Report of the Independent Actuary

Aetna Health Insurance Company of Europe DAC and AWP Health & Life SA

16 May 2023

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1 Introduction

1.1 Purpose of this Report

This is the Independent Actuary Report (the “Report”) relating to the transfer of the insurance business of Aetna Health Insurance Company of Europe DAC (“AHICE”) (“the Transferor”) into AWP Health & Life SA (“AWP H&L” or “the Transferee”) (both jointly referred to as “the Companies”). I refer to this proposed transfer of the portfolio as the proposed “Scheme”.

1.1.1 AWP Health & Life SA

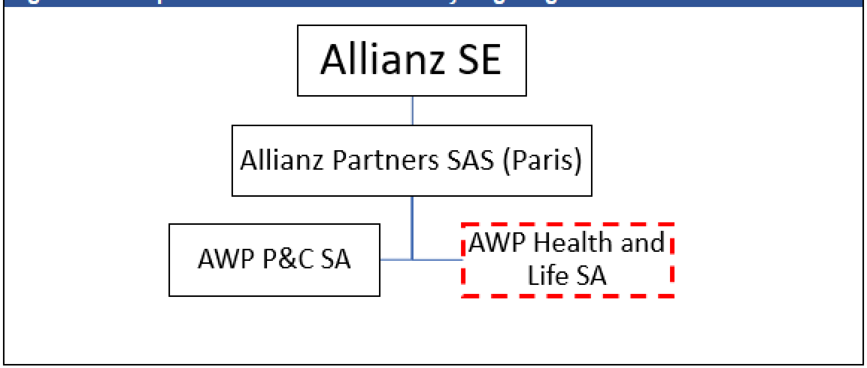
Allianz Partners SAS(“AzP”) is registered in France, controlling three French based insurance carriers:

- AWP Health & Life SA (also known as “AWP H&L” or “AWP Health & Life”). AWP H&L has three branches, one in Ireland (AWP Irish Branch), one in Qatar and one in Canada,
- AWP P&C SA (also known as “AWP P&C”), and
- Fragonard Assurance (subsidiary of AWP Partners SAS).

Allianz Partners SAS is the leading global Business to Business to Customer (“B2B2C”) specialist provider of the Allianz SE Group. Allianz Partners SAS group subsidiaries specialise in providing a range of insurance and reinsurance cover and services such as healthcare, life and disability, assistance, automotive and travel insurance schemes and associated services such as administration, medical assistance, travel and life care for policyholders.

See Figure 1.1 for a simplified Allianz Organisation Structure.

Figure 1.1 Simplified Allianz Partners Entity Organogram



Allianz Partners SAS is regulated by the Authorité de Contrôle Prudential et de Resolution (“ACPR”), the French Prudential Supervision and Resolution Authority.

AWP H&L (in the above red dotted box), is a subsidiary of this Allianz Partners subgroup, whose ultimate parent is Allianz SE (Fitch Rating AA August 2022; market capitalisation of €81.0 billion as of December 31, 2022).

AWP H&L is regulated by the French Regulator ACPR for prudential purposes and is governed by the provisions of the French Insurance Code. AWP H&L is regulated by the Irish Regulator the Central Bank of Ireland (the “Central Bank”) for conduct of business in Ireland.

AWP H&L is licensed to undertake the business of life assurance and non-life insurance, Class 1 (Accident), Class 2 (Sickness) and Class 20 (Life and annuity). AWP H&L’s main line of business written through the Irish branch is health insurance.

AWP H&L carries on insurance business in the aforementioned insurance classes throughout the European Union on a freedom of services basis. AWP H&L is licensed to operate in Ireland on a freedom of establishment basis. AWP H&L specialises in providing corporate and individual international health insurance plans and corporate life insurance plans.

Overall, AWP H&L sells medical, life, accidental death and dismemberment insurance products in each of the locations from which it writes business. The business is mainly direct insurance of multinationals and individual expatriates but also includes some risks that are written for products sold through third party insurance carriers in the Middle East, which is predominantly administered by Nextcare (a sister Allianz organisation).

In addition to accepting business directly, AWP H&L also accepts international private medical insurance business on a reinsurance basis from various insurers in numerous locations globally.

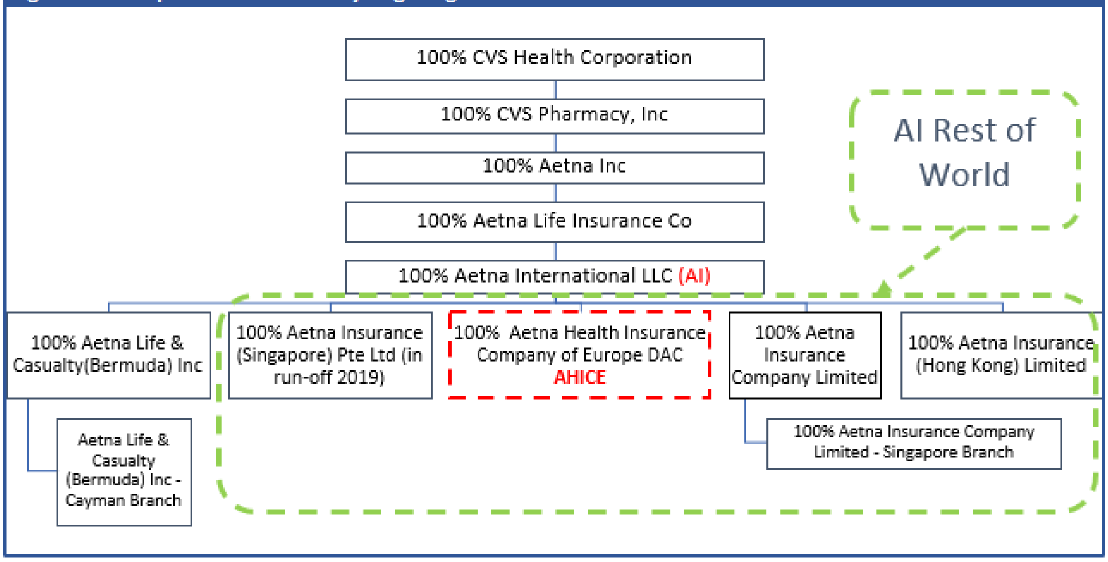
Per the Regulatory returns (QRT S.02.01.02) in its 2021 Solvency and Financial Condition Report (SFCR), as at year-end 2021, AWP H&L had Own Funds (excess of assets over liabilities) of €414m on a Solvency II[1] basis. For year-end 2022, Own Funds were €356m and SCR was €314m giving a solvency ratio of 114% on a Solvency II basis.

1.1.2 AHICE

AHICE (in the red dotted-line box below) is a member of the Aetna International LLC ("AI") group of companies which in turn form part the CVS Health Corporation ("CVS Health").

AI (incorporated in Connecticut) is 100% owned by Aetna Life Insurance Company ("ALIC") (which is rated as Baa2 from Moody's; A- from S&P; A from AM Best) which is 100% owned by Aetna Inc. See Figure 1.2 for a simplified entity organogram.

Figure 1.2 Simplified Aetna Entity Organogram



AHICE is a private company limited by shares which is incorporated in Ireland with company number 448763. Its registered address and principal place of business is Alexandra House, 3 Ballsbridge Park, Ballsbridge, Dublin D04 C7H2.

AHICE is an Irish authorised non-life insurance company providing international private medical insurance for individuals and groups. It was authorised by the Central Bank on 14 November 2007 with the firm reference number C47511. After a period of run-off between 2015 and 2019, it received

[1] See Appendix 4 for details on Solvency II

approval from the Central Bank under the European Union (Insurance and Reinsurance Regulations 2015) to undertake new business effective from 5 February 2019.

AHICE supports the AI strategy to provide international private medical insurance contracts to individuals and groups throughout the global market including Europe, the Middle East, Asia and Africa.

Per the Regulatory returns (S.02.01.02) in its 2022 SFCR, as at year-end 2022 (the date of the most recent publicly available information), AHICE had Own Funds of $13.6m on a Solvency II basis, a SCR of €3.3m giving a solvency ratio of 419% on a Solvency II basis.

AHICE's ultimate parent is the CVS Health Corporation group of companies ("CVS Group"). CVS Health is listed on the New York Stock Exchange with a market capitalisation of US$122bn (as at 30 June 2022) and a credit rating of BBB (S&P Global Ratings).

1.1.3 Motivation for Scheme

Aetna Inc. was founded in 1853 and acquired by CVS Health in 2018. CVS Health considers the AI Rest of World health insurance and services business (the dotted green box in figure 1.2 above) as non-core.

For context, in 2021 the written premium of each of these entities in AI Rest of the World Health insurance was:

- AICL (US$303m);
- Aetna International Hong Kong Limited (US$50m);
- Aetna Health International Company of Europe DAC (US$14m); and
- Aetna International Singapore (nil, in run-off).

CVS Health is therefore exiting these operations. With respect to AHICE, this process consists of two parts:

Asset Purchase Agreement – to introduce Allianz Partners to AHICE's €14m annual premium business

AHICE entered into an Asset Purchase Agreement ("APA") with (amongst others) Aetna Global Benefits (UK) Limited ("AGBUK") and AWP H&L dated 23 March 2022, whereby AHICE has given exclusive introductory rights on renewal for its €14m of business to AWP H&L, which it will write through its Irish Branch.

To explain this transaction further, the APA is between Aetna Global Benefits (UK) Limited ("AGBUK") and AWP H&L. AGBUK is a UK company in the CVS Group which is an insurance administrator company. AGBUK Limited is a limited company with a single shareholder AI and is registered in England and Wales with number 03554885. AGBUK is authorised and regulated by the FCA with firm reference number 312279.

As a result of the APA, the AHICE policies are being exclusively introduced on renewal to AWP H&L. The migration process commenced in July 2022 and will be complete by the end of October 2023. The migration of most small-medium enterprise ("SME") and large corporate group policies commenced in July/August 2022. The migration of individual policies and remaining small cohorts of SME and large corporate group policies commenced on 1 November 2022. This is not part of the Scheme, but I have given this transaction consideration in terms of the solvency capital impact it has through increased new business volumes on AWP H&L.

A parallel and related APA transaction is occurring between AICL and AWP P&C in the UK. These policies are then being 90% reinsured to AWP H&L. And again, although not part of the Scheme, I have also given this transaction consideration in terms of the solvency capital impact it has through increased business volumes on the AWP H&L. Similar transactions are planned for Hong Kong and the Singapore branch of AICL (though in these cases 100% reinsured to AWP H&L).

Framework Agreement – in relation to the forecasted €0.3m run-off liabilities transfer

AI has considered various options to accelerate the ultimate closure of relevant AI entities, including AHICE, on the completion of the above migration of policies. The option being pursued by AHICE to accelerate business closure is an Insurance Business Transfer ("IBT") under Section 13 of the Assurance Companies Act 1909 ("Section 13") of its legacy portfolio to AWP H&L (operating through its Irish Branch), subject to Court and regulatory approvals.

Therefore, on 23 March 2022, various AI entities, including AHICE, and AWP H&L also signed a Framework Agreement ("FA") by which AWP H&L (and its various sister companies in other territories) agreed to accept receipt of relevant AI legacy business via separate IBTs in each jurisdiction. The jurisdictions include Ireland (which is the subject of this Independent Actuary report) but also the UK, Singapore and Hong Kong. The latter three are out of the scope of this report.

To illustrate the relative size of this FA (versus the APA) the current projected claims provisions expected to be transferred under each of the separate IBTs in each jurisdiction are summarised in Table 1.1 below:

Table 1.1 Projected Claims provision to be transferred under the various IBTs

AICL Entity	USD 'm
AICL excluding AICL SB	3.2
AICL SB	0.3
AHICE	0.3
AIHK	0.3
Total	**4.2**

This process, which is planned for the end of 2023, transfers the remaining AHICE portfolio (which are the run-off liabilities, forecast to be about €0.3m for AHICE) to AWP H&L. The actual amount depends on the effective date of the transfer, and the emerging claims experience.

Under the FA, AI's US domiciled parent company, ALIC proposes to enter into a 100% quota share reinsurance agreement with AWP H&L to reinsure the business transferred to or otherwise accepted by AWP H&L and its affiliates by the IBTs. AHICE currently reinsure its exposure 100% to ALIC with effect from 1 January 2023. The parties acknowledge and agree that this reinsurance agreement is critical to ensure that the economic risk associated with the business remains within the overall Transferor group. The parties agree and acknowledge that coverage under the reinsurance agreement (being on a 100% quota share basis) shall incept in respect of each relevant business on the relevant IBT effective date. It shall continue in respect of each relevant business for a period of three years. Based on past claims development, the expected claims outstanding after three years is projected to be €0k (rounded) for AHICE, i.e. de minimis.

Under the 1909 Act, a petition to the Court for a transfer of long term (or life insurance) business must be accompanied by a report on the terms of the proposed transfer by an Independent Actuary. I understand that there is no equivalent legal requirement for any such report for the transfer of non-life insurance business. However in practice this is now fully expected. So, the Companies have engaged me to act in a similar and broadly comparable manner for the transfer of the non-life insurance business under this Scheme. This Report is a report prepared by me, the appointed Independent Actuary, in order to aid the Court and the regulators in their deliberations.

For information, I have also completed a similar report for the transfer of the AICL (authorised in the UK) business to AWP P&C (UK Branch) for the UK High Court. The PRA and FCA issue guidelines for the content of an independent report as part of that UK process. I have found those guidelines useful in the Irish context as well, and therefore I have mapped my report against those guidelines in Appendix 6.

In this Report I will consider if the proposed Scheme affects in a materially adverse way either the security or the policy servicing levels of the AHICE Policyholders and the AWP H&L Policyholders.

Materiality

In order to determine whether any effects of the Scheme on any group of policyholders are materially adverse it has been necessary for me to exercise my professional judgement in the light of the information that I have reviewed. If the potential impact under consideration is very unlikely to happen and does not have a significant impact, or is likely to happen but has a very small impact, on a group of policyholders then it is not considered by me to have a material adverse effect on that group of policyholders.

My assessment of materiality will also take into account the nature of the potential impact so that, for example, the materiality threshold for a change that could have a direct impact on the financial security of a group of policyholders is likely to be lower than the materiality threshold for a change that does not have a direct financial impact.

This is the framework in which I undertake my consideration of materiality in relation to the Scheme.

This Report has been prepared for the purposes of Section 13 1909 Act in accordance with:

- Regulation 41 of the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485 of 2015) ("2015 Regulations"). Regulation 41 of the 2015 Regulations makes express reference to Section 13 of the 1909 Act and Section 36 of the 1989 Act. 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". Even though the ASP is related to life business, I consider it reasonable to consider it in my work; and
- The ASP issued by the Society of Actuaries in Ireland, ASP PA-2, "General Actuarial Practice".

I owe an overriding duty to the Court and to give the Court independent actuarial evidence on the proposed Transfer.

This Report (and, if relevant, the summary Report) is to be provided to:

- the Central Bank and the ACPR; and
- the policyholders of The Companies (the "policyholders"), should they request it.

I agree that this Report and / or summary Report and any supplemental Report may be made publicly available at the registered offices of The Companies and online. The extent of the communications to the different stakeholders will be discussed with the Central Bank in the first instance and ratified by the Court in terms of any exemptions.

This Report is in respect of the proposed Scheme. AHICE and AWP H&L are collectively referred to as the "Scheme Companies" (or the Companies) throughout this Report. The terms covering the proposed transfer are set out in the 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 around July 2023. It is proposed that the sanctions hearing for the Scheme will take place in November 2023, when approval of the Scheme will be sought with a proposed effective date of 1 December 2023 (the "Effective Date", also referred to as the "Scheme Date" in the Scheme Document).

This Report is prepared by the Independent Actuary in order to aid the High Court in its deliberations.

This Report describes the proposed transfer and discusses its potential impact on the relevant policyholder groups within both AWP H&L and AHICE, particularly in terms of security of benefits and levels of policyholder service. This Report is organised into 7 sections as follows:

- Section 1: Describes the purpose of this Report and the role of the Independent Actuary;
- Section 2: Executive Summary and Conclusions;
- Section 3: Provides relevant background information on AHICE;
- Section 4: Provides relevant background information on AWP H&L;
- Section 5: Provides details on the proposed Scheme;

- Section 6: Describes the impact of the proposed Scheme on the policyholders of each of AHICE and AWP H&L; and
- Section 7: Describes other considerations.

1.2 Independent Actuary

I, Brian Morrissey, am a partner and senior actuary in KPMG Ireland. 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 Appendix 3.

I have been appointed by AHICE and AWP H&L to act as the Independent Actuary in connection with the Scheme. The Central Bank have been informed of my appointment, and the Central Bank has verbally confirmed no objections to my appointment by phone call with AHICE management. The terms on which I was formally appointed are set out in an engagement letter dated 16 December 2022 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 or indirect interests with either AHICE or AWP H&L. 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 this Report will be met by the shareholders of AHICE.

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 the KPMG team.

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 is prepared primarily to assess the likely impact that the Scheme will have on

- the transferring policyholders[2] of AHICE (i.e. all the policyholders remaining immediately prior to the Effective Date), and
- the existing policyholders of AWP H&L.

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, AHICE's policies will be transferred to AWP H&L. The proposed Effective Date is 1st December 2023.

1.4 Assurances

Whilst I have been assisted by my team, this 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 each of AHICE and AWP H&L 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 each of AHICE and AWP H&L to ask for commentary on the detail within this Report, including confirming all material information has been provided to me and how the Scheme will be affected in practice. No issues were noted with the commentary and detail presented in this final version of my Report by either set of management. I have also been given full access to staff of each of AHICE and AWP H&L as necessary.
- I have provided the Head of Actuarial Function ("HoAF") of AHICE (Donal O'Leary) and the Head of Actuarial of AWP H&L (John Armstrong) with my Report to ensure they are aware of comments I have made in this Report in relation to actuarial and risk information and their roles as HoAF and Head of Actuarial of the respective companies. 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 this final version of my Report.

In the course of carrying out my work and preparing this Report, I have considered various documents provided to me by each of AHICE, AWP H&L, and their respective legal advisers. 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 each of AHICE, AWP H&L and their respective 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 each of AHICE, AWP H&L and their respective advisers. I have not sought independent verification of data and information provided to me by the Scheme Companies, nor does my work constitute an

[2] I have borrowed the definition of the term **'policyholders'** from the UK legislation which deals with insurance business transfers. In the Financial Services and Markets Act 2000 (Meaning of "Policy" and "Policyholder") Order 2001, a "policyholder" is defined as "*the person who for the time being is the legal holder of the policy, and includes any person to whom, under the policy, a sum is due, a periodic payment is payable or any other benefit is to be provided or to whom such a sum, payment or benefit is contingently due, payable or to be provided*". (https://www.legislation.gov.uk/uksi/2001/2361/article/3/made)

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 conducted conference calls with representatives of the Scheme Companies to discuss the information provided to me and specific matters arising out of the analysis conducted.

