Omega policies or the existing MAL policies.

Therefore, in my opinion the implementation of the Scheme will not have an adverse effect on the fair treatment of policyholders in this regard.

9.2.5 Service standards

It is MAL's intention to maintain the existing relationship with IPSI for circa 6 months after the Effective Date by way of novation of IPSI's existing contract with Omega. Hence, service standards will remain unchanged as a consequence of the Scheme for all policyholders for circa 6 months after the Effective Date. It is a key assumption that this administration arrangement can transfer and can continue to be provided to MAL from Ireland post the Scheme. However, as noted in Section 2.4, MAL has set out a broad intention to migrate the policy administration services and customer servicing to QISL's FP Platform. Similarly, MAL intend to migrate fund administration to MISL.

Such migrations, when they proceed, could have some impact upon service standards, although this is not anticipated by MAL. Given that no firm arrangements are in place in this regard, no specific issues have been identified that I must comment upon. Should further plans be developed prior to the Effective Date, I will review them and, if so required, comment upon them in a Supplementary Report.

9.2.6 Expenses and charges

My understanding is there there is no intention on MAL's part to amend the charges applied post completion of the Scheme.

9.2.7 Costs of the Scheme

All costs associated with the Proposed Transfer will be borne by the shareholders of Omega and MAL. No costs will be borne by policyholders. Therefore, in my opinion the implementation of the Scheme will not have an adverse effect on the fair treatment of policyholders in this regard. I have no specific issues to note.

9.2.8 Discretion

Policyholders expect that the application of discretion will be unchanged as a result of the scheme. With regard to the management of the Omega policies, the levels of discretion available to management are limited, relating to the charges levied, the funds offered and the approach to unit-pricing. Insofar as possible, MAL will endeavour to maintain the existing structures, so there are no issues emerging that I am aware of that can adversely impact upon policyholders.

9.2.9 Complaints and redress

I note that the complaints handling procedures adopted by both entities at present are well aligned and that policyholders will continue to be able to escalate claims to the FSPO after the Scheme. As a result, there will be no consequence of the Scheme for policyholders. I have no issues to note.

9.2.10 Taxation

I have been provided with a summary note from MAL briefly setting out the impacts of tax on the Scheme, noting that I am not a tax expert. I have not obtained separate tax advice and have relied on the independent tax advice prepared by the tax advisors to MAL.

With regard to policyholder tax, a key area of focus for me as Independent Actuary is whether the Scheme would trigger a “chargeable event” for policyholders. Analysis prepared by MAL indicates that this is not an issue. It is expected that transferring Omega policyholders will be unaffected by the Scheme in respect of taxation.

I understand that MAL will become the Tax Agent under the Italian Tax Withholding system for the transferring Omega policyholders. The right to receive future tax recoveries under the Italian Tax Withholding system will also transfer to MAL under the Scheme for a specific consideration.

No other tax impacts are expected as a consequence of the Scheme for transferring the portfolio and the existing MAL policyholders.

9.2.11 Policyholder communications

In terms of policyholder communications, Section 13 of the 1909 Act requires that, unless the Court otherwise directs, (and I understand Omega and MAL will seek the High Court’s dispensation from this requirement in so far as it relates to existing policyholders of MAL) certain materials must be transmitted to each policyholder of each Company.

I have been provided with draft versions of this policyholder circular as detailed and I have no issues to note with the detail included in it.

I note that:

- The Omega policyholders are based in EEA member states namely Italy, Spain, Germany and France. The entities have sought local law advice from each of the EEA member states as to the notification requirements to be complied with and have obtained advice from local counsel in Luxembourg. Counsel in Germany, Italy and France have confirmed that there is no separate requirement to issue individual notifications to policyholders in accordance with their local laws. Local counsel in Spain have advised that from a Spanish law perspective, there is a requirement to individually notify policyholders resident in Spain about the transfer and to advise them of certain termination rights.
- The transferring Omega policyholders will each be sent a circular by IPSI on behalf of Omega (comprising of a letter with details about the Transfer, a summary of the terms of the Scheme, a summary version of this Report, a copy of the published legal notice and a questions and answer sheet in relation to the transfer).
- The letter issued to Spanish resident policyholders will be similar in all aspects to the circular above. However, it will also contain information about the policyholders’ right of termination of the policies.
- In addition to this Report, I have prepared a Summary Report which covers all the material points and issues raised in this full Report.
- The communication to Omega policyholders will include my conclusion as Independent Actuary and the Summary Report. It will also highlight very clearly the availability of my full Report on request and its availability on the Omega website. The CBI and CAA will be advised of this approach.
- A notice will be published in the Irish official Gazette, Iris Oifigiúil, and two daily national newspapers in Ireland.
- It is Omega’s intention to advertise in the Financial Times (International Edition) which is in wide circulation throughout Europe.

- It is noted that the regulators in each of Spain, France, Italy, Germany and Luxembourg may have an obligation to publish notice of the transfer themselves.

Subject to the directions of the Court, there is no intention to issue a direct mailing to MAL's existing policyholders. However, MAL's existing policyholders may contact MAL about the transfer having seen press advertising or notifications using their usual contact details. The contact centre will be provided with a separate questions and answers sheet specific to MAL's existing policyholders and be trained to enable them to deal with the queries and complaints received regarding the proposals (with clear delineation of responses to Omega enquiries from responses to MAL enquiries). Any queries outside of the questions and answers sheet and complaints received regarding the proposals will be referred to MAL for drafting a response.

Overall, I am comfortable with this communication approach and am comfortable that the and existing MAL policyholders will not be disadvantaged in any way by not being issued with a copy of either this Report or my Summary Report.

9.3 Conclusion on the impact of the Scheme on the fair treatment of policyholders

9.3.1 Conclusion on the impact of the Scheme on the fair treatment of the transferring Omega policyholders

Given the considerations set out above, in my opinion the implementation of the Scheme will not have a material adverse effect on the fair treatment of transferring Omega policyholders.

9.3.2 Conclusion on the impact of the Scheme on the fair treatment of existing MAL policyholders

Given the considerations set out above, in my opinion the implementation of the Scheme will not have a material adverse effect on the fair treatment of existing MAL policyholders.

Appendix 1 Information received

The table below sets out a summary of the information provided to me to facilitate preparation of this Report. I would note that, in addition to the list below:

- I had regular calls with management to discuss queries and issues arising, and
- That supporting emails and documents were also provided to supplement the key reports outlined below.

Omega Information	
Subject	Document
Constitution	11.1 Cattolica Life DAC - Constitution doc.pdf
	15.1 Background – set up, group structure, authorisations, company chart, fund structure.docx
SFCR	25.1 SFCR_ CattolicaLife_ 2017.pdf
	25.2 SFCR_ CattolicaLife_ 2018.pdf
	25.3 SFCR Report 2019 - Cattolica Life DAC.pdf
Risk Management and Governance	18.1 Risk and governance information.docx.pdf
	18.2 Data policy.pdf
	18.3 Capital management and dividend policy.pdf
	18.4 Concentration risk policy.pdf
	18.5 Operational risk policy.pdf
	18.6 Information security handbook.pdf
	18.7 Outsourcing policy.pdf
	18.8 Exit management strategy.pdf
	18.9 Error handling process.pdf
	18.10 Risk management strategy.pdf
	18.11 Reinsurance policy.pdf
	18.12 Emerging risk.pdf
	18.13 Underwriting reserving policy.pdf
	18.14 ORSA policy.pdf
	18.15 Liquidity policy.pdf
	18.16 Risk Appetite May 2020.pdf
	18.17 Risk Register_31 December 19.xlsx
Product information	16.1 Product Description Extract.docx
	17.1 Summary_Portfolio_Statistics_YE19.xlsx
	Products_Details v3.xlsx
	GL quarto grado.docx
	Investimento v1.docx
	Previdenza v1.docx
	Private Insurance II (2).docx
	Prod Spec Symphony - 20140409 (1).docx
	Prod Spec Symphony – 20140409.docx
	Prod Spec - RP GL4 grado Evolution v 24.11.2017.docx
	Prod Spec - SP GL2 grado Evolution 8 Jan 03v2080104.docx
	Prod Spec - SP GL6 grado Evolution 8 Jan 04v2080104.docx
	Prod Spec CARISMI FLEX EUROPEAN EQUITY – 20140409.docx
	Prod Spec CARISMI Prot X- 2018 IC (amended 01 05 2018).docx
	Prod spec Classic – 20140409.docx