I have been made aware of relevant discussions between AHICE, AWP H&L, the Central Bank and ACPR, and specifically inquired of them whether there were specific issues I should be aware of, and there are no issues that have been specifically noted to me.

1.5 Qualifications and Limitations

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

A copy of this Report and a summary version of this Report (the "Summary Report") will be made available to the Court, the Central Bank and ACPR, and the Boards of Directors of AHICE and AWP H&L respectively. It will also be made available to policyholders free of charge at the following:

- The registered office of AHICE – Alexandra House, 3, Ballsbridge Park, Ballsbridge, Dublin 4, Ireland;
- The AI website at www.aetnainternational.com/;
- The registered Irish Branch office of AWP H&L, which is 15 Joyce Way, Park West Business Campus, Nangor Road, Dublin 12, Ireland; and
- The AWP H&L website – www.allianzcare.com.

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 16 December 2022. 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 15 May 2023 and takes no account of developments after that date. However, my understanding is that the Scheme Companies 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 Appendix 6.

1.8 Currency

I have clearly identified the currency of figures presented throughout this Report. All figures are presented in either US$ or €, and clearly so labelled.

2 Executive Summary and Conclusions

2.1 The Scheme

AGBUK has entered into an APA with AWP H&L, whereby it has sold exclusive introductory rights to its €14m of Irish annual premium (AHICE) business on renewal to AWP H&L. The migration process commenced in July 2022 and will be complete by the end of October 2023. The migration of most small-medium enterprise (SME) and large corporate group policies commenced in July/August 2022. The migration of individual policies and remaining small cohorts of SME and large corporate group policies commenced on 1 November 2022. This is the transaction prior to the Scheme but included to assist in understanding the full transaction.

AI wishes to accelerate the ultimate closure of relevant AI entities, including AHICE, on the completion of the above transfer of policies. The option being pursued by AHICE to accelerate business closure is called an IBT of its legacy portfolio to AWP H&L subject to court and regulatory approvals. This transaction is The Scheme.

For completeness, there are a number of IBTs across different jurisdictions from relevant AI entities to AWP H&L (and its affiliates) including Ireland (subject of this report), Singapore, UK and Hong Kong. Ultimately the transferring liabilities from AI (and its affiliates) will be fully reinsured within Allianz Partners SAS by AWP H&L and then 100% retroceded to ALIC.

Therefore, on 23 March 2022, AI, and other companies within the AI group including AHICE, and AWP H&L also signed a Framework Agreement ("FA") by which AWP H&L and its affiliates agreed to accept receipt of relevant AI legacy business via a series of IBTs.

Specifically with respect to AHICE, this second part of this process, which is planned for end of 2023 or shortly after, subject to Court approval, is the transfer of the remaining portfolio (which are the run-off liabilities of AHICE forecast to be €0.3m) to AWP H&L. The actual amount depends on the Effective Date and the emerging claims experience.

Although non-life IBTs in Ireland do not require an Independent Actuary to opine on the proposed terms of the transfer, the Companies have decided to appoint me to perform a similar role as the Irish regulation requires of an Independent Actuary for life assurance IBTs in Ireland. This is the purpose of this Independent Actuary Report.

2.1.1 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.

Aetna Inc. was founded in 1853 and acquired by CVS Health in 2018. Aetna Inc. owns 100% of Aetna Life Insurance Company ("ALIC") (Baa2 from Moody's; A- from S&P; A from AM Best), which in turn owns 100% of Aetna International LLC, which then owns 100% of AHICE.

Post this acquisition, CVS Health considers the Aetna International Rest of World (AI Rest of World) health insurance and services business as "non-core" (AI Rest of World constitutes a very small part of the Aetna Inc business).

Therefore in 2019 the potential divestiture of the shares of AI was pursued by CVS Health, however the transaction was ultimately unsuccessful and disbanded in 2021.

In Q4 2021, the current project was established to explore potential options to fully exit the business. AI management identified exit options available in the relevant territories and conducted a feasibility analysis. CVS decided to continue with the current project, which included the sale of the introductory rights and the transfer of all legacy claims liabilities to bring finality (in due course) to the existing AI set up (which is this scheme).

2.1.2 Policyholders Affected

I have considered the effects of the Scheme on the following two groups of policyholders:

- the transferring policyholders of AHICE (i.e. all the policyholders remaining immediately prior to the Effective Date), and
- the existing policyholders of AWP H&L.

2.1.3 Process followed

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

i. Understand the businesses of the Companies; and

ii. Understand the effect of the Scheme on the assets, liabilities and capital (on the regulatory basis) of the Companies and their respective businesses.

Having identified the effects of the Scheme on both Companies and their respective 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. Specifically all the AHICE year-end numbers I have used (from the AFR, ARR, SFCR and QRTs; see Glossary in Appendix 5) for 2021 and 2022 have been externally audited, as this is a requirement in Ireland. For AWP H&L there is no requirement to audit Solvency II numbers in France, but all non-Solvency II numbers for example the IFRS reserves have been externally audited. The following summarises the financial information I was provided with:

- AHICE's historical financial information based on audited financial statements and regulatory submissions to the Central Bank, focusing in particular on the estimates of Solvency II regulatory capital.
- AWP H&L's historical financial information based on audited financial statements and regulatory submissions to the ACPR, focusing in particular on the estimates of Solvency II regulatory capital.
- For both Companies, the Actuarial Function Reports and Actuarial Reports on IFRS Provisions in respect of historical regulatory balance sheets.
- Projected Balance sheets as at the Effective Date of AHICE pre- and post the Scheme.
- Financial information in respect of the reinsurers, ALIC as at 31 December 2022.
- The projections prepared by both companies 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 companies and have placed reliance upon, amongst other information, estimates of the AHICE and AWP H&L 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 Companies to calculate the estimate of regulatory reserves and regulatory capital required; and
  - Stress and scenario testing currently performed by the 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 Companies.

I have also been provided with other non-financial information specifically relating to the Scheme including:

- Background to the Scheme;
- Company and Group structures;
- Product documentation;
- An overview of the risk and governance frameworks in place in both Companies;
- An overview of the companies' approach to Treating Customers Fairly;
- Documentation outlining any recent discussions the Companies have had with the Central Bank and ACPR;
- For the transferring policyholders, I have also considered the impact of compensation schemes, and priority in the unlikely event that either AHICE or AWP H&L is declared insolvent.

Appendix 1 includes a list of all information provided.

2.2 The impact of the Scheme on the policyholders of each of AHICE and AWP H&L

I am satisfied that the proposed Scheme does not affect in a materially adverse way either the security or the policy servicing levels of the AHICE Policyholders and the AWP H&L Policyholders.

The balance sheets I have reviewed for AHICE and AWP H&L respectively show amounts as at 31 December 2021 and 31 December 2022.

I note that the AHICE historical financial information is not particularly meaningful as it is now closed to new business and its risk exposures running down – which in the absence of any actions would mean a significant increase to Own Funds and reduction in SCR.

I have reached the above conclusion by considering:

- the reserves of the Companies as at 31 December 2021 and 31 December 2022;
- the Solvency II regulatory capital of the Companies as at 31 December 2021 and 31 December 2022;
- the excess assets / Own Funds of the Companies as at 31 December 2021 and 31 December 2022;
- the operation of compensation schemes pre- and post- Scheme;
- the risk exposures in the Companies and the impact that the Scheme might have on those;
- the impact of the Scheme on non-financial aspects (e.g. standards of policy servicing in each of the Companies); and
- The security provided by the 100% Quota Share to ALIC before and after the Scheme for the transferring policyholders.

I concluded that:

- The reserves of the Companies appear reasonable as at 31 December 2021 and 31 December 2022;
- AWP H&L is projected to continue to be well reserved with effect from the Effective Date;
- As at 31 December 2021 and 31 December 2022, AHICE has strong Solvency II regulatory capital position exceeding its strategic solvency targets and in line with its internal risk appetite levels;
- As at 31 December 2021 and 2022, AWP H&L had a Solvency II regulatory capital position within its risk appetite at 136% and 114% respectively of the SCR at each year-end;

- As mentioned in Section 1, the ultimate parent, Allianz SE has a Fitch Rating AA as of August 2022 and market capitalisation of €81.0 billion as of December 31, 2022. Allianz Capital Management policy requires a lower regulatory capital coverage level at subsidiaries than AICL, but clearly has significant capital at a group level to call upon, if there is ever a need;
- Specifically, if the Scheme does not progress, AHICE has forecast that its Own Funds will remain at c€8m (after planned capital extraction, about 300% coverage of its SCR/MCR of approximately €2.7m) over the run-off period, leaving a surplus over its SCR/MCR in run-off of approximately €5.5m over that period. Although 300% appears to be a very large coverage ratio, this is simply the mathematical consequence of dividing by the small SCR/MCR required;
- Without divulging the exact commercially sensitive projections, if the Scheme does progress, the AWP H&L equivalent forecasts show Own Funds well in excess of €400m (and regulatory capital coverage ratio of between 118% and 122%), with a surplus over its SCR over that period in excess of €70m at each year-end;
- So although the regulatory capital coverage ratio is considerably less in AWP H&L SA than AHICE, in absolute terms AWP H&L SA has a much larger balance sheet;
- As at the Effective Date, AWP H&L is forecast to have a Solvency II regulatory capital position which will continue to meet its own internal risk appetite, including under the various stressed scenarios considered as part of the ORSA process;
- The projected regulatory capital position for AWP H&L also takes account of the transfer of the renewal rights from AHICE under the APA, as well as the internal reinsurance transfers of the other APA renewal rights (90% for the UK, and 100% for Singapore and Hong Kong businesses) to AWP H&L;
- There is no reason to think that the financial strength of AWP H&L will be impacted by the Scheme, as the transferring policies will be 100% reinsured to ALIC, so the net impact on the AWP H&L balance sheet is zero;
- As at the Effective Date, AHICE will have a much higher solvency ratio than AWP H&L, however this is not a valid comparison as with no remaining policyholders it will be dissolved and the remaining Own Funds returned to its shareholders;
- The 100% quota share reinsurance into ALIC pre-Scheme is replaced by a similar 100% quota share reinsurance into ALIC post Scheme to provide added protection for AWP H&L; and
- ALIC (regulated by the Connecticut Insurance Department), has strong external credit ratings (Baa2 from Moody's; A- from S&P; A from AM Best), and is well capitalised, with overall available capital and surplus of US$6.2bn at 31 December 2022.

2.3 The impact of the Scheme in respect of other matters

I have also been provided with an operations document comparing the service levels before and after the Scheme. I am satisfied that service level will be similar post the Scheme for the transferring policyholders.

I note that AWP H&L is exploring a potential third-party administration solution at the time of writing my Report. This may impact the transferring business. This is work in progress. If a third-party administration solution impacting the transferring business is put in place outside of the FA, I will assess this as part of my Supplementary Report.

Given the APA and the exclusive introduction to both AWP P&C and AWP H&L policies on renewal, I have also been provided with operations documents assessing the service levels over the period of migration of these renewal rights. No material issues appear to be flagged in terms of meeting service levels and standards, which have in fact improved over this period.

In addition, both AHICE and AWP H&L provided me with documentation in relation to Treating Customers Fairly. Both companies adopt a comprehensive approach to this and have specifically agreed consistent treatment for the transferring business in AWP H&L relative to their treatment in

AHICE. Therefore the transferring policyholders should be served as well in AWP H&L as they are currently in AHICE.

I have been informed that the Scheme is not expected to have tax implications that would affect either of the Companies or any of the groups of policyholders identified above.

I have been provided with an estimate of the external costs of the Scheme. I consider it unlikely that the costs of the Scheme will be such as to jeopardise the security of any of the groups of policyholders.

2.4 The Approach to Communication to Policyholders

The intended approach that AHICE and AWP H&L plan to take in communicating information about the proposed Scheme to the affected policyholders and other parties is set out in Section 7.

The main objectives of the communications are to:

- ensure that policyholders and other interested parties receive sufficient and clear information on the Scheme and its effect and implications for them;
- enable recipients to make an informed decision as to whether they wish to make representations to the Court in relation to the Scheme, and the process to follow should they wish to do so; and
- enable recipients to understand any impact on the claims process and their ability to claim.

I believe the proposed approach to communication with policyholders and other interested parties as detailed in this Report including the dispensations sought to be both proportionate and reasonable. It is proposed that only the impacted AHICE policyholders will be notified, as there will be negligible impact on existing AWP H&L policyholders. In making this statement I note that it is for the Court to approve the notification arrangements.

2.5 Key Assumptions

In conducting my analysis, I have made the following key assumptions:

- AWP H&L will retain solvency levels within its risk appetite up to and after the Effective Date.
- There will not be an increase in the aggregate liability or risk exposures in the Companies as an immediate consequence of the Scheme that would not have occurred were the Scheme not to proceed;
- Service levels described at section 6.6 of this Report will not be impacted by the Scheme. My assessment is based on AWP H&L acting as principal administrator of the transferring business including via its network of contracted TPA's. If a change were to be made ahead of the Scheme, any new third-party administration provider would need to be appointed in accordance with AWP H&L's existing processes and procedures for the appointment of such administration/service providers pursuant to AWP H&L's Group Outsourcing Policy, as described at section 4.4.2 of this Report.
- For the policyholders of AHICE moving to AWP H&L under the Scheme, the 100% Quota Share Reinsurance Treaty with ALIC will cease on the Effective Date, but such policyholders will enjoy the benefit of a 100% reinsurance agreement between AWP H&L and ALIC from that date (Note, however given the size of the AWP H&L balance sheet, in an extreme scenario, this reinsurance on c€0.3m will not provide additional security for transferring policyholders);
- No significant additional tax liabilities will arise as a result of the Scheme for any of the Companies;
- AWP H&L has no current intention to cease underwriting or carry out any restructuring of their businesses as a result of the Scheme;
- There will be no policyholders left in AHICE after the Scheme, as all existing policyholders of AHICE will become policyholders of AWP H&L as a result of the Scheme; and

- While the Scheme allows for Excluded Policies, none is expected at this time, and any Excluded Policies would be known before the date of the final Court hearing. In the event that such policies are identified I will address them in a Supplementary Report.

The above assumptions underlie the analysis and conclusions in my Report. If these assumptions were to change, my opinion may also change. At the time of writing my Report, the above assumptions are the current intentions for the Scheme and the Companies, as informed to me by AHICE and AWP H&L. If there are any changes to these assumptions, I will consider and comment in my Supplementary Report.

2.6 Supplementary Report

This Report is based on information provided to me on or before 15 May 2023 and therefore reflects a point in time view of the proposed transfer. My understanding is that AHICE and AWP H&L intend to request that I prepare and issue a Supplementary Report closer to the date of the final hearing at which the 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 15 May 2023. In my Supplementary Report, I will review my findings and opinion which will include consideration of the following:

- Update on AWP H&L solvency levels relative to their risk appetite statement.
- Business performance in the period and updated regulatory and financial information for both AHICE, AWP H&L and reinsurers ALIC including relevant actuarial reporting.
- If there were any changes to the assumptions underpinning my Report as noted in Section 2.5.
- Finalisation of the reinsurance arrangements from AWP H&L to ALIC.
- Review of any responses from policyholders to the communications issued in respect of the transfer.
- Update on wider market and regulatory developments.
- Review of additional main financial reports produced un the intervening period, e.g. ORSA reports, quarterly management reports, quarterly regulatory filings.
- Review of all relevant correspondence with impacted Regulators.

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 The Companies and online as soon as is practicable once it has been issued.

2.7 Conclusions

In my opinion, provided the proposed Scheme operates as intended and AWP H&L retains solvency levels within their risk appetite up to and after the Effective Date, and I have no grounds for believing that it will not do so:

- The security of benefits to policyholders of AHICE and AWP H&L will not be materially adversely affected by the implementation of the Scheme on the Effective Date; and
- The Scheme will not materially adversely impact on the service standards experienced by the policyholders of AHICE and AWP H&L.

I will review my analyses and conclusions in the light of any relevant information of which I become aware prior to the Court hearing to sanction the Scheme, and I will summarise my additional review and conclusions, explaining any revisions to those contained within this Report, in a Supplementary Report.

My opinion in relation to AHICE and AWP H&L policyholders is based on:

- My review of all the pertinent historical, current and projected information provided by AHICE and AWP H&L; and

- Discussions with the management of AHICE and AWP H&L on what will happen post-transfer.

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

Brian Morrissey

16 May 2023

Brian Morrissey, FSAI

Date

Independent Actuary
KPMG in Ireland

3 Aetna Health Insurance Company of Europe

3.1 Overview

AHICE is a private company limited by shares which is incorporated in Ireland with company number 448763. Its registered address and principal place of business is Alexandra House, 3 Ballsbridge Park, Ballsbridge, Dublin D04 C7H2.

AHICE was authorised in November 2007 to write non-life insurance business and is regulated by the Central Bank.

In 2015 AHICE ceased writing business and entered run-off. In line with the UK's withdrawal from the European Union, AHICE sought and obtained regulatory approval to recommence writing insurance business, which it did from 1 October 2020.

AHICE is authorised to write Class 1 Accident, Class 2 Sickness and Class 18 Assistance insurance business. For completeness, no Class 18 business is being transferred, as none has been written by AHICE.

The total gross technical provisions for AHICE were €6.7. AHICE is well capitalised with an SCR coverage ratio of 278% as at 31 December 2021 and 419% at 31 Dec 2022. AHICE is currently and is forecast to remain above its target capital risk appetite of 150% during the run-off period[3].

AHICE is a wholly owned subsidiary of AI and forms a part of AI's 'Rest of World' (i.e. non-American) operations (See figure 1.2 for simplified Aetna entity Organogram). AI is a part of the CVS Group, a company incorporated in Delaware (USA).

3.2 Nature of business written

AHICE is a monoline health insurer. Prior to 31 October 2022 AHICE underwrote policies for large corporate, small-medium enterprise (SME) and individual policyholders throughout Europe. As noted above, AHICE recommenced writing business in 2020 so there is no premium data for 2019.

Table 3.1 shows AHICE's net of reinsurance earned premium for the past three years. The higher premium volumes in 2021 are due to 2021 being the first complete financial year of business following AHICE recommencing writing insurance in October 2020.

Table 3.1: AHICE Net earned premium per Customer Segment

EUR (€000)	2022	2021	2020	2019
Large Corporate Group	8,650	6,632	20	0
SME	3,925	2,655	62	0
Individual	4,737	3,072	103	0
Total Earned Premium	17,312	12,259	185	0

Source: AHICE SOO (Scheme of Operations) 08 November 2022; 1.2.1 Business Written by AHICE and Management information

[3] These are unaudited numbers, but drawn from the Scheme of Operations document submitted to the Central Bank in relation to the APA.

Table 3.2 shows how Gross Written Premium is spread across the main territories:

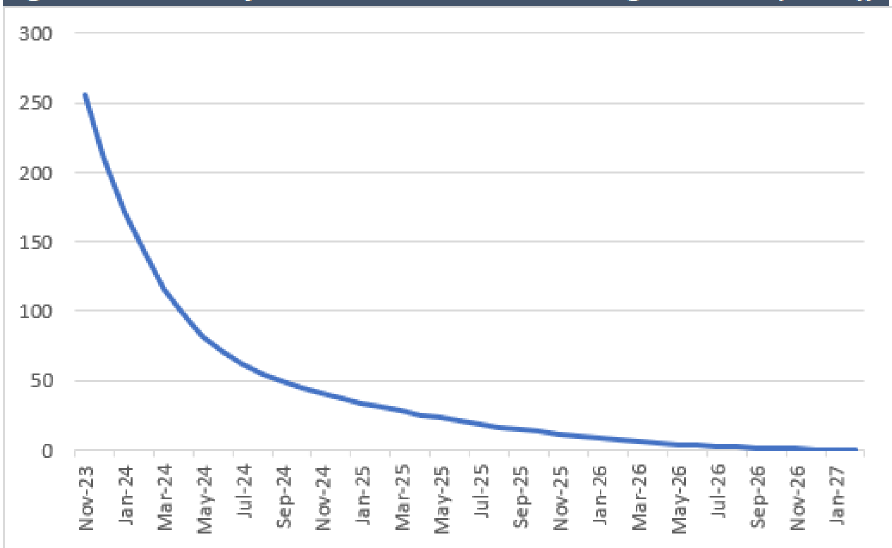
Table 3.2: GWP by largest territories			
EUR (000s)	2022	2021	2020
EU	18,170	15,999	1,011
UK	279	71	113
Other non-EU Countries	1,085	2,873	153
Total	**19,534**	**18,943**	**1,277**

Source: AHICE SFCR; A.2 Underwriting Performance

Aligned to the migration of policies under the APA, from July 2022, AHICE started to cease writing new business on a phased basis, which resulted in lower premium volumes in H2 2022. AHICE ceased writing new business and ceased renewing existing policies at close of business on 31 October 2022.

Figure 3.1 below illustrates how quickly the claims provisions are forecast to run-off from the Effective Date. As at the Effective Date, the provisions are forecast to be approx. EUR €260k. Within 12 months they are expected to be approximately EUR €40k. However, even though they are forecast to run-off speedily, it can be seen that without the IBT, it would take several years to settle all claims.

Figure 3.1 AHICE Projected Provisions for Outstanding Claims EUR(€000's))



3.2.1 Products

AHICE has supported the AI strategy to provide international private medical insurance ("IPMI") contracts to individuals and groups throughout Europe.

The Company (again) commenced writing business on 1 October 2020 by migrating EU policies from the Company's sister UK company, Aetna Insurance Company Limited. This initial migration was completed as planned on 30th September 2021.

All IPMI plans sold by the company are short term in nature and renewable by invitation on an annual basis. There are two types of pricing structure:

Community rated

Community rated products include a pricing structure for a single population, with different price points depending on age and location. These will typically be purchased by individuals and small employer sponsored groups.

Experience rated

Experience rated products are offered to larger employer sponsored groups (100 + employees), where a target claims fund is set by reference to the historical claims experience. The claims fund for each experience rated group is reviewed on an annual basis. The plan designs include a common architecture and structure for benefit tables, which facilitate the performance of claims analytics across the entire AI book of business.

3.2.2 Assets

Table 3.3 summarises the profile of AHICE's assets, valued on a Solvency II basis, at 31 December 2021 and at 31 December 2022.

Table 3.3: Assets

EUR (000s)	SII Value YE 2022	SII Value YE 2021
Investments (other than assets held for index-linked and unit-linked contracts)	3,048	2,849
Bonds	3,048	2,849
Government Bonds	0	0
Corporate Bonds	3,048	2,849
Deposits other than cash equivalents	0	0
Reinsurance Recoverables	166	396
Insurance and Intermediary receivables	1,696	2,039
Reinsurance Receivables	0	0
Receivables (trade not insurance)	48	35
Cash and Cash Equivalents	18,422	17,820
Total Assets	23,380	23,139

Source: AHICE SFCR QRT S.02.01.02 Balance Sheet

Overall, AHICE operates a low investment risk environment with 79% of its assets in cash or cash equivalents, 13% in corporate bonds with the majority of the remainder as insurance and intermediary receivables. The Board has delegated management and oversight of the investment guidelines to its Investment Committee.

3.3 Risk Profile and management

3.3.1 Overview of risks

As AHICE conducted its ORSA process in 2022, the Risk Champions, Risk Management ("RM") team and other internal stakeholders identified the top risks of the company that needed to be actively monitored and managed. The ORSA report was finalised on 12 December 2022.

The ORSA report noted that the ORSA has been prepared under a runoff scenario, allowing for the APA, but with no allowance for the proposed IBT. It notes that the proposed IBT was early in the planning stage for execution and subject to regulatory and court approval.

This list of top risks was refined, examined by all internal stakeholders and committees and duly approved by AHICE's Board of Directors at the end of quarter 4, 2022.

These key risks have also been reviewed for all of AI's business that are winding down, so that there is a comparable list of top risks for AHICE.

The AHICE risks are then linked back to AHICE's Risk Appetite Statement to ensure compliance with the risk tolerances and set limits.

The current AHICE Risk Profile can be defined within the following core and emerging risk segments:

Underwriting Risk: Per the 2022 ORSA, the excess of loss reinsurance programme was commuted on the 31st December 2022 and has been replaced by a new 100% quota share reinsurance agreement with ALIC. This agreement was approved by the Connecticut Insurance Department and the AHICE Board for implementation with effect from 1st January 2023. This internal reinsurance program mitigates against any additional claims activity for the company. ALIC (regulated by the Connecticut Insurance Department) has strong external credit ratings (Baa2 from Moody's; A- from S&P; A from AM Best), and is well capitalised, with overall available capital and surplus of US$6.2bn as at 31st December 2022.

Credit Risk: This is the risk of default by counterparties. Due to the size of its assets, AHICE is exposed to default risk and currently spreads its exposure over a number of grade A counterparties. Cash is held at high credit rating banks to minimise default risk. Similarly reinsurance credit risk is minimal as the current reinsurer is ALIC (referenced in last paragraph). Premium debtor balances are minimised by robust collection processes, with minimal debt over 90 days.

Market Risk: Market risk arises due to fluctuations in interest rates, spread risk and currency risk (mainly USD, EUR, GBP). In mitigation of this risk, AHICE maintains a highly liquid blend of cash and investment balances in its core reporting currencies. Overall, AHICE operates a low investment risk environment with capital preservation central to the investment objective. The Board has delegated management and oversight of the investment guidelines to its Investment Committee.

Operational Risk: Operational risks arise from people, processes, systems and external events. The material risks to AHICE are those that could impact both its reputation and ability to operate, either through business interruption, political unrest or a data security breach. This is controlled by the CVS Group IT Security team and documented in a governance tool, Archer eGRC.

Regulatory Risk: AHICE has regulatory licenses in Europe and has local compliance representation in Ireland. There is a Compliance Plan designed and maintained by the AHICE Compliance officer. AHICE Clients are managed on the Operating platform used across AI to ensure the consistency of the service and control framework.

Reserving Risk: The risk of AHICE holding insufficient reserves to cover claims is low by the nature of the short tail business, good claims history and stable loss trends over recent years. An actuarial review is undertaken monthly by AHICE's actuary team to assess the adequacy of AHICE's reserves. As part of the year-end audit process, external (independent) attestation to the reserve balances carried is received.

Claims Management: The risk of claims management issues impacting client service, financial control and reputation is managed through robust documented procedures, reporting and a programme of formal and informal internal audit review. Third parties involved in processing AHICE's claims go through a rigorous due diligence process and are closely monitored through regular reporting and audit visits. Provider management teams are responsible for ensuring that providers submit claims on a timely basis and adhere to the terms of AHICE's policies.

Liquidity Risk: The nature of AHICE's investment objectives is to maintain high levels of cash balances which are immediately available to ensure that obligations to policyholders can be met.

Group Risk: Currently the main additional risks that AHICE is exposed to are a dependency on the Aetna group with regard to the internal 100% Quota share reinsurance programme with ALIC, and reputational risk from association with other Aetna group businesses. The Board continually monitors Group Risk exposure across AHICE and where warranted reflects findings and agreed actions within the ORSA process and report.

Outsourcing Risk: To mitigate against potential outsourcing risk, AHICE continues to outsource low value added, routine processes to third party vendors and those high value customers facing processes remain in-house within AI. Robust due diligence and audit procedures are in place to ensure vendor service delivery quality.

Emerging Risks: Due to ongoing integration of AHICE into the AI operating model and continuous upstream regulatory requirements, AHICE does consider future changes in the risk profile of AHICE, in particular the impacts of inflation, operational changes and climate change. Inflation of both expenses and claims is stressed quantitively in the ORSA; Operational activities are subject to review and reporting; and Climate change is considered qualitatively in the ORSA. The Board is comfortable with its level of exposure to emerging risks, but continues to monitor them on a regular basis, noting that the risk will reduce significantly as the runoff progresses through 2023.

3.3.2 Governance

The Board, its sub-committees and executive management

The Board has overall responsibility for ensuring that it has an effective system of governance. It is responsible for overseeing the conduct of the company's business and supervising the executive team which is responsible for its day-to-day management. The Board manages its affairs in accordance with the constitution of the company, its terms of reference and the legal & regulatory framework in which the company operates. The Board currently comprises five directors: three non-executive directors and two executive directors, as well as the company secretary.

The Board has delegated certain of its responsibilities directly to the executive management team and its sub-committees:

Audit Committee

The committee has responsibility for the oversight of the Company's financial reporting process, its audit process, its system of internal controls, compliance with laws & regulations This committee is comprised of the full Board. The finance, compliance, and internal audit functions all provide quarterly updates on their activities to this committee.

Risk Committee

This committee was responsible during the Reporting Period for the management of all aspects of the Company's risk exposure, including determining risk appetite and tolerances within an appropriate risk framework. This committee was comprised of the full Board.

Executive Management Team

The Company's executive management team comprises the Chief Executive Officer, the Chief Risk Officer, the Chief Finance Officer and Compliance Officer. They have overall management accountability for the day-to- day business of the Company and are responsible for reporting on such matters to the Board and its sub-committees.

The executive management team is supported by three functional committees (the Executive Committee, the Global Operations Committee and the Global Legal, Audit, Risk and Compliance Committee) which facilitate process management, awareness, and appropriate governance amongst the key functions of the business.

The Company's executive management team remain directly responsible for implementing any group strategy at the Company level and decisions with respect to how the Company should conduct its Irish regulated business.

3.3.3 Risk Appetite

Risk Appetite, Tolerances and Limits

AHICE's risk management framework includes:

- A Risk Management policy
- A Risk Register
- A Risk Appetite Statement
- Quantitative measurement of risk (in normal and stressed environments)
- Quarterly summary risk Scorecard
- Prospective solvency assessment (through its ORSA)

The risk appetite framework facilitates the determination, review, oversight, quantification and reporting of risks and how they affect AHICE's objectives.

The AHICE Risk appetite statement reflects the risk profile for AHICE, and the risks outlined in the AHICE risk register.

The risk appetite statement guides AHICE to an acceptable risk portfolio. Determination of AHICE risk appetite is a dynamic process that includes quantitative and qualitative methods. It is aligned to the enterprise business model and goals as well as business unit long- and short-term strategies.

I have reviewed the Risk Appetite Statement and it appears reasonable for the risk profile and nature of the entity, a company in run-off.

Scope

The risk appetite statement applies to all operations and functions performed by or on behalf of AHICE. The AHICE CRO is responsible for oversight of the risk appetite statement. The risk appetite statement considers the risks AHICE accepts in the pursuit of its strategic objectives. AHICE's Board of Directors reviews material exceptions to the risk appetite statement.

In establishing its risk appetite statement, AHICE considers:

- Categorizing risk based upon themes common to regulatory and rating agency risk descriptions.
- Assuming risk where the risk-adjusted returns are beyond the minimum acceptable rate of return (hurdle rate) and where no risk limits are exceeded.
- Accommodating different stakeholders (management, regulators, rating agencies, shareholders, other stakeholders) with varying perspectives on risk appetite.
- Setting the risk appetite based on an understanding of CVS Group's overall capacity for risk. Risk capacity represents the maximum risk the company can bear relative to:
  - Financial capital position (regulatory requirements and debt capacity).
  - Strength of core earnings.
  - Resiliency of brand and reputation.

Statement of Risk Tolerance and Responsibility

Risk tolerances are expressed as limits within the risk appetite statement. Some are top-down (i.e., determined by AHICE's Board of Directors and its committees), and others are bottom-up (i.e., provided by management and then approved by AHICE's Board of Directors).

Management fulfils several responsibilities relating to its risk appetite:

- Reviews the risk appetite statement periodically and recommends changes to the Risk Committee.
- Tracks and reports on compliance with the risk appetite statement.
- Works with the businesses to remediate risk limit breaches, if any.

Overall, a comprehensive approach to assessing, monitoring and managing risk appetite is embedded within AHICE.

3.3.4 Risk sensitivities

As part of its regular ORSA and risk management process, AHICE conducts stress and scenario testing of the material risks to which it is exposed. Specifically for the 2022 ORSA, finalised in Dec 2022, as the company is in run-off, the ORSA concentrated on the most significant threats to its viability during that run-off.

In particular, AHICE considered the following stress tests that have an impact on the projected SCR calculations:

- Higher inflation than planned on total expense base during run-off;
- Stress testing medical claims cost; and
- Aggregation of the above two stresses (simultaneously).

The results show that before applying the stresses, the company is forecasting a surplus funds ranging from €4.3m to €4.7m during run-off.

The first stress above, total expense base inflation, reduces the available funds by between €0.6m increasing to €1.7m in 2027, leaving surplus funds of €3m in 2027.

The second stress, inflation on actual medical costs, reduces the own funds by about €2m each year. Note that this does not increase further after 2023, as the main inflation threat to claims is in the first 9 months of run-off, given the short-term nature of the book.

So taken together, the cumulative stress would reduce the surplus funds by up to €3.7m, leaving surplus funds of €1m in 2027. However, due to the 100% reinsurance arrangement with ALIC, the medical inflation stress does not impact the balance sheet after reinsurance.

The AHICE Board has noted that the proposed 2023 capital extraction would take place at the end of 2023 and would be subject to a review of AHICE's financial performance during 2023. As such, the impact of inflation in 2022 and 2023 on AHICE's solvency position would be assessed before recommending any capital extraction in 2023.

I have not reproduced further detail here. The key risks presented in the ORSA are in line with those outlined in Section 3.3.1 above and are discussed in more detail in Section 3.7.

3.3.5 Risk Issues

The current risk register (i.e. list of open risks updated in March 2023) for AHICE 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 exposures and monitoring procedures. Specifically the main run-off risks of cost base inflation and inflation on medical costs are discussed, among many other risks. The items are in line with what I see elsewhere, and seem well tailored to the run-off strategy.

3.4 Outsourcing

There has been no material change to the outsourced activity documented in the change of business plan approved by the Central Bank in March 2019 and the Company's operations are integrated with the AI operating model as prescribed in the SOO.

The Company outsources and enters into outsourcing arrangements only where there is a sound commercial basis for doing so, and where the risk can be effectively managed. A due diligence process is undertaken prior to any final decision being made as to whether to outsource a material business activity. This addresses all material factors that would impact on the potential service provider's ability to perform the business activity.

The main outsource arrangements are with AGBUK, which handles Sales, Operations, Complaints, Actuarial, Finance, Internal Audit, Legal and IT. AHICE also outsources investment management and treasury to ALIC. There are also a number of third parties who assist with tax services, back-office claims processing, call centre and cloud services.

The system of controls and reviews designed to manage AI customers mitigates against potential conflicts between Aetna entities and reduces the intra-group outsourcing risks for AHICE. Robust due diligence and audit procedures are in place to ensure vendor service delivery quality.

3.5 Reinsurance

3.5.1 Overview of reinsurance

As noted in 3.3.1 (under Group Risk), since January 2023, AHICE is covered by a 100% Quota Share agreement with ALIC, with an effective date of 1 January. All historical reinsurance covers have been commuted.

3.5.2 Ratings of reinsurers

As stated previously, ALIC, AHICE's 100% Quota Share reinsurer since 1st January 2023, has strong external credit ratings (Baa2 from Moody's; A- from S&P; A from AM Best), and is well capitalised, with overall available capital and surplus of US$6.2bn as at 31st December 2022. I have not performed a detailed review on ALIC but have been provided with the most recently audited financial statements, the most up to date rating agency information and that it is part of a listed group, CVS.

3.6 Financial Profile

3.6.1 Background

AHICE is regulated under the Solvency II regulatory regime, as transposed into Irish law. Similarly, AWP H&L, is regulated under the Solvency II regulatory regime, transposed into French law. Therefore the Transferring Policyholders will be in a company with equivalent regulatory requirements after the Transfer.

For the purposes of comparing financial strength, I will look at the strength of both entities using the Solvency II basis.

3.6.2 Technical Provisions

Table 3.4 below summarises AHICE's Solvency II technical provisions at 31st December 2021 and 2022.

Table 3.4 Technical Provisions			
EUR (000s)	2022	2021	2020
Best Estimate Liabilities (BEL)	6,587	4,816	474
Risk Margin	170	326	132
Total	**6,757**	**5,142**	**606**

Source: AHICE SFCR: D2 Technical provisions

The Scheme of Operations Document provided to me by AHICE demonstrates that the run-off of the BEL is expected to be very rapid into the future, dropping to €1.9m as at year-end 2023 (€1.4 of which is a run-off expense provision) to €0.8m at the end of 2025 (€0.7 of which is a run-off expense provision). The €6.6m BEL for 2022 as noted above includes an expense reserve for run-off of €2.0m.