	Prod Spec DUET – 20140409.docx
	Prod Spec ENSEMBLE Prot II_2021 – 20180501.docx
	Prod Spec Free Selection_Private UP_AF.docx
	Prod Spec Free Selection_Private.docx
	Prod Spec FS_Retail.docx
	Prod Spec FS_Retail_AF (New Edition).docx
	Prod Spec GL 2 New Gen May 22 2006 v3240506.docx
	Prod Spec GL Smart 24.11.2017.docx
	PROD SPEC PPI 30.docx
	Prod Spec SWING 14_04_08.docx
	Prod spec Swing Fairway 21_01_09.docx
	Product Spec - SP 2 grado 5 dicembre 2003v1231203.docx
	Product Spec - SP 6 grado 5 dicembre 2003v1231203.docx
	Product Spec - Special edition 6 grado 5 ottobre 2004v2111004.docx
ORSA	27.1 Item7a - Record of ORSA process 2017.pdf
	27.2 Item7a - Record of ORSA process 2018.pdf
	27.3 Item7a - Record of ORSA process 2019.pdf
HoAF Reports	22.1 Cattolica Life Actuarial Function Report_2017.pdf
	22.2 Cattolica Life Actuarial Function Report_2018_04042018.pdf
	22.3 Cattolica Life Actuarial Function Report_2019_24.03.20.pdf
	23.1 Item8 - HoAF ORSA Opinion 2017.pdf
	23.2 Item8 - HoAF ORSA Opinion 2018.pdf
	23.3 Item8 - HoAF ORSA Opinion 2019.pdf
RSR	25.4 RSR_Summary_Cattolica_Life_31.12.2017.docx
	25.5 RSR 2018.docx
	25.6 RSR_Cattolica_Life_31.12.2019.docx
Financial Statements	24.1 Financial Statements 5% - 31.03.2020.xlsx
	26.1 Cattolica Life Financial Statements 2017.pdf
	26.2 Cattolica Life Financial Statements 2018.pdf
	26.3 Cattolica Life Financial Statements 2019.pdf
	24.1 Financial Statements 5% - 31.03.2020.xlsx
Outsourcing Information	13.2 IPSI Cattolica Contract signed 1st August 2019
	14.1 Summary of all outsourcing arrangements in place
	14.2 Milliman - Risk Management Services Retainer Letter 2020
	14.3 Milliman - Actuarial Services Retainer Letter 2020
	14.4 Vera Financial - Secondment Agreement VF _ Cattolica Life 2018
Asset Management	Aberdeen.pdf
	Allianz.pdf
	Amunid.pdf
	Amundi_TBL.pdf
	ARCA.pdf
	Banca.IMI.pdf
	Blackrock.pdf
	Carmignac.pdf
	Columbia_LUX.pdf
	Columbia_OEIC.pdf
	Fidelity.pdf

	FranklinTempleton.pdf
	Invesco.pdf
	JP Morgan 1.pdf
	JP Morgan 2.pdf
	Kairos.pdf
	Morgan Stanley.pdf
	Nordea.pdf
	Pictet.pdf
	Protezione I 2020 Option.pdf
	Protezione I 2021 Bond.pdf
	Protezione I 2021 Option.pdf
	Protezione II 2020 Bond.pdf
	Protezione II 2021 Option.pdf
	Protezione II 2021 Bond.pdf
	Protezione II 2021 Option.pdf
	Protezione III 2021 Bond.pdf
	Protezione III 2020 Option.pdf
Tax	28.1 Italian Tax Asset.pdf
Reinsurance	12.1 Munich Re Agreement.docx
	12.2 Swiss Re Agreement Guida Life RP.tif
	12.3 Swiss Re Agreement Guida Life SP.tif
	12.4 Swiss Re Agreement New Life Investimento.tif
	20.1 Reinsurance arrangements.docx
Complaints	Complaints Register from2017.xlsx
Other	5.1 Run1_base_1219_CFs_v1.1.xlsx