3.7 Solvency Position

3.7.1 Solvency II Solvency Capital Requirement

Under Solvency II, firms must hold capital equal to the higher of the SCR or MCR. In AHICE's case, it is the SCR that applies.

AHICE use the standard formula approach to calculate their SCR. 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, the Technical Provisions, written premiums and administrative expenses. The MCR is also subject to an absolute minimum amount, specified in Euro terms.

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 3.5 below sets out the regulatory capital position of AHICE, under the Solvency II framework at 31 December 2020 to 31 December 2022.

Table 3.5: AHICE Solvency Own funds			
EUR (000s)	2022	2021	2020
Eligible Own Funds	13,636	17,033	13,297
SCR	3,255	6,116	3,733
Solvency II Surplus	10,381	10,917	9,564
Ratio of eligible Own Funds to SCR	**419%**	**278%**	**356%**

MCR	2,700	2,500	2,500
Ratio of eligible Own Funds to MCR	**505%**	**681%**	**532%**

Source: AHICE SFCR: E2 SCR and MCR

As at 31 December 2022 the Solvency II returns showed total Own Funds available net of liabilities of AHICE were €13.6m, an excess of €10.4m over the solvency capital requirement of €3.3m. There was a Solvency coverage ratio of 419%.

The SCR is projected to decrease rapidly over a short time period to €1.3m as at year-end 2023, €0.7m thereafter, and therefore the MCR will take over as the minimum capital requirement as €2.7m from year-end 2023. AHICE is expected to pay a dividend to its shareholder of €5m during 2023.

The Own Funds are all classified as unrestricted Tier 1 capital.

Table 3.6 below sets out the breakdown of the solvency capital position of AHICE by risk category, under the Solvency II framework from 31 December 2020 to 2022. In the past, the main drivers of AHICE's capital requirements were health underwriting risks (arising from the insurance risks underwritten) and market risks. Now, in run-off, default risk and market risk have become the dominant drivers of the SCR, as expected.

Table 3.6: SCR Calculation

EUR (000s)	2022	2021	2020
Market Risk	1,143	2,634	2,533
Default Risk	1,714	1,806	831
Health Risk	533	2,896	1,684
Diversification	-886	-2,102	-1,329
Basic Solvency Capital Requirement	2,504	5,234	3,719
Operation Risk	751	882	15
SCR	3,255	6,116	3,734
Surplus solvency Margin	10,381	10,917	9,564
Total eligible Own funds	13,636	17,033	13,297
SCR Ratio	419%	278%	356%
Minimum Solvency Requirement	2,700	2,500	2,500

Source: AHICE SFCR: E2 SCR and MCR

3.7.2 Projected Solvency Position

I have considered AHICE's 2022 ORSA report, completed in December 2022. 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 to the end of 2027 (to allow for run-off of the company without an IBT) in line with the company's strategic plan and incorporate the Board approved managed actions. The stress and scenarios used in the ORSA include stresses across a variety of risks. This year in particular inflation becomes one of the largest risks the company needs to consider, due to the APA, Therefore, a significant focus was placed on expense inflation, medical cost inflation and aggregations of these two risks in the latest (2022) ORSA. The details of each stress performed were outlined in section 3.3.4, and the findings from the ORSA illustrate the alignment between the business plan and risk strategy set by the Board. I note that AHICE maintains an appropriate level of solvency coverage ratio in all projection years to the end of 2027.

I note the 2022 ORSA does consider the impact of the APA, but not the Scheme transferring to AWP H&L. This is reasonable as it does capture a worst-case scenario of AHICE having to run off of the liabilities over the next number of years. No issues are noted with this adverse scenario.

I have no issues to note from my review of the ORSA projections provided by AHICE. I note that closing to new business causes a rapid accumulation of own funds as SCR decreases.

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 policyholders is considered remote.

3.8 Treating Customers Fairly

AHICE has provided me with documentation in relation to treating customers fairly (TCF). This explains that AHICE has embedded their TCF approach through the various operational processes across its product life cycle, product design and promotion, advice and services, complaints, claims and data handling stages. Various policies, controls and procedures have been implemented to manage their commitment to adherence towards TCF principles. This includes training, product governance committees, staff competency standards, processing and handling of claims and compliances and the proper handling of customer data. These controls and procedures are monitored as part of the annual compliance plan.

Where there is a local TCF regulation in relation to AHICE's non-Irish business, specific local requirements are incorporated into the relevant operational processes.

More specifically, with respect to claims handling, AHICE adhere to the following service levels:

- 85% of claims will be adjudicated on within 15 days
- 80% of emails will be handled within 2 days
- 100% of complaints will be acknowledged within 5 days
- 100% of complaints will be resolved within 8 weeks

I have read the terms and conditions of a sample of the most recent AHICE policy wordings of transferring policies, and they do not generate expectations in relation to the payment of claims that would cause me any concern relative to the service levels that have been promised by AWP H&L.

3.9 Litigation and Complaints

I have received an assurance from the Vice President & General Counsel, AI, in relation to the nature of any litigation issues / exposures. He has assured me that there are none currently impacting AHICE. He has also informed me that if anything changes during the transfer, that he will inform me, as the Independent Actuary.

AHICE provided me with their Aetna International Complaints Administration Policy, last updated 17 April 2020. This document outlines clearly the Aetna International (AI) position on complaints handling and management. Its aim is to ensure all complaints, whether reportable or not, are logged across the business. It describes the process for resolving complaints submitted by members, members' authorised representatives, providers, brokers or plan sponsors.

AHICE also provided me with a PowerPoint presentation entitled European Operations, Monthly Performance Report, presented to the Board in January 2023. Specifically, there is a slide summarising their complaints KPIs, in particular detailing time to acknowledge, time to resolve, and percentage closed within regulatory timeframe (which over the current month, the previous month and 2022 was always 100%).

3.10 Other Regulatory matters

3.10.1 Central Bank

I have received the regulatory briefing pack that AHICE has provided to the Central Bank. I have also seen a summary of correspondence with the regulators in relation to the Scheme. I have also received an assurance on 5th May 2023 from AHICE that "our Compliance team has confirmed that there are no open issues (such as open regulatory inspection findings, regulatory fines and penalties) with the impacted regulators that we are aware of".

Based on this information and discussions with AHICE management, I am therefore satisfied that there are no regulatory matters that would impact the execution of the Scheme.

3.10.2 Compensation Schemes

The Insurance Compensation Fund

The Insurance Compensation Fund, administered by the Central Bank since 2018, is primarily designed to facilitate payments to policyholders in relation to risks in the State of Ireland where an Irish authorised non-life insurer or a non-life insurer authorised in another Member State goes into liquidation. However, not all policyholder liabilities are covered by the Fund and excluded risks include health, dental and life policies. Therefore, AHICE policyholders have no protection from the Insurance Compensation Fund.

The Financial Services & Pensions Ombudsman (FPSO)

The role of the FSPO is to resolve complaints from consumers, including small businesses and other organisations, against financial service providers and pension providers. AHICE would be deemed a financial service provider, thus policyholders would be able to make a complaint to the FSPO.

The FSPO has wide-ranging powers to deal with complaints against financial service providers and can direct a provider to rectify the conduct that is the subject of the complaint. There is no limit to the value of the rectification that can be directed. The FSPO can also direct a provider to pay compensation to a complainant of up to €500,000.

Decisions are legally binding on both parties, subject only to an appeal to the High Court.

Other compensation Schemes

AHICE has been advised that it is unlikely that overseas residents with policies underwritten by AHICE would benefit from compensation from other territories. However, they have cautioned that in the UK for example it would need to be tested with the FSCS to see if they would compensate someone who lived in the UK but was the beneficiary of Irish law policy. Overall, the advisors pointed out that this is a moot point as if the FSCS did compensate UK residents with policies underwritten by AHICE, then they would be as likely to do the same for those residents after the transfer and vice versa and so the position would be neutral.

4 AWP H&L SA

4.1 Overview

AWP H&L was authorised by the ACPR in December 2013 as a life and health insurance company to write business under class 1 (accident), class 2 (sickness) and class 20 (life insurance). It was formed as part of a wider strategic initiative within Allianz Group to bring all international business to business to consumer ("B2B2C") under one group, now called Allianz Partners.

AWP H&L continued to trade as Allianz Worldwide Care until 2017, when it changed its trading name to Allianz Care.

The company has a Dublin branch, a branch in Qatar (regulated by the Qatar Financial Centre Regulatory Authority (QFCRA) and a branch in Canada regulated by the Office of the Superintendent of Financial Services (OSFI).

The main shareholder of AWP H&L is Allianz Partners SAS, which holds 99.99% of the share capital of the company.

The supervisory authority of the ultimate parent company Allianz SE is Bundesanstalt für Finanzdienstleistungsaufsicht ("Bafin" – the German regulator)

The total gross technical provisions for AWP H&L were €685.2m at 31 December 2021 (per the AWP H&L SFCR) and €809.8m at 31 December 2022. AWP H&L is well capitalised with a SCR coverage ratio of 136% as at 31 December 2021 and is lower, but still within its risk appetite with SCR coverage ratio of 114%, relative to the alert ratio (see section 4.7 for meaning of alert ratio) of 112%, as at 31 December 2022.

4.1.1 Explanation of Document Sources

Much of the information in this chapter is taken from either the SFCR or the ORSA documents provided to me.

And whereas there are separate SFCR documents for AWP P&C and AWP H&L, it is important to note that there is not a separate ORSA report for AWP H&L, AWP P&C and other Allianz Partners entities. Allianz Partners filed a request with the ACPR in 2016 for a unique sub-group ORSA report. This request was approved by the ACPR in November 2016.

Whereas AWP H&L and AWP P&C are separate legal entity insurance companies, each subsidiaries of Allianz Partners, each of the three companies Allianz Partners, AWP H&L and AWP P&C share the same Board Chairman and President of the Company, the same Deputy Directors and the same personnel in the key function holder roles of Audit, Actuarial and Risk.

In the Allianz Partners ORSA, there are separate appendices covering AWP H&L and AWP P&C, specifically providing quantitative details of the various projections of capital and solvency coverage for the base case and the various stresses etc.

But in describing the Risk Management framework, this is done in the main body of the report, and equally applies to Allianz Partners, as it does to its subsidiaries, including AWP H&L and AWP P&C. Therefore in what follows below, we describe the Risk Management operation within Allianz Partners, which equally applies to AWP H&L and AWP P&C.

4.2 Nature of business written

4.2.1 General Overview

AWP H&L is the licenced insurance entity for AzP's international health line of business. Third party administrator ("TPA") services with respect to AWP H&L's health line of business of the nature being transferred pursuant to the Scheme are provided by service companies internal to Allianz Partners.

AWP H&L specialises in providing international (expatriate) health and life insurance for employees, individuals and their dependants, wherever they are in the world. To date, AWP H&L's target market has been multinational corporations (many of the Fortune 500 companies are AWP H&L's clients), International Governmental Organisations (IGOs), diplomatic services, international schools, cruise ships and expatriate individuals.

The products are in the main comprehensive insurance solutions.

The international health business includes

- International Private Health Insurance, for large corporates, SMEs and individuals, NGOs etc. (about 63% of revenue)
- Nextcare business – reinsurance portfolio of mainly middle east business (about 31% of revenue)
- International Student business in Australia (about 7% of revenue)

Table 4.1 below gives the net written premium per major class at the AWP H&L level:

Table 4.1: Net Written Premium by Class		
€ m	2022	2021
Medical Expenses	1,002.2	857.7
Income Protection	46.3	35.8
Other Life	22.4	17.6
Total	1,070.9	911.1

Source: AWP H&L SFCRs: QRT S28.01.01

Table 4.2 below gives the net written premium per major country at the AWP H&L level:

Table 4.2: Net Written Premium by Major Country		
€ m	2022	2021
France	48.6	52.2
United Arab Emirates	332.8	282.3
Israel	91.9	69.7
Belgium	27.5	34.3
Australia	83.1	39.7
United Kingdom	31.8	28.0
Other Countries	455.2	404.9
Total	1,070.9	911.1

Source: AWP H&L SFCR: QRT S05.02.01

4.2.2 Products

Overall, AWP H&L sells medical, life, accidental death and dismemberment insurance products in each of the locations from which it writes business.

The business is mainly direct insurance of multinationals and individual expatriates but also includes some risks that are written for products sold through third party insurance carriers in the Middle East, which is predominantly administered by Nextcare (a sister Allianz organisation).

4.2.3 Assets

Table 4.3 summarises the profile of AWP H&L's assets, valued on a Solvency II basis, at 31 December 2021 and at 31 December 2022.

Table 4.3: Assets		
€ m	**SII Value YE 2022**	**SII Value YE 2021**

Deferred tax Assets	28.6	2.6
Property Plant and Equipment held for own use	10.5	10.8
Investments other than those held for IL and UL contracts	902.6	923.1
Loans and mortgages	117.1	111.8
Reinsurance Recoverables	590.9	469.3
Deposits to cedants	13.5	9.1
Insurance and Intermediary receivables	158.5	29.2
Reinsurance Receivables	9.1	1.2
Receivables (trade not insurance)	56.9	39.0
Cash and Cash Receivables	43.6	33.0
Other	0.6	0.0
Total Assets	**1,931.9**	**1,629.1**

Source: AWP H&L SFCR QRT S.02.01.02 Balance Sheet

The exposure to risks arising from invested assets is mitigated through investment in a diversified portfolio of highly rated debt instruments and close interest rate matching of liability cashflows.

4.3 Risk Profile and Management

4.3.1 Overview of risks

As part of its Overall Solvency Needs Assessment, conducted through the ORSA process at 2021 (dated 30th March 2022, the latest available to me at the time of finalising this Report), AWP H&L identified the top risks of the company that needed to be actively monitored and managed.

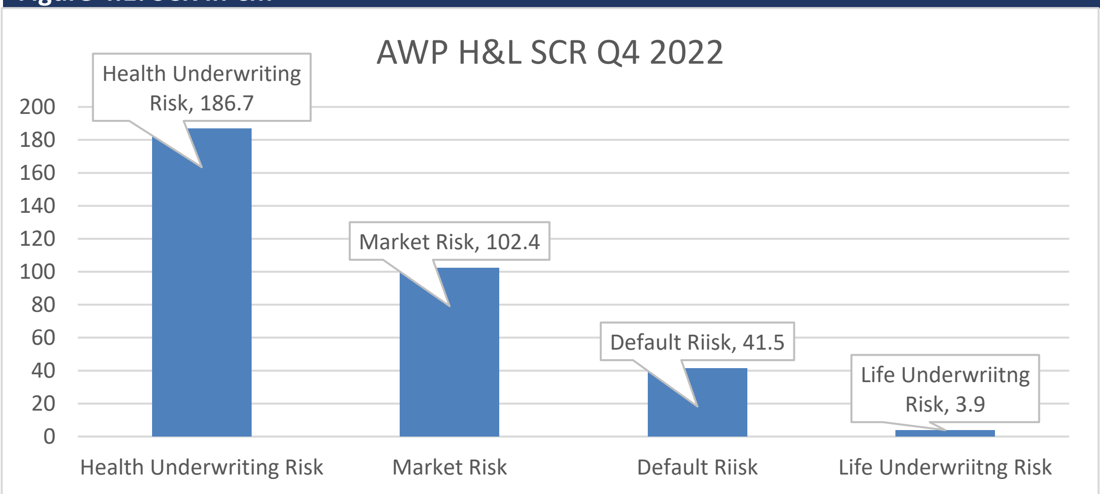
As at year-end 2021, AWP H&L has a well-balanced and diversified risk profile.

From the Year-end 2022 SFCR, we can see that health underwriting risks account for 56% (€187m) (See figure 4.1 below) of the risk profile, as represented by the SCR, this comprises risks relating to both non-life and health insurance and is highly diversified by geography.

Market risk accounts for 31% (€102m) of the risk profile arising primarily from any mismatch between assets and liabilities by currency and the participations held.

Counterparty default risk arises primarily from business receivables, and to a lesser extent, from exposure to banking, reinsurance and derivatives counterparties; it accounts for 12% (€42m) of the risk profile.

Figure 4.1: SCR in €m



Source: AWP H&L SFCR 2022: Appendix form S25.01.21

4.3.2 Governance

Committees

In order to ensure that risks across Allianz Partners are well supported and monitored at all levels across the organization within a consistent framework, a system of three types of committees has been established:

- Statutory Committees
  - Supervisory Board Committees (incl. Audit, Risk and Compensation) or Committees of the Board of Directors for solo entities;
  - Board of Management committee chaired by an AzP Board Member (e.g. Remuneration committee, Governance and Control Committee);
- Functional (managerial) committees – have a cross line of business / cross region view;
- Other Committees – organised for local ease of management (do not encroach on overall committee framework).

Risk Management Function

The Risk Management Function of Allianz Partners is led by the CRO, who reports to the CFO and the CRO of the Allianz Group and has a reporting line to the Allianz Management Supervisory Board ("AMSB").

The team is set up in two departments

- the quantitative risk and risk regulatory affairs and
- the qualitative risk and internal control department.

The Allianz Partners Risk Management Function is a Global function in charge of risk management in all of Allianz Partners Sub-Group and solo entities (including AWP H&L) risk governance (including risk management framework and strategy). All references below in relation to AzP Risk management processes are applicable for AWP H&L.

The Allianz Partners Risk Management Function is a key function within the Internal Control System of Allianz Partners. Its main objectives are:

- Supporting the first line-of-defence by helping ensure employees at all levels of the company are aware of the risks related to their business activities and how to properly respond to them;
- Supporting the AMSB with development of a risk strategy and risk appetite;
- Monitoring of the risk profile to ensure it remains within the approved risk appetite and following up on instances of any risk appetite breaches (i.e. via resolution directly with the first line-of-defence and other stakeholders or escalation to the AMSB);
- Encouraging a strong risk culture which is supported by solid risk governance and incorporation of risk considerations into management and decision-making processes; and
- Applying a uniform and comprehensive risk capital approach to protect the company's risk capital base and to support effective capital management.

Principles

The following principles serve as a basic foundation upon which the Allianz Partners Sub-Group's and solo entities' risk management approach is implemented and conducted:

- Sub-Group AMSB is responsible for the risk strategy and appetite;
- Risk capital as a key risk indicator;

- Clear definition of the organizational structure and risk process;
- Measurement and evaluation of risks;
- Development of limit systems;
- Mitigation of risks exceeding the Allianz Partners Risk appetite;
- Consistent and efficient monitoring;
- Consistent risk reporting and risk communication;
- Integration of risk management into business processes; and
- Comprehensive and timely documentation of risk related decisions.

Risk Strategy

The Risk Strategy is a core element of Allianz Partners and its solo entities' risk management framework.

It defines the approach to managing risks faced by Allianz Partners and its solo entities in the course of pursuing its broader business strategy. The aims of the risk strategy include:

- Protecting the Allianz brand and reputation;
- Providing sustainable profitability;
- Remaining solvent even in the event of extreme, worst-case scenarios;
- Maintaining sufficient liquidity to always meet the organization's obligations.

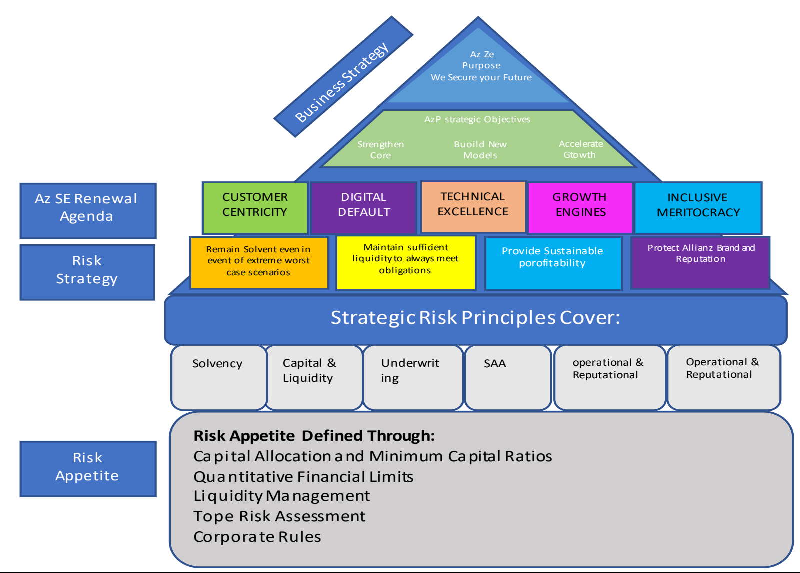
The associated Allianz Partners Risk Appetite, defined with respect to all material qualitative and quantitative risks, is developed in a manner that,

- Allows for breaking the Risk Appetite down into it component parts at any local and regional level; and
- Takes into account shareholders' expectations, requirements imposed by regulators and rating agencies.

The Allianz Partners Risk Strategy, presented in Figure 4.2 below, is divided into three components:

- Business strategy, including key measures or principles;
- Risk strategies for the main risk categories, as defined in the Allianz Partners Risk Policy; and
- Supporting Risk Appetites.

Figure 4.2 Allianz Partners Risk Strategy



4.3.3 Risk Appetite

I have been provided with the Risk Appetite Statement for Allianz Partners, which covers all solo entities, including AWP H&L.

It is a comprehensive document covering the ten main risk categories

- Capital position
- Market limits
- Credit limits
- Liquidity limits
- Underwriting limits
- Operational risk appetite
- Reputational risk appetite
- Business Risk appetite
- Strategic Risk appetite
- ESG Risk appetite

The Risk Appetite Statement is a dynamic document, incorporating limits that may change over time. Extraordinary developments may require adjustments to the Risk Strategy / Risk Appetite Statement on an ad hoc basis. Significant ad hoc changes are approved by the Supervisory Board of Allianz Partners and Board of Directors of the solo legal entities and formally incorporated into the Risk Strategy / Risk Appetite Statement.

For each of the above risks, tolerances and limits are categorised as “Acceptable”, “Alert” or “Action”, or alternatively as “green”, “amber” and “red”. The limits are outlined in most cases in the Risk Appetite Statement, or the document refers to another document entitled “Limit Monitoring Report”.

In addition, Allianz Partners performs an annual Top Risk Assessment ("TRA”) (i.e. list of top 12 risks), a structured and systematic process implemented across Allianz Partners, covering also the top risks of its Solo Entities and relevant branches. The objective of the TRA is to identify and remediate significant threats to financial results, operational viability and the delivery of key strategic objectives, regardless of whether they can be quantified or not.

In addition, Allianz Partners performs regular stress tests on key risk exposures to measure the impact on the solvency capital coverage ratio.

Overall, a comprehensive approach to assessing, monitoring and managing risk appetite is embedded within Allianz Partners.

4.3.4 Risk sensitivities

I have been provided with the quantitative AWP H&L ORSA (an appendix to the Allianz Partners ORSA) which outlines stress and scenarios tests to illustrate AWP H&L's exposure to key risks by considering the impacts that these have on AWP H&L's solvency position as at 31 December 2021 through the ORSA process.

The following stress test scenarios were considered

- Business, Loss and Reserving Risk (4 stresses modelled)
- Market and Credit Risks (9 stresses modelled)
- Pandemic and Catastrophe Risk (2 stresses modelled)
- Multiyear and Combined Stresses (2 modelled)
- Extreme and reverse stress scenarios (2 modelled)

I have not reproduced the detail here. The key risks presented in the ORSA are in line with those outlined in Section 4.3.1 above and are discussed in more detail in Section 4.7.

4.3.5 Risk Issues

The Top Risk Assessment ("TRA") 2022 for Allianz Partners 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 exposures and monitoring procedures. The items are in line with what I see as good market practice.

4.4 Outsourcing

4.4.1 Overview

The outsourcing of functions or services essential to the operation of an Allianz Partners entity can directly affects customers' interests and outcomes. In order to appropriately safeguard these interests, certain principles and processes have to be observed in order to adequately assess, mitigate and control the risks associated with outsourcing and to ensure business continuity in case of adverse events or termination. To establish these principles and processes, thus setting a sound Group standard for outsourcing and ensuring compliance with Solvency II regulatory requirements, Allianz Partners SAS has established a Group Outsourcing Policy, complemented by local outsourcing policies and procedures.

4.4.2 Group Outsourcing Policy

AWP H&L Board of Directors has decided to directly endorse the AzP Outsourcing policy. Therefore, the company implements directly the requirements set out in the AzP policy.

The Group Outsourcing Policy ("GOP") governs the outsourcing of functions or services to internal as well as external providers. Its main purpose is to determine the relevant processes and strategies for outsourcing at the Group level and to ensure compliance with regulatory requirements, while providing the necessary space for adjustments for local legal and regulatory requirements. In particular, this includes key criteria for defining critical and important functions and services ("CIFS") to be outsourced, for selecting, hiring, and monitoring providers, and for determining clear roles and responsibilities, control rights, and rules for the termination of outsourcing agreements.

4.5 Reinsurance

4.5.1 Overview of reinsurance

The company has structured a reinsurance programme that is designed to reduce the impact of adverse loss experience on equity to a tolerable level. The company is exposed to the risk of adverse loss experience on a frequency and severity basis and has structured its reinsurance programme to appropriately respond to such risks in both individual and catastrophic loss scenarios.

The nature of the Reinsurance Programme is commercially sensitive, so I do not disclose it here. I have reviewed the program as part of my report, and in my opinion it is suitable and aligned to what it is designed for. In addition, I was provided with the Reinsurance Opinion of the Head of Actuarial of AWP H&L who has satisfied himself that the reinsurance programme is suitable. These findings also appear reasonable to me.

4.6 Financial Profile

4.6.1 Background

Allianz Partners SAS is registered in France, and has three subsidiaries as follows:

- AWP P&C SA;
- AWP France SAS (a subsidiary of which is Fragonard Assurance); and
- AWP Health and Life SA incorporating AWP Health & Life SA (with three branches, one in Ireland, and its two other branches in Canada & Qatar).

The ultimate parent of Allianz Partners SAS is Allianz SE (Fitch Rating AA, August 2022).

The main lines of business of AWP H&L are medical, life, accidental death and dismemberment.

4.6.2 Technical Provisions

Table 4.4 below summarises AWP H&L Solvency II technical provisions at 31 December 2021 and 2022.

Table 4.4 Technical Provisions

€ m	**2022**	**2021**
Technical Provision health (similar to non-life)		
Best Estimate Liabilities (BEL)	529.6	356.2
Risk Margin	27.6	27.4
Non-Life Total	557.2	383.6
Technical Provision health (similar to life)		
Best Estimate Liabilities (BEL)	182.4	224.6
Risk Margin	1.3	2.3
Health Total	183.7	226.9
Technical Provision Life (excl. health, IL and UL)		
Best Estimate Liabilities (BEL)	61.4	67.0
Risk Margin	7.5	7.7
Health Total	68.9	74.7
Total (Gross of Reinsurance)	809.8	685.2
Reinsurance Recoverables	590.9	469.3
Total (Net of Reinsurance)	218.9	215.9

Source: SFCR AWP H&L Section 4.4

In Chapter 6 we outline our review of the methodology and governance of the calculation of the technical provisions, which I am comfortable with.

4.7 Solvency Position

4.7.1 Solvency II Solvency Capital Requirement

For a detailed description of Own Funds, SCR and MCR, please see Section 3.7.1.

Table 4.5 below sets out the regulatory capital position of AWP H&L, under the Solvency II framework at 31 December 2021 and 2022.

Table 4.5: AWP H&L Solvency Own Funds

€ m	**2022**	**2021**
Eligible Own Funds to meet the SCR	356.8	414.4
Eligible Own Funds to meet the MCR	328.1	411.8
SCR	314.3	304.3
Solvency II Surplus	42.5	110.1
Ratio of eligible Own Funds to SCR	**113.5%**	**136.2%**
MCR	78.6	76.1
Ratio of eligible Own Funds to MCR	**417.4%**	**541.3%**

Source: AWP H&L SFCR: Appendix form S23.01.01

As at 31 December 2021 the Solvency II returns showed AWP H&L had Own Funds available of €414.4m, an excess of €110.1m over the SCR of €304.3m. There was a Solvency coverage ratio of 138%.

As at 31 December 2022 the Solvency II returns showed AWP H&L had Own Funds available of €356.8m, an excess of €42.5m over the SCR of €314.3m. There was a Solvency coverage ratio of 114%. The AWP H&L risk appetite statement has three ratios against which to compare the solvency coverage ratio. There is the management ratio, which is 122%, above which they usually dividend out to the parent. Then there is an alert ratio, of 112%, which is the ratio at which an action plan is prepared. Finally there is the action ratio of 107% which is the ratio at which action is taken to remediate the solvency ratio. Hence the 114% is within their risk appetite.

€328m of the €357m of the Own Funds are classified as unrestricted Tier 1 capital. The remaining €29m is a net deferred tax asset.

Table 4.6 below sets out the breakdown of the solvency capital position of AWP H&L by risk category, under the Solvency II framework as at 31 December 2021 and at 31 December 2022. The main drivers of AWP H&L's capital requirements are Health underwriting risks (arising from the insurance risks underwritten) and market risks.

Table 4.6: AWP H&L SCR Calculation

€ m	**2022**	**2021**
Market Risk	102.4	117.5
Default Risk	41.5	24.9
Life Underwriting Risk	3.9	3.4
Health Underwriting Risk	186.7	186.0
Non-Life Underwriting Risk	0	0.0
Diversification	-82.9	-78.2
Basic Solvency Capital Requirement	251.6	253.6
Operation Risk	62.7	55.5
Loss Absorbing Capacity of deferred taxes	0	-4.7

SCR	**314.3**	**304.4**
Surplus solvency Margin	42.5	110.1
Total eligible Own funds	**356.8**	**414.4**
SCR Ratio	**113.5%**	**136.1%**
Minimum Solvency Requirement	78.6	76.1

Source: AWP H&L SFCR: Appendix form S25.01.21

I note the SCR is calculated using the standard formula. The reduction in the solvency coverage ratio is driven off a number of items – continued growth in the AWP H&L book, the level of currency risk SCR held due to currency mismatches which has continued to increase in the period given the large number of currencies which AWP H&L operate in; and the impact of the commission structures in place for the internal reinsurance arrangements which are not aligned to the underlying expense/commission arrangements for certain growing portions of the AWP H&L book.

There is a work in progress to improve the coverage ratio over Q1 and Q2 of 2023 to ensure the coverage ratio remains within risk appetite. At the date of my Report, these actions are outstanding. This will be commented on in more detail in my Supplementary Report.

4.7.2 Projected Solvency Position

I have considered AWP H&L's 2021 ORSA report completed in March 2022. I have not reproduced the detail in this Report. I expect to review the 2022 report in 2023 as it is currently being prepared, and comment on the updated projected solvency position in my Supplementary 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 a three-year time horizon in line with the company's strategic plan and incorporate the Board approved managed actions.

A number of stresses to the central scenario of the three-year plan was also run, as detailed in Section 4.3.4.

The calibration detail of each stress performed is not captured within this Report, however the findings from the ORSA illustrate the alignment between the strategic plan and risk strategy set by the Board. I note that AWP H&L maintains an appropriate level of solvency coverage ratio over all projection years in terms of meeting regulatory requirements and their own internal Risk Appetite limits.

I note the 2021 AWP H&L ORSA does not consider the impact of the Scheme. However, the APA is reflected in the AWP H&L's 2021 ORSA report. This is because the AHICE renewals that are subject to the APA will be written by AWP H&L, and the AICL (UK) renewals (and indeed other impacted AI affiliates) being written by the other AWP entities will be either 90% (UK) or 100% (Singapore and Hong Kong) reinsured into AWP H&L.

The detail is not repeated here, but the impact of the APA and the IBT are discussed in detail in the projections in Section 6 of this Report. I have no issues to note from my review of the ORSA projections and report provided by AWP H&L.

4.8 Treating Customers Fairly and Complaints

AWP H&L provided me with information on how they adhere to TCF. They provided me with their document entitled Standard for Sales Compliance.

This document defines the core professional, procedural and organizational requirements that aim to ensure that Allianz Partners Products are designed, distributed and serviced in a manner that fulfils legal requirements and meets reasonable Customer expectations of fair value and outcomes, in order to support the strategic goal to be truly Customer centric.

It also outlines the rules and principles for compliant and ethical (fair) sales practices across Allianz Partners. It includes key principles to ensure appropriate fairness and transparency to Customers, including in respect of the remuneration of distributors and to address the particular sales compliance risk. In addition the document outlines the Allianz Partners complaints management process in relation to a product or the manner of sale of that product.

I have also been provided with claims operations service level agreement monitoring monthly reports, which confirmed that claims handling has in fact improved in the 12 months to February 2023.

Finally I was supplied monthly management information in relation to complaints logged, for the six months to June 2022 and the six months to Dec 2022.

4.9 Litigation

The AWP H&L legal team has also confirmed to me that there is only one possible litigation in excess of €2m that may impact AWP H&L.

4.10 Other Regulatory matters

4.10.1 Central Bank/ACPR

The CRO of AzP informed us of a meeting with the ACPR on March 22nd in relation to the Solvency coverage Ratio in AWP H&L. There are no adverse issues to report from this conversation. The situation is commented on more some detail in 4.7.1 above. Plans are in place to improve the coverage ratio throughout 2023. In particular, current projections are that the SCR coverage will be 118% at year-end 2023 and 126% at year-end 2024.

4.10.2 Compensation Schemes

The Insurance Compensation Fund

The Insurance Compensation Fund, administer by the Central Bank of Ireland since 2018, is primarily designed to facilitate payments to policyholders in relation to risks in Ireland where an Irish authorised non-life insurer or a non-life insurer authorised in another Member State goes into liquidation. However, not all policyholder liabilities are covered by the Fund and excluded risks include health, dental and life policies. Therefore AWP H&L policyholders have no protection from any compensation scheme in Ireland.

Guarantee fund for the insured against the default of life and health insurance companies (FGAP)

AWP H&L is a member of the FGAP. The FGAP is triggered, under certain conditions provided for in the French Insurance Code, in the event of the failure of life and health insurance companies authorised in France. FGAP ensures the compensation of policyholders, members and beneficiaries who have insurance contracts in certain classes, including health insurance.

The decision to resort to the FGAP in the event of the failure of an insurance company is made by the ACPR, after written consultation with FGAP.

Where possible, the claim for compensation shall be addressed to the FGAP by the liquidator. The amount of compensation guaranteed by the fund shall be calculated for each qualifying policyholder, member or beneficiary related to the defaulting company, up to a maximum of €70,000.

FGAP has previously confirmed to AWP H&L that their policyholders, irrespective of nationality, are covered by FGAP.

4.10.3 Complaints services/Ombudsman Scheme

The Financial Services & Pensions Ombudsman

The role of the FSPO is to resolve complaints from consumers, including small businesses and other organisations, against financial service providers and pension providers. Health insurance is explicitly covered by this Scheme.

The Ombudsman has wide-ranging powers to deal with complaints against financial service providers and can direct a provider to rectify the conduct that is the subject of the complaint. There is no limit to the value of the rectification that can be directed. The Ombudsman can also direct a provider to pay compensation to a complainant of up to €500,000.

Decisions are legally binding on both parties, subject only to an appeal to the High Court.

The Mediateur (LMA) of the French Federation of Insurance (Fédération Française de l'Assurance) – (FFA)

Post-transfer, the holders of the Transferring AHICE Policies will primarily come within the jurisdiction of the Mediateur (LMA) of the FFA. The role of the LMA is to resolve complaints from consumers, including small businesses and other organisations, against French regulated insurance companies, who are members of the FFA (AWP H&L are members). Health insurance is explicitly covered under the remit of the LMA. Decisions however are not legally binding and the LMA cannot direct an insurer to pay compensation. Consumers can also complain to the ACPR or take a case before the relevant courts.

Other compensation Schemes

AWP H&L has been advised that it is unlikely that overseas residents with policies underwritten by AWP H&L would benefit from compensation from other territories. However, as noted in Chapter 3 with respect to AHICE, in the UK for example it would need to be tested with the FSCS, but overall there should be no difference pre- and post-transfer, so the position would be neutral.