MAL Information	
Subject	Document
Constitution	MAL_Satzung_11_10_2018_deutsch_mit_Unterschrift_Notar.pdf
Outsourcing information	Castello_IA request_question 14.docx
	WP_Aspecta_QIS_Service Agreement_FINAL_signed.pdf
	WP_Aspecta_QIS_Service Agreement_Schedules 1_3_overview_FINAL_signed.pdf
	WP_Aspecta_QIS_Side Letter Agreement_FINAL_signed.pdf
Products	Overview MAL YE2019_2020Q1.xlsx
	Tarif_Matrix.xlsx
Reinsurance:	IGR Impact details 31.12.2019 - For external audit purpose
	IGR_MRe_MAL_NL Policies_executed_dated.xlsx
	IGR_MRe_MAL_UL Policies_executed_dated.pdf
	MAL-Compte Rendu 2019 IGR details - Documentation sent to CAA.pdf
	Reinsurance treaty_Deloitte review.pdf
	2020-03-xx_RI overview_Annex_2_Actuarial report.xlsx
	S01V-LU-03-20191231-FBX-222100C4VOJPC7CJGW54-222100C4VOJPC7CJGW54.xlsx
Actuarial Function reports	2019-04-17_MAL_Report-of-Actuary_YE2018_final_clean_Signed.pdf
	2019-05-02_MAL_Validation-Report_2018_Final.pdf
	2019-06-04_Actuarial-Function-Report_MAL_2018_v6_final.pdf
	2020-03-18_MAL_Validation-Report_2019_Final.pdf
	2020-04-15_MAL_Report-Actuary_YE2019_Tables-and-Appendices_final.pdf
	2020-04-17_Actuarial-Function-Report_MAL_2019_Draft4-final_Clean.pdf
	2019-04-17_MAL_Report-of-Actuary_YE2018_final_clean_Signed.pdf
	2019-05-02_MAL_Validation-Report_2018_Final.pdf
	2019-06-04_Actuarial-Function-Report_MAL_2018_v6_final.pdf
	2020-03-18_MAL_Validation-Report_2019_Final.pdf
Financial Statements	Aspecta Assurance International Luxembourg S.A._FS_31.12.2017_secured.pdf
	Monument Assurance Lux S.A._FS_31.12.18.pdf
	MAL - Annual accounts - 31.12.2019.pdf
	2019-11-26_MAL_GSSA template_V11_sent MAL_v2 - BSCR Correction.xlsx
	MAL_31.03.2020 Interim accounts.pdf
SFCR	MAL_SFCR 2018_Final.pdf
	MAL - SFCR YE19.pdf
RSR	MAL_RSR 2018_Final.pdf
Complaints	200625 Dashboard Complaints and Litigations MAL with provisions.pdf
	Annual reporting complaints to CAA ETRV-LU-01-20191231-CAA-222100C.xlsx
	Reporting on Complaints register Monument Assurance Luxembourg.docx
ORSA	Aspecta ORSA 2017 - final and approved BoD 16 March 2018.pdf
	MAL-ORSA Report 2018-Final.pdf
	MAL - 2019 ORSA Report.pdf
Risk management and governance	B1. Risk Management Policy Version 3.0.pdf
	B2. Operational Risk Policy Version 3.0.pdf
	B3. Group Risk Policy Version 3.0.pdf
	B4. Reputational Risk Policy Version 2.0.pdf
	B5. Strategic Risk Policy Version 3.0.pdf
	B6. Business Continuity Policy Version 2.0.pdf

	item_09_a_Reading Room_MAL Capital Management and Dividend Policy v0.8 20200323.pdf
	MAL - Risk and governance information - summary of risk management framework.pdf
	MAL - risk Register 30062019.pdf
	Monument Re Reinsurance Policy Version 3.0.pdf
QRTs	S02V-LU-02-20200331-FBX-222100C4VOJPC7CJGW54-222100C4VOJPC7CJGW54.xlsx

Scheme / Joint Information	
Subject	Document
Background	4. Monument Re_Business Plan_Castello_FINAL
	20191021_Castello - CBI Briefing_FINAL
Communications	FAQ - Project Castello_KH 25062020.docx
	Project Castello - Communications plan
Proforma Results	2020-07-03_Proforma-financial-analysis_MAL+Omega.pdf
	2020-07-17_Castello_final.pdf
Sale and Purchase Agreement	03. Appendix B_Cattolica - SPA (fully executed)
Other	2020-07-16_Questions-Milliman FINAL DB RS.docx

Appendix 2 Scope from Engagement Letter

The role of Independent Actuary will be to consider and to report to the Court on the proposed transfer of business, primarily from the perspectives of the transferring policyholders of Omega, the policyholders remaining in Omega following the transfer and the existing policyholders of MAL, and to opine as to whether the interests of any of those groups of policyholders could be in any way (either directly or indirectly) materially adversely affected by the proposed transfer.

In order to form my opinion, we will expect the tasks that will be carried out will include the following:

- review of the internal actuarial and risk assessments of the proposed transfer;
- review of existing company documentation (in particular, documentation sent to policyholders to ground existing expectations);
- review of the Scheme documentation and, if necessary, suggest amended drafting in order to eliminate any concerns;
- review the proposed transfer considering the effect on policyholders covering their contractual rights, benefit security, and benefit expectations;
- in particular review the approach to PRE and the proposals post transfer;
- review the application of discretion including claims settlement, dispute resolution, application of charges etc.;
- review the status and proposed resolution around policyholder complaint/ data issues;
- review any changes to reinsurance arrangements in connection with the transfer;
- review existing/ proposed fund arrangements/structures proposed;
- review pro forma comparative solvency levels on a Solvency II basis before and after the proposed transfers (other financial measures can be considered and agreed) at a point in time, business planning horizon and sensitivities;
- review of the effects of the transfer on the risks within the companies and the resources of those companies to meet those risks;
- liaise and raise issues and questions as necessary with the appropriate persons at Omega and MAL; and
- liaise and raise issues and questions as necessary with your advisers, including legal and tax advisers.

Appendix 3 Independent Actuary CV

- Brian Morrissey is a qualified actuary with over 25 years' experience.
- He currently heads up KPMG's actuarial practice in Ireland focusing on life and non-life insurance and reinsurance markets, both domestically and internationally.
- He has previously worked with KPMG in the UK and a regional role for KPMG out of Hong Kong (18 months 2001/02). During his time overseas, he gained significant exposure to the international insurance markets and the range of products sold in these markets.
- He has carried out some significant assignments in the Irish market including acting as Finance Director to an international life company for a period of 5 months, as Head of Actuarial to a life entity with local/ international operations as part of a transition to a new owner for a 4 month period.
- He has acted as Independent/Expert Actuary on a number of expert opinions required by life insurance and reinsurance companies including significant portfolio transfers in the Irish and Isle of Man markets. He has acted as actuarial peer reviewer on a range of technical matters.
- He holds a number of statutory roles including Appointed Actuary to a life insurance company; Actuarial Function Holder under Solvency II to six life insurance/ reinsurance companies regulated in Ireland and Independent Actuary to six Bermudan regulated life reinsurance companies.
- He is involved with KPMG International's initiatives in relation to IFRS 17 and Solvency II.
- He has previously sat on Council of Society of Actuaries in Ireland and is a member of various sub committees of the Society and is the Society's representative on the Insurance Accounting subcommittee of the International Actuarial Association.