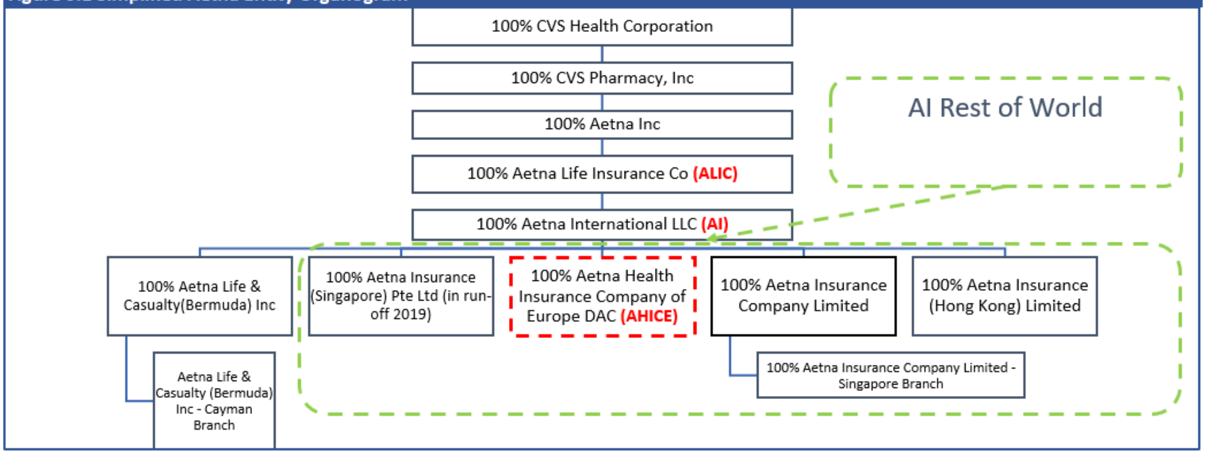
5 The Proposed Scheme

5.1 Motivation for the 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.

Aetna Inc. was founded in 1853 and acquired by CVS Health in 2018. Aetna Inc. owns 100% of ALIC (Baa2 from Moody's; A- from S&P; A from AM Best), which in turn owns 100% of AI, which then owns 100% of AHICE. See Figure 5.1.

Figure 5.1 Simplified Aetna Entity Organogram



Post this acquisition, CVS Health considers the Aetna International Rest of World (AI Rest of World) health insurance and services business as "non-core" (AI Rest of World constitutes a very small part of the Aetna Inc business).

5.2 Outline

CVS has decided on a dual strategy to dispose of AI Rest of World:

Asset Purchase Agreement – to introduce Allianz Partners to AHICE's €14m annual premium business

AHICE entered into an APA with (amongst others) AGBUK[4] and AWP H&L[5] dated 23 March 2022, whereby AHICE has given exclusive introductory rights to AWP H&L to seek to migrate its €14m of annual premium business. The migration process commenced in July 2022 and will be complete by the end of October 2023. The migration of most small-medium enterprise ("SME") and large corporate group policies commenced in July/ August 2022. The migration of individual policies and remaining small cohorts of SME and large corporate group policies commenced on 1 November 2022.

Framework Agreement – in relation to the forecasted €0.3m run-off liabilities transfer

AI has considered various options to accelerate the ultimate closure of relevant AI entities, including AHICE, on the completion of the above migration of policies. The option being pursued by AHICE to accelerate business closure is an IBT in accordance with the provisions of Section 13 of the Assurance

[4] AGBUK is a UK authorised service company, with a single shareholder Aetna International

[5] The APA is between Aetna Global Benefits (UK) Limited ("AGBUK") and AWP H&L. As a result of the APA, the AICL renewals are being offered to AWP H&L (UK Branch), as these are both the UK authorised companies within the respective groups. AWP H&L (UK Branch) will then reinsure these 100% to AWP H&L.

Companies Act 1909 (as amended) (the 1909 Act), Section 36 of the Insurance Act 1989 (as amended) (the 1989 Act) and Regulation 41 of the European Union (Insurance and Reinsurance) Regulations 2015 (as amended) (the 2015 Regulations), for the transfer of the non-life insurance business of AHICE to AWP H&L SA, subject to court and regulatory approvals.

Therefore, on 23 March 2022, various AI entities, including AHICE, and AWP H&L also signed a FA by which AWP H&L (and its affiliates) agreed to accept receipt of relevant AI legacy business via separate IBTs in each jurisdiction.

This process, which is planned for the end of 2023, transfers the remaining AHICE portfolio (which are the run-off liabilities, forecast to be about €0.3m for AHICE in particular) to AWP H&L SA. The actual amount depends on the effective date of the transfer, and the emerging claims experience.

However, as noted previously, AHICE currently has a 100% quota share reinsurance treaty to its parent company ALIC, effective from 1st Jan 2023. For the policyholders of AHICE moving to AWP H&L under the Scheme, they will continue to enjoy the benefit of a 100% Reinsurance agreement between AWP H&L onto ALIC from the Effective date. This shall continue for a period of three years. Based on past claims development, the expected claims outstanding after three years is projected to be €0k (rounded) for AHICE i.e. de minimis.

5.3 Scope of This Report

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

This Report is prepared primarily to assess the likely impact that the Scheme will have on the transferring policyholders of AHICE (i.e. all the policyholders, as there are planned to be none remaining post transfer), and the existing policyholders of AWP H&L SA, if the Scheme proceeds. Note there should be no policies in force post the Effective Date in AHICE. But, as explained in Section 1.4, the term policyholder refers to the legal holder of any policy that may be left, and includes, for example, any person to whom, under the policy, a sum is due. See definition of "Transferring Policy" below.

This Report 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.

5.4 Scheme Details

The following is a summary of the main headings in the Scheme document. This summary is intended to provide a reasonable narrative of the principal topics covered by the Scheme document. However some of the rigorous legal language has been omitted, to endeavour to make it easier to understand for lay persons.

Transferring Polices and Transferring Assets

Specifically, in accordance with this Scheme and by virtue of the Order, on and with effect from the Scheme Date, the Transferring Policies and the Transferring Assets shall be transferred to and vested in AWP H&L and AWP H&L shall succeed to and become responsible for, and entitled to, all the rights, benefits and powers of AHICE subsisting on the Scheme Date by virtue of the Transferring Policies and the Transferring Assets. In addition, and AWP H&L shall be entitled to any and all defences, claims, counterclaims and rights of set-off against or under the Transferring Policies and the Transferring Assets which would have been available to AHICE.

The Scheme defines the terms "Transferring Policies", "Transferring Assets" and "Excluded Assets" as follows:

- "Transferring Policy" means any Policy (that is not an Excluded Policy; for the avoidance of doubt, there are expected to be no excluded policies), including any endorsements or amendments thereto, ever underwritten by the Transferor and forming part of the Transferring Business under which any liability or contingent liability remains unsatisfied or outstanding at the Scheme Date;
- "Transferring Assets" means all of the following assets as at the Scheme Date:

- the rights, benefits, authorities and powers (whether actual or contingent) of AHICE whatsoever under or by virtue of the Transferring Policies; and
- the Records including, without limitation, all rights, title and interest of AHICE in the Records
- the assets or cash deposits comprising the insurance provisions and reserves associated with the Transferring Policies
- but excluding all assets of AHICE other than the Transferring Assets;

- Excluded Assets means all assets of AHICE other than the Transferring Assets;

Every holder of a Transferring Policy and every person who has a right under or in respect of a Transferring Policy shall, with effect from the Scheme Date, become entitled to the same rights against AWP H&L as were available against AHICE under such Transferring Policy.

Similarly, every holder of a Transferring Policy and every person who has a liability or obligation under a Transferring Policy shall, with effect from the Scheme Date, be under the same liability or obligation to AWP H&L.

Transferring Liabilities

Similarly, in accordance with this Scheme and by virtue of the Order, on and with effect from the Scheme Date, the Transferring Liabilities shall be transferred to and vested in AWP H&L, with the effect that AHICE shall be wholly released from, and AWP H&L shall succeed to, the Transferring Liabilities.

The Scheme defines the terms “Transferring Liabilities” as follows:

- all liabilities of the Transferor of every kind and description comprised in or attributable to the Transferring Policies and/or the Transferring Assets, including liabilities in respect of any claim for mis-selling by any current or former Policyholder who holds a Transferring Policy or has held a Transferring Policy prior to the Scheme date

Excluded Policies

As stated above, for the avoidance of doubt, there are expected to be no excluded policies. However, the Scheme allows for this possibility of excluded policies, for completeness.

The Scheme document defines “Excluded Policies” as any policy which does not transfer to AWP H&L on the Scheme Date because:

- a Member State (as defined in the 2015 Regulations) where the contract was concluded, either under the right of establishment or the freedom to provide services, has not consented to its transfer pursuant to Regulation 41(3)(b) of the 2015 Regulations and is not deemed to have so consented pursuant to Regulation 41(4) of the 2015 Regulations;
- further steps additional to the Order are required to secure its transfer to AWP H&L under the law of any relevant jurisdiction that is not a Member State (as defined in the 2015 Regulations);
- the Court has determined for any reason not to transfer it or only to transfer it if further steps are taken;
- the Transferor and the Transferee agree prior to the Scheme Date that its transfer is to be delayed until after the Scheme Date; or
- which cannot be transferred to the Transferee pursuant to the Scheme for any other reason.

Excluded policies shall not be transferred to AWP H&L under this Scheme on the Scheme Date and the liabilities under the Excluded Policies shall remain liabilities of AHICE pending their transfer.

On and from the Scheme Date, AWP H&L shall indemnify AHICE against all liabilities of AHICE under or referable to the Excluded Policies. In exchange, AHICE shall pay to AWP H&L all monies received on or after the Scheme Date in respect of, and all assets representing reserves held by AHICE in connection with, the Excluded Policies. AWP H&L shall then pay to AHICE or discharge on AHICE's behalf all of AHICE's liabilities under or referable to the Excluded Policies.

From the Scheme Date onwards, AWP H&L shall, at its own cost, be responsible for all aspects of the administration of the Excluded Policies.

Once a Member State consents to its transfer, or such further steps occur that are required to allow an Excluded Policy to transfer, then the Excluded Policy shall transfer to AWP H&L.

Continuity of Proceedings

If any court, tribunal or arbitration proceedings are pending by or against AHICE on the Scheme Date in connection with the Transferring Policies, the Transferring Assets or the Transferring Liabilities, then those proceedings shall be continued by or against AWP H&L with effect from the Scheme Date. On and from the Scheme Date, AWP H&L shall be entitled to any and all defences, claims, counterclaims and rights of set-off that would have been available to AHICE in relation to any proceedings.

Data Protection

To the extent that an authority has been given to AHICE in connection with a Transferring Policy by the holder thereof, whether pursuant to Data Protection Legislation or otherwise, such authority shall, on and after the Scheme Date be deemed to have been given to AWP H&L.

Costs and Expenses

The costs and expenses in relation to, or incidental to, the preparation and negotiation of this Scheme, its presentation to the Court and its implementation, shall be borne by AHICE.

Applicable Law

This Scheme shall be governed by and construed in accordance with the laws of Ireland.

6 Impact on the Policyholders of AHICE and AWP H&L

6.1 Introduction

Under the Scheme, the (AHICE) Transferring Business will be transferred to AWP H&L (operating through its Irish Branch).

This Chapter is structured as follows:

- Section 6.2 covers the reserve strengths of AHICE and AWP H&L
- Section 6.3 discusses the capital strengths of AHICE and AWP H&L, risk appetite and solvency targets, including the approach to regulatory capital held
- Section 6.4 covers Financial Support arrangements of AWP H&L and AHICE pre and post Scheme, including the impact of reinsurance treaties on the Scheme
- Section 6.5 discusses the risk exposures in AWP H&L post Scheme relative to the Risk Exposure of AHICE pre-Scheme
- Section 6.6 then discusses the policy servicing levels in AWP H&L compared with those currently provided by AHICE pre-Scheme
- Section 6.7 summarises my conclusion in relation to the impact of the Scheme on the policyholders of AHICE transferring under the Scheme
- Section 6.8 then discusses the impact of the Scheme on the existing policyholders of AWP H&L
- Section 6.9 summarises my conclusion in relation to the impact of the Scheme on the policyholders of AWP H&L.

6.2 Reserve Strength of AWP H&L and AHICE

The balance sheets I have reviewed for each of AHICE and AWP H&L show amounts as at 31 December 2021 and at 31 December 2022.

It is worth noting that the AHICE liabilities and assets to be transferred are very small in the overall context of AWP H&L and are 100% reinsured back to ALIC via AWP H&L.

I have been provided with the following reserving reports for both companies:

- For AWP H&L
  - The Actuarial Function Report (on a Solvency II basis) 2021 dated 2 May 2022;
  - (The 2022 Actuarial Function Report was not finalised in time for this report – I will review it as part of my Supplementary Report);
  - The Annual Reserve Report (on an IFRS basis) 2021 dated 9 March 2022;
  - The Annual Reserve Report (on an IFRS basis) 2022 dated 15 March 2023;
- The Actuarial Function Report (on a Solvency II basis) for AHICE 2021 dated 15 March 2022
  - Including an appendix describing the derivation of the IFRS reserves
- The Actuarial Function Report (on a Solvency II basis) for AHICE 2022 dated 23 March 2023
  - Including an appendix describing the derivation of the IFRS reserves
- An excel Spreadsheet projecting the claim reserves as at the Effective Date separately for AHICE, in particular forecasting what the reserves are expected to be at the Effective Date.

The Actuarial Function Reports are produced for the purposes of Solvency II. They take the IFRS reports as their starting point and make adjustments required for Solvency II. These adjustments are purely the technical adjustments required to move from IFRS to Solvency II, including for example discounting (which in this case has minimal impact, given the very short nature of the liabilities, as previously illustrated).

So, to compare reserve strengths, I compared the two IFRS reports. The IFRS reports contain much more detail on methodology etc than the more regulatory focussed Solvency II reports.

The Annual Reserve Report (on an IFRS basis) for AWP H&L 2021

My detailed focus was on the 2021 report in terms of timing (which allowed me to fully understand the reserving methodologies) and I subsequently reviewed the 2022 report for consistency and results.

I have reviewed the work carried out by those responsible for estimating reserves for AWP H&L, as set out in the above-named report, in order to satisfy myself that it is reasonable for me to rely on their work. The report contains all the various headings that I would expect to see i.e.

- Purpose and Scope;
- Business Overview;
- Data;
- Methodology;
- Summary Results;
- Reliances and Limitations;
- Glossary; and
- Appendices.

Specifically, the **Business Overview** Chapter covers:

- Nature of the business: main customer types, products sold in each main territory, sales channels used third party dependencies;
- Governance: outlines how a single governance arrangement applies across the AzP Group and gave further details on relevant committee structure;
- Smart Circle Interactions: a mechanism to share claims insights across departments within AWP H&L;
- Internal controls: includes internal peer review and corporate actuarial management oversight;
- Benefits provided: product types sold by country;
- Size of business by country and business type; and
- Claims processes.

The **Data** chapter covers the principal ways in which data is sourced for the actuarial review of the reserves and discusses the nature of data checks and validations undertaken.

The **Methodology** chapter covers the different approaches for the calculation of premium and claims provisions depending upon the nature of benefits provided and the availability of sufficient and credible data. Topics covers include:

- Non-life unexpired risks
- Unearned premium reserves and adjustments
- Pipeline premium reserves (premium not yet received, but already earned);
- Additional unexpired Risk Reserves
- IBNR (Incurred but nor reported) provisions using the following approaches;
  - Chain ladder methodology incl. treatment of large claims;
  - Bornhuetter Fergusson methodology;
  - Average cost per claim method;
  - Loss ratio methods;
- Reported by not settled

- Claims handling provisions;
- Events not in the data;
- Non-Medical Claims provisions;
- Uncertainty in claims provisions;
- Other issues such as
  - Latent claims; and
  - Large claims events.

The **Summary Results** chapter details the breakdown of the total gross reserves of EUR€1.3bn (also looks separately at net). This is broken down by country

- Ireland
- Qatar
- Nextcare
- France
- Australia

and reserve type

- Claims Reserve Life
- Claims Reserve Non-Life
- Events not in the data Life
- Events not in the data Non-Life
- Claims handling Reserve Life
- Claims handling Reserve Non-Life

Separately there are sections on Premium related reserves, profit share reserves.

There is also a section outlining prior year movements. Overall there is a EUR€45.1m favourable movement in prior year reserves in 2021. There is a consistent pattern across every territory (except Australia) of favourable run-off. This is a sign of a well-reserved company

Finally, in this chapter, there is a section on uncertainty, as required under Irish Actuarial guidance. The report employs a widely used statistical method called bootstrapping to illustrate the level of uncertainty in the reserving process, for example suggesting that there is a 10% probability of actual outstanding claims exceeding the central estimate by more than approximately 12.7%.

I have also reviewed the 2022 AWP H&L Reserve Review report, and there has been no change in approach versus the 2021. In particular the prior year reserve movement has again been favourable, this year at €14.6m. This once more suggests that historically reserves have been more than sufficient.

Independent recalculation is out of scope for this exercise but there is sufficient detail to enable me to review the report, and management responded to my specific queries. Therefore, I am satisfied based on the details provided on governance and controls, the methodologies employed, the short-term nature of the business, and the favourable reserve run-off reported, that the reserves appear reasonable at present, and probably contain a margin of prudence. The adjustments to Solvency II from these IFRS reserves also appear reasonable.

AHICE Actuarial function Report Appendix D (IFRS Reserves)

My detailed focus was on the 2021 report in terms of timing (which allowed me to fully understand the reserving methodologies) and I subsequently reviewed the 2022 report for consistency and results.

The level of IFRS reserves for AHICE is relatively modest at €2.6m. Hence the level of detail in the actuarial reports is significantly less than in the AWP H&L report. However, there was enough detail to allow me to form my opinion.

The AHICE report contains all the various headings that I would expect to see i.e.:

- Background and Scope
- Results
- Data Sources and Quality
- Reserving methodology
- Uncertainty and Sensitivities
- Controls and Peer Review process
- Reinsurance Agreement with AL&C

The **Background and Scope** section outlines the purpose of this report which is to provide a high-level overview of the data, methodology and governance used to establish FRS reserves for AHICE.

The **Results** section summarises the booked gross of reinsurance reserves as at 31st December 2021.

The next section relates to **Data Sources and Data Quality**. This outlines that the paid claims triangles are provided by the business finance team. Premium and membership data is used as the primary measure of exposure to estimate claims reserves. Any individual claims in excess of US$500k are explicitly allowed for in a large claims provision based on information provided by the claims team. There were no such claims at year-end 2021. This section also outlines the data reconciliations that are performed.

Then the **Reserving Methodology** section outlines the methods used to derive the outstanding claims reserve, the premium for adverse deviation, the unexpired risk reserve, and the cut-off adjustment at year end to allow for the difference between the USGAAP and local Irish statutory reporting.

The **Uncertainties** section conveys the uncertainty in the reserves using three illustrative stresses.

The penultimate section is **Controls and Peer Review**. This includes the various data reconciliations done within AHICE. It also outlines the review by the Head of Actuarial and Underwriting of AI, and the monthly reserve committee process.

Finally details are provided of the **Reinsurance Agreement** that was in place at year-end 2021 with AL&, which has subsequently been replaced by the 100% quota share into ALIC with effect from January 2023.

I have also reviewed the 2022 AHICE Revere Review report, and there has been no change in approach versus the 2021.