Appendix 4 PRE

Overview of PRE regime in Ireland

- The interpretation of PRE was originally considered to be an issue for companies writing “with-profits” investment policies of the type traditionally offered in the UK and Ireland. These contracts give the life insurance company significant discretion in relation to their operation particularly as regards to the amounts distributed to policyholders by way of bonuses and the timing of such distributions. The concept has, however, been extended to encompass the operation of unit linked business and to a lesser extent non-profit non linked business.
- Although the phrase “PRE” came into use in the 1970’s it does not appear in the Irish insurance legislation. PRE in Ireland has evolved over time and has been affected by, and in some instances overtaken by, legal, regulatory, consumer and industry developments such as the Consumer Protection Code, the Unfair Contract Terms legislation and the Personal Retirement Savings Account (“PRSA”) regulations of the Pensions Board (which is distinct from the CBI). It was mentioned in guidance notes produced in 2000 by the Department of Enterprise, Trade and Employment (a predecessor of the CBI) in relation to the European Communities (Life Assurance) Framework Regulations 1994. Under the new Solvency II regime there is a statutory requirement for the HoAF to consider PRE as set out in the CBI guidance note entitled ‘Domestic Actuarial Regime and Related Governance Requirements under Solvency II’. While there are no prescribed regulations, the CBI does consider PRE as part of its individual company engagements.
- The SAI adopted the Institute of Actuaries guidance notes until 1995 and these referred in places to PRE. In 1995 the SAI issued professional standards that referred to PRE and were mandatory for Irish Appointed Actuaries under the Solvency I regime. These standards have been updated several times and in 2006 an additional standard was issued to provide more guidance specifically to PRE. In early 2020, the SAI cancelled this standard and is in the process of developing a new one, recognising the changed role of actuaries under Solvency II.
- As mentioned above under the new Solvency II regime there is a statutory requirement for the HoAF to consider PRE as set out in the CBI guidance note entitled ‘Domestic Actuarial Regime and Related Governance Requirements under Solvency II’. Ultimately the Board is responsible for running the company and meeting PRE.
- Where not overtaken by legal aspects, PRE in Ireland remains a largely judgemental area because the actuarial standards are principle based. In applying these principles Irish HoAFs would usually take good practice into account such as that applied in the UK (such as the ABI’s “A guide of good practice for unit linked funds”, actuarial papers and regulatory requirements).
- It is worth noting that the standard previously set out by the SAI, ASP LA-4, applied only to Irish HoAFs and therefore would not have applied to business sold into Ireland on a freedom of establishment basis.

Appendix 5 Solvency II

The European Solvency II Directive is a fundamental review of the capital adequacy and solvency supervision regime for the European insurance industry. As Solvency II is an EU initiative it applies in Ireland (and across Europe) in a harmonised way. Solvency II was implemented on 1 January 2016.

Under Solvency II, the statutory role of the Appointed Actuary (“AA”) was abolished, with the Directive establishing the role of the Actuarial Function. The Central Bank of Ireland, under the Domestic Actuarial Regime, then enhanced the requirements under Solvency II by establishing the role of Head of Actuarial Function. The role and responsibilities of the Head of Actuarial Function (“HoAF”) under Solvency II are slightly different and somewhat narrower than those of the AA under Solvency I. For the purposes of this report, the HoAF of Omega and the Actuarial Function of MAL have prepared the Solvency II figures. The change in actuarial governance does not impact on my assessment of the Scheme.

The Solvency II framework is made up of three Pillars.

Pillar 1 focuses on the quantitative aspects of the regime and sets out the the financial resources that a company needs to hold in order to be considered solvent. In particular, it contains guidance on the valuation of assets and liabilities and sets out how the capital requirements of the regime are determined.

The liabilities determined under Solvency II are referred to as Technical Provisions and in general consist of two components, a best estimate liability and a risk margin. The best estimate liability is a probability-weighted average of future cashflows, discounted using a prescribed risk-free term structure of interest rates. The risk margin is an additional layer on top of the best estimate, determined using a cost of capital approach, and is intended to reflect the margin that would be required by a third party to take over the obligations of the insurer.