An independent reserve recalculation is out of scope for this exercise but there is sufficient detail to enable me to review and management responded to my specific queries. Therefore, I am satisfied based on the details provided on governance and controls, the methodologies employed, the short-term nature of the business that the reserves appear reasonable at present, and probably contain a margin of prudence. The adjustments to Solvency II from these IFRS reserves also appear reasonable.

I am satisfied with the reserving approach and the overall reserve strength of AWP H&L relative to AHICE, and that any difference will not have a materially adverse impact on the transferring AHICE business.

6.3 Excess Assets or Own Funds of AWP H&L and AHICE

In this section we look at the solvency coverage (Own Funds over SCR) of AHICE and AWP H&L, as a typical measure of financial strength. However, in this instance, it is very important to note that this is not a very useful comparison, as AHICE is a company in run-off, with very short-tail liabilities. So over the next year or so, if the Scheme does not occur, the claims provisions will reduce very sharply as illustrated in Figure 3.2, and the SCR will also reduce significantly, and excess Own Funds are planned to be paid out as a dividend to the Shareholders. The actual remaining surplus Own Funds will be small in monetary value. This is in contrast to AWP H&L, which has a growing balance sheet, with significant Own Funds, which increase each year, broadly speaking in line with growth.

Specifically, if the Scheme does not progress, AHICE has forecast that its own funds will remain at about €8m over the run-off period, leaving a surplus over its SCR/MCR in run-off of approximately €5m over that period (see table 6.1 below).

Table 6.1: AHICE Forecast SCR coverage assuming no Scheme AHICE ORSA (€m)			
	Plan 2022	Plan 2023	Plan 2024
SCR/MCR	4.1	2.7	2.7
SII OF After planned Dividend	12.5	8.1	8.2
Surplus OF	8.4	5.4	5.5

Without divulging the exact commercially sensitive projections for the on-going AWP H&L SA entity, if the Scheme does progress, the AWP H&L SA equivalent forecasts are own funds well in excess of €400m, with a surplus over its SCR over that period in excess of €70m each year. So although the percentage coverage of the SCR is less in AWP H&L SA, in absolute terms this is a much larger balance sheet.

The SCR is calculated using standard formula in both companies. The projections of Own Funds for each company is included in their respective ORSAs, but these are confidential reports for Boards and Regulators. However I have be able to see both reports and can report at a high level without divulging too much commercially sensitive forward-looking material.

As described in Chapter 4, AWP H&L risk appetite statement and capital management policy specifically references Own Funds coverage of the SCR, and the actions to be normally taken. Where the coverage significantly surpasses 122%, they usually plan to dividend back to shareholders (subject to non-objection from regulators). They have two triggers under this 122%. An alert trigger of 112% where a remediation plan should be prepared. Then an action trigger at 107%, where an action plan should be executed. Therefore provided the Own Funds over SCR is between 112% and 122%, this is regarded by AWP H&L SA to be within risk appetite.

As I set out in Section 4.7, the Solvency coverage of AWP H&L (and summarised below) as at year-end 2021 was 136%, with surplus Own Funds of €110m and at year end 2022 was 114% with surplus Own Funds of €43m. The percentage coverage is lower, but the absolute surplus Own Funds is significantly higher than what is planned for the run-off of AHICE.

Table 6.2: AWP H&L Solvency Own Funds		
€ m	**2022**	**2021**
Eligible Own Funds to meet the SCR	356.8	414.4
Eligible Own Funds to meet the MCR	328.1	411.8
SCR	314.3	304.3
Solvency II Surplus	42.5	110.1
Ratio of eligible Own Funds to SCR	**113.5%**	**136.2%**
MCR	78.6	76.1
Ratio of eligible Own Funds to MCR	**417.4%**	**541.3%**

Source: AWP H&L SFCR: Appendix form S23.01.01

AWP H&L note that this coverage ratio has decreased in the year but is still within the AWP H&L risk appetite. A plan to improve the coverage ratio is being implemented during Q1 and Q2 of 2023 to ensure the coverage remains within risk appetite. At the date of my Report, these actions are in progress. Further detail is included in Section 4.7 and will be commented on in more detail in my Supplementary Report. An updated ORSA will be provided to me and my review of it will be addressed in my Supplementary Report.

We talk shortly in 6.4 about the additional protection afforded by the 100% reinsurance arrangements for the transferring policies.

Balance Sheet of AICL pre- and post- Scheme

Table 6.3 below shows the effect of the Scheme on AHICE's balance sheet (on an IFRS basis) at the Effective Date (taken to be as at 31 December 2023 for illustrative purposes).

Table 6.3 AHICE proforma solvency position pre/ post the Scheme	Pre Scheme	Post Transfer
Solvency II Own Funds	8.1	8.4
Solvency Capital Requirement	2.7	2.7
Solvency Ratio	295%	392%

Source: AHICE and KPMG analysis

If the Scheme is sanctioned, all the Transferring Business of AHICE will transfer to AWP H&L. This proforma presentation (Table 6.3) also includes dividends planned to be paid back to the shareholder in 2023. The Scheme does not have a material impact on AHICE as 100% of the liabilities are already reinsured to ALIC.

Post the proposed Scheme, AHICE will have no policyholders and once all final pre-elimination matters have been addressed, the entity can be dissolved in an appropriate manner, yet to be determined.

I do not show the AWP H&L Solvency II balance sheet before and after the Scheme – as the transferring liabilities are 100% reinsured to ALIC. There is no impact to the AWP H&L solvency coverage ratio as a result of the Scheme.

I am satisfied with the capital coverage of AWP H&L post Scheme relative to AHICE pre-Scheme, and that any difference will not have a materially adverse impact on the transferring AHICE policyholders or the existing AWP H&L policyholders. This assumes AWP H&L's solvency coverage ratio remains in line with risk appetite ahead of the Effective Date.

6.4 Financial Support Arrangements of AWP H&L and AHICE

AWP H&L and AHICE both confirmed to us that they do not have any parental guarantees in place (which is typical of insurance companies).

However, as noted previously, AHICE currently has a 100% quota share reinsurance treaty to its parent company ALIC, effective from 1st Jan 2023. For the policyholders of AHICE moving to AWP H&L under the Scheme, they will continue to enjoy the benefit of a 100% Reinsurance agreement between AWP H&L onto ALIC from the Effective date.

ALIC (regulated by the Connecticut Insurance Department) has strong external credit ratings (Baa2 from Moody's; A- from S&P; A from AM Best), and is well capitalised, with overall available capital and surplus of US$6.2bn as at 31st December 2022.

I am satisfied that the continuation of the proposed 100% quota Share reinsurance arrangement for the transferring policyholders will provide them with them with very similar reinsurance protection as they currently have as part of the AHICE business.

6.5 The Risk Exposures in AWP H&L post-Scheme compared with that of AHICE pre-Scheme.

In relation to the health products underwritten by AWP H&L they are very similar products to those sold by AHICE. The AWP H&L portfolio is however larger, and even more diversified than the AHICE portfolio. Therefore, I would expect there to be less volatility within AWP H&L as a result of the risk exposures, than there would be if the risk stayed with AHICE.

I am satisfied that the difference in Risk Exposure between AWP H&L and AHICE will not have a materially adverse impact on the transferring AHICE business.

6.6 The policy servicing levels provided by AWP H&L post-Scheme compared with those currently provided by AHICE pre-Scheme.

6.6.1 Policy Administration

AWP H&L has provided me with a set of claim handling KPIs which demonstrate to me that the service levels at AWP H&L have not been materially adversely impacted by the large volume of AHICE renewals offer terms in AWP H&L since July 2022. In fact, service levels have improved over this period.

As referenced in Section 5, AWP H&L also provided me with an operations document outlining how they will administer claims arising from the IBT. I outlined the service standards in Chapter 5.

AWP H&L also provided me with a comparison of projected service levels before and after the Scheme as follows. In summary the service levels are the same or better after the Scheme as detailed below:

- 85% of claims will be adjudicated on within 15 days
- 80% of emails will be handled within 2 days
- 100% of complaints will be acknowledged within 5 days100% of complaints will be resolved within 8 weeks

AWP H&L has provided me with an operations document outlining how they will administer claims arising from the IBT. The main points outlined are as follows:

- AWP H&L will not load historical members on to administration platform.
- Members will be manually enrolled only at the point of claim.
- Members will be enrolled on to a simplified product (one per legal entity) and AWP H&L will:
    - Notify large loss claims above $80k to ALIC / CVS;
    - Claims payments will continue to be available in multiple currencies (sanctioned currencies remain out of scope);
    - Adherence to Privacy by Design principles.
- The document also addresses treating customers fairly as follows:
    - AWP H&L handles each claim with the sensitivity and professionalism their members deserve.
    - AWP H&L processes claims in a fair and consistent way based on the terms and conditions of each applicable plan.
    - AWP H&L monitors its claim settlement ratio in each region to ensure that AWP H&L is consistent with industry standards.
- AWP H&L's streamlined processes for manually reviewed suspended and declined claims provide peace of mind that AWP H&L will do its utmost to provide a consistent and fair decision to members.
- AWP H&L's documented processes are regularly reviewed to ensure compliance with its global policies, regional regulatory standards, and industry best practice.
- AWP H&L is committed to paying all claims promptly and within published or contractual service levels.

I note that AWP H&L is exploring a potential third-party administration solution at the time of writing my Report. This may impact the transferring business. This is work in progress. If a change were to be made ahead of the Scheme, any new third-party administration provider would need to be appointed in accordance with AWP H&L's existing processes and procedures for the appointment of such administration/service providers pursuant to AWP H&L's Group Outsourcing Policy, as described at section 4.4.2 of this Report. Should such a third-party administration solution be agreed prior to the Effective Date, I will assess the impact on service standards as part of my Supplementary Report.

Otherwise, I am satisfied that the approach to policy administration will not materially adversely impact the transferring policyholders

6.7 Conclusion for the Policyholders of AHICE transferring under the Scheme

I am satisfied that the proposed Scheme does not affect in a materially adverse way either the security or the policy servicing levels of the Transferring AHICE Policyholders.

6.8 Impact of the Scheme on the existing Policyholders of AWP H&L

As outlined previously, the main issues affecting the existing policyholders of AWP H&L as a result of the Scheme are likely to arise from relative differences in:

- The financial strength of AWP H&L pre- and post-Scheme.
- The risk exposures of AWP H&L pre- and post-Scheme.
- The policy servicing levels pre- and post-Scheme.

6.8.1 Financial Strength of AWP H&L post Scheme

First, it is worth noting that the level of claims being transferred is approximately US$0.3m, relative to gross written premium income in AWP H&L of €2.2bn. In addition, as all the liabilities of the transferring policyholders are 100% reinsured to ALIC, the impact on the existing policyholders is limited to the possibility of default by ALIC. This is because it is only in the event of default on this reinsurance agreement by ALIC, that the existing policyholders of AWP H&L SA could be adversely impacted. I note that the exposure is de minimis given the level of transferred liabilities and how quickly the exposure runs off. I note that the counterparty exposure as measured under the Solvency II framework for SCR purposes for the exposure to the reinsurers is not material.

ALIC (regulated by the Connecticut Insurance Department) has external credit ratings (Baa2 Moody's April 2020; A- S&P December 2022; A AM Best March 2023), and is well capitalised, with overall available capital and surplus of US$6.2bn as at 31st December 2022. I consider the financial strength to be reasonable in the context of the projected liabilities to be reinsured from outset of US$3.2m.

Therefore, I consider it very remote that the Scheme would have any impact on the financial strength of AWP H&L.

6.8.2 The risk exposures of AWP H&L post Scheme

As the transferring business contains only actual or potential liabilities which are 100% reinsured back to ALIC, there is no net change in the risk exposures of AWP H&L.

6.8.3 The policy serving levels pre- and post-scheme

As referenced in Section 5.6, there is no large-scale IT migration project planned for this transfer. Rather claims will be manually entered onto the AWP H&L system as needed.

There will only be a small level of additional claims handling that the Scheme will generate relative to AWP H&L claims volumes.

Therefore, I conclude that the impact on service levels for existing policyholders of AWP H&L will be negligible.

6.9 Conclusion on the impact of the Scheme on the existing Policyholders of AWP H&L

I am satisfied that the proposed Scheme does not affect in a materially adverse way either the security or the policy servicing levels of the existing AWP H&L Policyholders.

7 Other considerations

7.1 Risk and Governance

In assessing the impact of the Scheme, I have considered the Risk and Governance of both AHICE and AWP H&L. As would be expected of two large global insurance groups, Risk and Governance appears strong and robust in both organizations.

In my opinion therefore, I do not anticipate that the Scheme will create any material adverse impact with respect to Risk and Governance for the Transferring AHICE Policyholders or the current AWP H&L Policyholders.

7.2 Assets of the Various Entities

In assessing the impact of the Scheme, I have considered the nature of the assets within each of AHICE and AWP H&L before and after the Scheme occurs. The assets of each company available to meet policyholder obligations can be classified into three broad categories:

- Investments and Cash;
- Reinsurance assets; and
- Premium and Other Debtors.

I have not identified any matter arising from the balance sheet assets held by AHICE or AWP H&L that would cause me to perform specific further analysis.

In my opinion, AHICE and AWP H&L have sufficiently liquid assets to meet liabilities as they fall due, both before and after the Scheme. As a result, I do not anticipate that the Scheme will create any material adverse impact with respect to liquidity for the Transferring AHICE Policyholders or the current AWP H&L Policyholders.

7.3 Operations Issues and Changes in Assets and Liabilities up to the Effective Date

The balance sheets I have reviewed for each of AHICE and AWP H&L show amounts as at 31 December 2021 and 31 December 2022.

Further to considering the continuation of planned business, I have discussed with AHICE and AWP H&L the possibility of management actions, other than the proposed Scheme that could affect the financial position of AHICE and/or AWP H&L. I have been informed by both AHICE and AWP H&L that they have no planned activities that would have a material effect on the security of the transferring business under the Scheme or the existing AWP H&L policyholders as at the Effective Date.

I do not consider that any material additional risk to any group of affected policyholders will emerge as a result of the continuation of planned business between 31 December 2022 and the Effective Date.

Before the final Court hearing, I will consider the extent to which actual changes in assets and liabilities have been in line with expectations and hence whether there have been any changes (including those associated with current economic conditions) that would affect my overall opinion, and, if necessary, I will report on these separately.

7.4 Likely Impact of Scheme on Reinsurers

The only outwards reinsurance that AHICE currently has (since 1st January 2023) is the 100% Quota Share with ALIC. This will cease on the Effective Date, but the transferring policyholders will enjoy a 100% quota share Reinsurance agreement between AWP H&L with ALIC from that date. Thus the existing reinsurer of the transferring business effectively remains in place post the Scheme. As the transferring liabilities will be 100% reinsured to ALIC, none of these liabilities will be passed to other reinsurers of AWP H&L.

I understand ALIC are fully aware that post the Scheme their counterparty exposure will be to a new entity, AWP H&L rather than AHICE. I understand they have not raised any objections.

Consequently, the existing reinsurers of AWP H&L will not be impacted by the transferring liabilities.

7.5 Approach to Communications

Section 13 of the 1909 Act requires that for the transfer of life insurance business, unless the Court otherwise directs, certain materials must be transmitted to the Policyholders.

While I understand that there is no equivalent legal requirement in the transfer of a non-life insurance business, it is proposed, by the Scheme Companies that they execute an agreed communications strategy.

I set out my understanding of the AHICE's and AWP H&L's proposed approach to communicating the Scheme to affected policyholders below.

Legal Requirements

Whereas there is no legal requirement to transmit information to individual policyholders for non-life transfers per Section 13(3)(b) of the Assurance Companies Act 1909, Section 13(3)(a) and 13(3)(c) of this 1909 Act and Regulation 41(5) of the European Communities (Insurance and Reinsurance) Regulations 2015 do require the Scheme Companies to:

- Publish a notice in a form approved by the Irish High Court stating that an application for the transfer of the Transferring Policies from AHICE to AWP H&L has been made (the "Notice") in:
  - Iris Oifigiúil (Irish official gazette);
  - two daily Irish national newspapers; and
  - in each EEA jurisdiction in which the risks are situated in accordance with the law of that jurisdiction: and
- Place the Scheme (and supporting documents) on display for the inspection of policyholders and shareholders at the registered office of AHICE, AWP H&L and AWP H&L's Irish Branch for a period of at least 15 days after the publication of the notice in Iris Oifigiúil.

Transferring Policies

The Transferring Policies comprise all insurance policies ever underwritten by AHICE, including any endorsements or amendments thereto, under which AHICE still has potential liability for claims.

AHICE has not underwritten any business other than the Transferring Policies. There will be no insurance business, or any insurance liabilities, remaining in AHICE upon the Transfer being effective assuming all of the Transferring Policies transfer to AWP H&L pursuant to the Transfer.

The Transferring Policies may be individual policies or group policies. Where they are individual policies, those individual policies may have further beneficiaries in addition to the individual in whose name the policy is held. Where they are group policies, there will be beneficiaries under the group policy and those beneficiaries may have dependants who are also beneficiaries under the policy. For the purposes of the Communications Strategy, the Scheme Companies have distinguished between:

- the "Named Policyholder", being the person in whose name the individual or group policy is held, which may be a company or an individual;
- the "Primary Member", being (i) in respect of a group policy, a primary member of such group policy, for example an employee of a Named Policyholder; and (ii) in respect of an individual policy, the primary member of such individual policy, who is likely to be the same person as the Named Policyholder; and

- "Dependant Members", being any individuals entitled to claim under the individual or group policy other than the Named Policyholder and the Primary Member, including the additional dependants of a Named Policyholder or a Primary Member).

Other Parties

In addition to the holders of the Transferring Policies the Scheme Companies have identified the following other parties:

- Current policyholders of AWP H&L;
- former policyholders of AHICE, whose policies will have recently expired by the date of the transfer;
- healthcare providers;
- administrative service providers; and
- all known brokers with whom AHICE (or its affiliates) has had correspondence in relation to the Transferring Policies.

The Communication Strategy

With respect to the Direct Business, the Transferring Policies are 12 months in duration, with a six month claims notification window from the time of treatment.

Pursuant to the Asset Purchase Agreement, AHICE stopped underwriting new business as at close of business on 31 October 2022. The contractual window for notifying claims under these policies (assuming a treatment date of the last day of the policy term) will close on 29 April 2024.

AHICE's preferred method of sending the Communication Pack is by email. AHICE expects to have electronic contact details for close to 100% of Named Policyholders within the proposed notification population either held by itself or has electronic contact details of the Active Brokers through whom the remaining Named Policyholders have contact with AHICE.