Eligible capital under Solvency II is referred to as Own Funds and is broadly split into two types, Basic Own Funds and Ancillary Own Funds. Basic Own Funds comprise of the surplus of assets over liabilities and any subordinated liabilities, whilst Ancillary Own Funds comprise of other loss-absorbing items, including unpaid share capital and letters of credit. Own funds are also separated into three tiers based on overall quality, with tier 1 being the highest quality and tier three the lowest. There are no limits applied to the tier 1 own funds, but the regime does specify quantitative limits with regard to how much of the capital used to cover the regulatory requirements can comprise of tier 2 and tier 3 own funds.

The capital requirements under Solvency II comprise of the Minimum Capital Requirement, or MCR, and the Solvency Capital Requirement, or SCR.

The SCR represents the capital required to meet quantifiable risks on the existing portfolio and is assessed by applying a series of instantaneous shocks to the balance sheet. The SCR is calibrated to a 99.5% value-at-risk and can be assessed using a standard formula published by the regulatory authorities, or through an internal model approach (with regulatory approval required to use this approach). The risks considered in the standard formula approach include market risks (such as interest rates, interest rate spreads, asset valuations and currency risks), life underwriting risks (such as lapse, expense, mortality and longevity risks), non-life underwriting risks (such as catastrophe risk and premium risk), credit risk and operational risk. Regulatory engagement is required if the level of available capital falls below the SCR.

The MCR represents the absolute minimum level of capital that must be held, determined using a linear function which considers, amongst other factors, the SCR, capital at risk, the technical provisions, written premiums and administrative expenses. For life insurance companies, the MCR has an absolute floor of €3.2m.

Pillar 2 focuses qualitatively on the governance and risk management systems in place and the supervision of these systems and controls. In particular, this includes a review of the SCR and the firm’s Own Risk and Solvency Assessment (“ORSA”). The ORSA is an assessment of the firm’s capital needs

taking into account the specific risk profile and strategy of the firm. It analyses areas in which the SCR does not fully reflect this risk profile.

Pillar 3 involves disclosure of a firm's financial condition in order to improve transparency to outsiders and considers how information is disclosed to both regulators and the general public.

Appendix 6 Italian substitute tax regime

For business written in Italy, where a company has opted into the Italian “sostituto d’imposta” tax regime, the company is required to make advanced tax prepayments at the rate of 45 bps per annum on the year-end unit reserves (in respect of business written in Italy) to the Italian Revenue, subject to cap levels on the total amount of prepayments.

Generally speaking, these prepayments can subsequently be recovered via the following mechanisms:

- Method A: Against future policyholder exit tax on chargeable gains. Italian Capital Gains Tax applies to gains made on the surrender, maturity and death (apart from death benefits in excess of the unit value) of life insurance products;
- Method B: By offsetting against other Italian taxes payable (within a Group structure) including payroll taxes, corporation tax and capital gains tax;
- Method C: By offsetting against future prepayments if the prepayment tranche has not been recovered after five years; and
- Method D: Directly from the Italian Revenue. This situation effectively means closure to new business and having no remaining in-force business in Italy. The timing of such recovery is uncertain under this recovery mechanism.

On policyholder exit (i.e. Method A), the tax rate payable by policyholders on Italian government (and regional) securities is 12.5%. The tax rate payable for all other securities is 12.5% where gains incepted before 31 December 2011, 20% where gains incepted between 1 January 2012 and 30 June 2014, and 26% thereafter.

If, in the 5th year (following prepayment by the company) the credit is not fully utilised it can be carried forward for offset against substitute tax, tax on reserves, IRES, IRAP, VAT and payroll taxes in future years or transferred to other group companies as set out above.

Appendix 7 Glossary

Glossary	
Term	Definition
AA	Appointed Actuary
ACA	Association des Compagnies d'Assurances et de Réassurances/ Association of Insurance and Reinsurance Companies
ABI	Association of British Insurers
ALM	Asset Liability Management
APE	Annual Premium Equivalent
AS	Accident and Sickness
ASP	Actuarial Standard of Practice
BEL	Best Estimate Liability
BMA	Bermuda Monetary Authority
BPV	Banca Popolare di Vicenza
Brexit	Term used to refer to the departure of the United Kingdom from the European Union
CAA	Commissariat aux Assurances
Capita	Capita Life and Pensions Services (Ireland) Ltd
Cattolica	Cattolica Life DAC
CBI	Central Bank of Ireland
CCO	Chief Compliance Officer
CEO	Chief Executive Officer
CI	Critical Illness
Class 1 Non-life Insurance	Accident
Class 16 Non-life Insurance	Miscellaneous Financial Loss
Class 2 Non-life Insurance	Sickness
Class 7 Non-life Insurance	Goods in transit
Class 8 Non-life Insurance	Fire and Natural Forces
Class 9 Non-life Insurance	Other Damage to Property
Class I Life Insurance	Life Assurance and contracts to pay annuities on human life
Class II Life Insurance	Contracts of insurance to provide a sum on marriage or on the birth of a child expressed to be in effect for a period of more than one year
Class III Life Insurance	Contracts linked to investment funds
Class IV Life Insurance	Permanent health insurance contracts
Class VI Life Insurance	Capital redemption operations
Consolidator	(Insurance context) Insurance entity which acquires insurance portfolios from other entities and aggregates them on a consolidated balance sheet.
CRO	Chief Risk Officer
DAC	Designated Activity Company
DAM	Discretionary Asset Manager
DTA	Deferred tax asset
ECM	Economic Capital Model
ECR	Enhanced Capital Requirement
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ERM	Enterprise Risk Management
ETF	Exchanged Traded Fund
EU	European Union

FOS	Financial Ombudsman Service
FSCR	Financial Services Contract Regime
FSCS	Financial Services Compensation Scheme
FSPO	Financial Services and Pensions Ombudsman
FTE	Full Time Equivalents
GAAP	Generally Accepted Accounting Principles
HoAF	Head of Actuarial Function
IFRS	International Financial Reporting Standards
IPSI	Irish Progressive Services International
IU	Involuntary Unemployment
KPMG	KPMG Ireland
LAS	Long Term Accident and Sickness
LCI	Long Term Critical Illness
MAB	Monument Assurance Belgium N.V.
MADAC	Monument Assurance Designated Activity Company
MAL	Monument Assurance Luxembourg S.A.
MASL	Monument Assurance Services Luxembourg S.à r.l."
MCEV	Market Consistent Embedded Value
MCR	Minimal Capital Requirement
MIDAC	Monument Insurance Designated Activity Company
MLIDAC	Monument Life Insurance DAC
MISL	Monument Insurance Services Limited
MSA	Management Services Agreement or Master Services Agreement
NYSE	New York Stock Exchange
Omega	Omega Life DAC
ORSA	Own Risk and Solvency Assessment
PCF	Pre-Approval Controlled Function
PPI	Payment Protection Insurance
PRE	Policyholders' Reasonable Expectations
RSR	Regular Supervisory Report
QISL	Quality Insurance Services Luxembourg S.à r.l
S.I.	Statutory Instrument
SAI	Society of Actuaries in Ireland
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
Solvency II	Risk based EU wide insurance directive which codifies and harmonises the EU insurance regulation. Discussed further in Appendix 5.
SPA	Sales and Purchase Agreement
TCF	Treating Customers Fairly
TPR	Temporary Permissions Regime
TPs	Technical Provisions
TRA	Thematic Risk Assessment
UCITS	Units of Collective Investment Schemes
ULC	Union Luxembourgeoise des Consommateurs/ Luxembourg Union of Consumers
UK	the United Kingdom
USD	United States Dollar
YE	Year Ending

YOY	year-on-year
ZLAP	Zurich Life Assurance Plc

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