Communications with policyholders has been customarily conducted in electronic form since the start of Covid.

The available data for the Transferring Policyholders shows the following:

- **Live Transferring Policies**: AHICE forecasts that there are 305 Transferring Policies which will be within the contractual window for notifying claims. This comprises 293 individual Named Policyholders and 12 group Named Policyholders, under which there are 1,082 Primary and Dependant Members. At the proposed Effective Date of the Transfer, all policies will have expired and the Live Transferring Policies will only include Transferring Policies which expired six months or less prior to the proposed Effective Date of the Transfer.
- **Active Claims Policies:** it is expected that there will be a very small number of Transferring Policies (likely to be in the single digits) in respect of which there is an active claim but which is not covered by either Live Transferring Policies above, or Recently Expired Policies below
- **Recently Expired Policies:** AHICE forecasts that there are 1,175 policies which will have expired, and which will no longer be within the contractual window for notifying claims at the Effective Date, assuming treatment on the last day of the policy term, but which were written between 1 December 2020 and 1 June 2022, and which will therefore expired between 30 November 2021 and 31 May 2023.

The following paragraphs set out AHICE's proposed approach with respect to communicating with policyholders and other interested parties.

AHICE Policyholders (including Transferring Policyholders) and its interested parties

Transferring Policyholders – Live Transferring Policies

AHICE will send a Communication Pack by email directly to:

- each **Named Policyholder** of a Live Transferring Policy;
- each **Primary Member** of a Live Transferring Policy in respect of whom AHICE holds an email address; and

- **Active Brokers** relating to Live Transferring Policies, where relevant
  - AHICE will request that the Active Brokers send a Communication Pack to each of the Named Policyholders and Primary Members covered by the relevant Live Transferring Policy;
- In respect of individual policies, AHICE will request that the Named Policyholder inform any of their **Dependant Members**;
- In respect of group policies, AHICE will request that the Named Policyholders send a Communication Pack to each of the **Primary Members** covered by the relevant Live Transferring Policy for whom it holds contact details, and also request that those Primary Members pass on the Communications Pack to any of their **Dependant Members**.
- AHICE will separately send a Communication Pack to each Primary Member (by email) in respect of whom AHICE holds contact details, and request that those Primary Members pass on the Communication Pack to any of their Dependant Members. Primary Members may therefore receive correspondence both directly and through the relevant Named Policyholder.

Transferring Policyholders – Active Claims Policies

AHICE will send a Communication Pack by email directly to each relevant Named Policyholder, Primary Member and/or Dependant Member of any Active Claims Policy.

Interested Parties – Recently Expired Policies

AHICE will send a Communication Pack by email directly to each Named Policyholder and, where AHICE holds their contact details, Primary Member of a Recently Expired Policy and will request that such Named Policyholders and Primary Members carry out the notification process to their Dependant Members.

Active Brokers

AHICE will send the Communication Pack to all known Active Brokers. The purpose of this is to supplement the efforts of the Parties to send the Communication Pack to the Named Policyholders and Primary Members.

Non-Transferring Policyholders

There are expected to be no non-transferring policyholders

Healthcare Providers

Where AHICE holds an email address AHICE will send a Communication Pack by email directly to each of the Healthcare Providers.

Health Insurance Administrators

Where AHICE holds an email address AHICE will send a Communication Pack by email directly to each of the Health Insurance Administrators.

Other Interested Parties

AHICE has not identified any other interested parties, so there are no interested parties not being communicated based on the plan.

AWP H&L policyholders and its interested parties

Transferee Policyholders

- AWP H&L intends to seek a waiver from the requirement to directly notify its policyholders on the basis that there will be no change to their terms and conditions, or their solvency coverage and there is no material impact for them arising from the Scheme. I concur with this view.

Other Interested Parties

Not Applicable

Wider Publication

AHICE intends to publish a notice stating that an application for the transfer of the Transferring Policies from AHICE to AWP H&L (operating through its Irish Branch) has been made in:

- Iris Oifigiúil (Irish official gazette);
- two daily Irish national newspapers; and
- in each EEA jurisdiction in which the risks are situated in accordance with the law of that jurisdiction.

Pages dedicated to the Transfer will also be hosted on the AI website at www.aetnainternational.com, a link to which will be included on the websites of both Parties. The website will contain all relevant documents, including those contained within the Communication Pack.

Communications Materials

As previously stated a Communication Pack will be sent to Named Policyholders, Primary Members, Dependant Members etc. will also be sent to Active Brokers, Fronting Insurers, Reinsurers, Healthcare Providers and Health Insurance Administrators.

The Communication Pack is intended to contain sufficient information to enable the Notified Person to understand the implications of the Transfer and make an informed decision as to whether to object to the Transfer. The Communication Pack will also direct the recipient to where additional information can be found on the Transfer and how to make representations to the Court if the recipient objects to the Transfer. In preparing the Communication Pack, AHICE and AWP H&L will comply with the principle of treating customers fairly, having due regard for information needs and managing conflicts of interest.

The Communication Pack will consist of at least the following items:

- a covering letter;
- a frequently asked questions and answers document in respect of the Transfer (the "FAQs");
- the Scheme Summary (including a summary of this report); and
- the Notice, which will also set out the date of the hearing of the application for sanction of the Transfer (the "Sanction Hearing").

Return to Sender Process

As noted above, AHICE's preferred method of sending the Communication Pack is by email. If an email address is not available, a letter will be sent if a postal address is available. AHICE will have a return to sender process in place for use if emails have been unsuccessfully sent (i.e. where a delivery failure notification has been received) or where letters have been returned to sender.

Communication Pack

I have also reviewed the policyholder communication pack including the cover letter (with different covers to policyholders, brokers, fronter, healthcare partners etc), an information document containing a summary of the Scheme document setting out the terms of the proposed Transfer; a summary of the Independent Expert's report; the notice of the proposed Transfer and further information on the High Court hearing; and the document setting out a set of frequently asked questions and answers. No material issues arose in my review of the final draft communication pack.

Based on the above, I believe the proposed approach to communication with policyholders and other interested parties as outlined above including the dispensations sought to be both proportionate and reasonable. I believe that the planned communication strategy will allow policyholders to form their own view on the proposed scheme. It is clear how additional information can be found. The proposals appear to consider all interested parties.

I consider the communication pack itself to cover the key matters I would expect to be communicated to policyholders and other interested parties; no material issues arose in my review of the draft communication pack.

My conclusions are based on my professional experience of other IBTs. In making this statement I reiterate that it is for the Court to approve the notification arrangements.

7.6 Compensation and Complaints

After the implementation of the Scheme, as with all other insurance companies with an establishment in Ireland, AWP H&L will continue to be required to cooperate with the FSPO (Financial Services and Pensions Ombudsman). However, post-transfer, the holders of the Transferring AHICE Policies will benefit from the FFA, the FGAP and in limited circumstances certain holders of the Transferring AHICE Policies will continue to be protected by the FSPO. AHICE and AWP H&L have agreed to take all reasonable endeavours to resolve any outstanding complaints before the Effective Date of the Scheme.

Both AHICE and AWP H&L SA have provided me with detail on how they currently handle complaints (this is discussed in 3.9 and 4.9). AHICE also explicitly provided me with a joint document entitled “AI & Allianz Operations document summarising the position on Complaints” which outlines in detail the agreed approach to complaints (and legal actions) submitted by transferring policyholders before and after the Effective Date.

I consider that no material additional risk to the transferring policyholders will emerge as a result of complaints hadling of the transferring policyholders after the Effective Date.

7.7 Capital Policy after the Scheme

AHICE and AWP H&L are currently required to comply with the capital requirements of Solvency II, a European regulatory framework.

Therefore the regulatory requirements in relation to capital are similar pre and post Scheme.

Therefore, I am satisfied that there will be no material change to policyholder protection based on the regulatory capital regime post the Scheme.

7.8 What would happen were Scheme not to proceed

If the Scheme were not to proceed, AHICE will continue to operate, but it will take much longer to close, due to the nature of the claims process. With the Scheme, de-authorisation and entity closure of AHICE are assumed to occur in 2024 in this scenario; if the Scheme does not progress, this could not in all likelihood happen until about 2028. Projections have been prepared by AHICE to demonstrate that policyholder security is not materially impacted in this scenario.

7.9 Cost and Tax Effects of the Scheme

The Cost of the Scheme is to be borne by AHICE.

I have been informed that the Scheme is not expected to have tax implications that would affect any of the Companies.

7.10 Other alternatives to the Scheme that were considered

In 2019 the potential divestiture of the shares of AI was pursued by CVS Health, however the transaction was ultimately unsuccessful and therefore disbanded in 2021.

In Q4 2021, the current project was established to explore potential options to fully exit the business. AI management identified exit options available in the relevant territories and conducted a feasibility analysis. The initial high-level feasibility was conducted in December 2021 and CVS Health decided to continue with the current project, and in particular to further explore the potential sale of AI’s business to another IPMI provider and options to bring finality (in due course) to the existing AI set up (which is this Scheme).

Appendix 1 Information received

The table below sets out a summary of the information provided to me to facilitate preparation of this Report.

Information	
Company	**Document**
AICL / AHICE / AICL SB	Nov 2022 Scheme of operations document
	Oct 2022 Regulatory Briefing pack for the PRA and the Central Bank
	Email confirming consideration paid for Scheme
	Article of Association for AICL and constitution for AHICE
	Compliance view on TCF, Compensation schemes, Regulatory Oversight across all legal entities
	2022 risk appetite statements for AICL, AHICE and AICL SB
	2021 & 2022 Risk Register for AICL (incl. SB) and AHICE
	2021 & 2022 Risk Management Policy for AICL (incl. SB) and AHICE
	2021 & 2022 ORSA Documents for AICL, AICL SB and AHICE
	2021 & 2022 Actuarial Function Report (AFR) including appendices containing IFRS Actuarial review for AICL and AHICE
	2021 AICL SB Actuarial Report
	Email confirming status of litigation issues
	2021 Financial statements AICL (and 2022 for AICL), AICL SB and AHICE
	2021 YE SII Returns AICL (and 2022 for AICL) and AHICE and Singapore Equivalent
	2021 & 2022 SFCR for AICL and AHICE
	Reserve Projection Calculations all Companies
	Selection of Product Literature for AICL, AICL SB and AHICE
	Log of Regulator correspondence for AICL, ACIL SB and AHICE
	Spreadsheet of Regulatory Obligations
	Framework Agreement finalised March 2022
	Communication Plan AICL/AHICE
	Asset Purchase Agreement
	Board Discussion papers on closure options
	Final Scheme Documents
	AHICE and AWP Claims operations document
	AI Complaints and Appeals Policy procedure
	European Operations Monthly Performance Report Jan 2023 (in relation to claims complaint handling)
	Emails re regulatory issues, movement in balance sheets pre and post scheme, compensation schemes
	2022 SFCR AHICE
	2022 Financial Statements AHICE

Information	
Company	**Document**
AWP P&C	2021 H&L RSR
	2021 & 2022 H&L SFCR
	2021 H&L ORSA Extract
	2021 H&L Auditors Report
	2021 & 2022 H&L Actuarial Reserve Report and the 2021 Actuarial Function Report
	2020 & 2021 AGSE Annual Reports
	2021 AGSE SFCR
	2022 AGSE ORSA (approved 31st May 2022)
	2021 AzP ORSA (incl ORSA for AWP H&L)
	Monthly complaints June and Dec 2022
	2022 AzP Risk Appetite
	2022 Top Risk Assessment and Risk Register and TRA
	Article of association of AWP H&L
	Email confirming AWP can handle all claims under Scheme
	Claims Op Report confirming improvement in claims service since take-on of APA
	Email re Allianz Global Benefits now part of AzP
	Proposed RI arrangement bet AWP H&L and ALIC
	Framework agreement
	Standard for Sales Document
	Email confirming litigation cases over €2m in AWP H&L
	Correspondence with ACPR re year end solvency ratio for AWP H&L

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 AHICE (there are no remaining policyholders) and the existing policyholders of AWP, 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:

- Understand the business: We form an understanding of the current business and the proposed scheme through meetings with key stakeholders and review of financial statements and key scheme documents. We provide template questionnaires to you that ensure all relevant features of the business are captured for further consideration. This analysis forms the basis from which the impact of the proposed Transfer can be performed. In addition, it provides much of the factual material which will later be included in the Reports.
- Financial statement analysis: We apply straightforward financial analysis to gain a high-level understanding of the relative impact of the scheme and identify areas we would like to investigate further. We have found this to be a very efficient approach to identifying areas where further explanation may be required within the Reports. To the extent we identify more detailed analysis is necessary, we may request further information or analysis from the business, legal advisers or your actuarial and finance functions.
- Analysis of risk based capital: We compare the projected risk based capital position in the event the Transfer proceeds with the existing position from the perspective of each affected policyholder group and seek to understand the factors considered and any potential gaps in the analysis. The key inputs to this analysis are the relevant capital models and actuarial analysis material you have prepared. Where necessary, and subject to further discussion with you, we can perform additional analysis required to support the opinion.
- Scenario analysis: Based on the understanding we have gained from the prior three steps, we select specific scenarios for further analysis. This may require the assistance of the actuarial function and may include performing capital calculations. The objectives of this step are to validate the information we are using, to investigate any areas we have identified as of particular interest, and to create a set of 'plain English' reference points which can be cited in the Report and hence provide a more compelling evidence base
- Policyholder considerations: We will explore the potential effects on policyholders of changes that will be implemented due to the Transfer, for example, to governance arrangements, to changes in levels of implicit or explicit group support, and to the impact of the proposed Transfer on levels of policyholder service. We will also assess in detail the proposed policyholder communications to ensure they are fit for purpose.

Other tasks will include:

- 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 application of discretion including claims settlement, dispute resolution;
- liaise and raise issues and questions as necessary with the appropriate persons at the Company; 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 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 UK (and across Europe) in a harmonised way. Solvency II was implemented on 1 January 2016.

For the purposes of this Report, the respective Head of Actuarial Function of AHICE and AWP H&L have prepared the Solvency II figures.

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 Ancilliary Own Funds. Basic Own Funds comprise of the surplus of assets over liabilities and any subordinated liabilities, whilst Ancilliary 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 insurance companies, the MCR has an absolute floor of €3.7m.

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.

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Appendix 5 Glossary

Glossary of company names and other relevant bodies	
Term	**Definition**
ACPR	Authorité de Contrôle Prudential et de Resolution, the French Regulator
AGBUK	Aetna Global Benefits UK, UK company in the CVS Group which is an insurance administrator company
AHICE	Aetna Health International Company of Europe DAC, the Irish Aetna company
AI	Aetna International LLC
AICL	Aetna Insurance company Limited, the UK AETNA company
AICL SB	The Singapore Branch of AICL
AIHK	Aetna International Honk Kong
AL&C	AETNA Life and Casualty Bermuda
ALIC	Aetna Life Insurance Company, incorporated in Connecticut
Allianz Partners	Also known as AzP, registered in France, controls AWP P&C and AWP H&L
Allianz SE	The Allianz Group, the ultimate parent
AWP H&L	AWP Health and Life, a French insurer with a branch in Ireland
AWP P&C SA	AWP Property and Casualty, and French insurance company with a branch in the UK
AZP	Abbreviation for Allianz Partners
Bafin	Bundesanstalt für Finanzdienstleistungsaufsicht, the German regulator
CVS Health	The ultimate parent of the CVS group
CVS Pharmacy	The Subsidiary of ACH health, which bought AI
FCA	Financial Conduct Authority, the JUK regulator for conduct of business
FSPO	Financial Services and Pensions Ombudsman
FSCS	Financial Services Compensation Scheme (UK)
ICOBS FCA	Insurance Conduct of Business Source Book from the FCA
MAS	Money Authority of Singapore, the Singapore Regulator
PRA	Prudential Regulatory Authority, the UK prudential Regulator
SAI	Society of Actuaries in Ireland

Glossary of other terms used in the report	
Term	**Definition**
AFR	Actuarial Function Report, the actuarial report required under Solvency II
APA	Asset Purchase Agreement, the agreement between AWP H&L and AI which gave exclusive rights to the Allianz Group through its varies entities to offer renewal terms to the relevant AI policies
ASP	Actuarial Standard of Practice of the SAI
B2B2C	Business to Business to Customer
BEL	Best Estimate Liability
Brexit	Term used to refer to the departure of the United Kingdom from the European Union
CCO	Chief Compliance Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer

Consumer Duty	The FCA charter that sets the standards of consumer protection across financial services and requires firms to put their customers' needs first.
COO	Chief Operating Officer
CRO	Chief Risk Officer
ECM	Economic Capital Model
EIOPA	European Insurance and Occupational Pensions Authority
ERM	Enterprise Risk Management
EU	European Union
FA	Framework Agreement, to transfer the relevant legacy liabilities from the various AI entities to the varies Allianz entities
FSMA	Financial Services and Markets Act 2000, UK
FSPO	Financial Services and Pensions Ombudsman
FTE	Full Time Equivalents
HoAF	Head of Actuarial Function
IBT	Insurance business transfer
IFRS	International Financial Reporting Standards
IPMI	International private medical insurance
MCR	Minimal Capital Requirement
ORSA	Own Risk and Solvency Assessment
Own Funds	Excess of Assets over Liabilities, both valued on a SII basis
Part VII	The section of the FSMA that deals with insurance business transfers
PCF	Pre-Approval Controlled Function
PRE	Policyholders' Reasonable Expectations
PRSA	Personal Retirement Savings Account
QRT	Quantitative Reporting Template
Quota Share	A reinsurance arrangement that typically transfers a set percentage of claims (and premiums) to a reinsurer.
RAS	Risk Appetite statement
RM	Risk Management
RSR	Regular Supervisory Report
S.I.	Statutory Instrument
SAI	Society of Actuaries in Ireland
Scheme	The legal document that will be presented to the High Court, which details the insurance business transfer.
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SME	Small and Medium Enterprise
Solvency II	Risk based EU wide insurance directive which codifies and harmonises the EU insurance regulation. Discussed further in Appendix 5.
SOO	Scheme of Operations, the document for the regulator that describes how the AICL run-off will be managed, resourced, reserved and capitalised to ensure that AICL conducts the run-off in a robustly controlled manner, efficiently, and with sufficient regulatory capital and liquidity to continue to meet its obligations to policyholders as they fall due for the duration of the run-off period.
TCF	Treating Customers Fairly
TPR	Temporary Permissions Regime
TRA	Top Risk Assessment
TRP	Total Risk Profiling
UK	the United Kingdom
YE	Year Ending

Appendix 6 Compliance with PRA Policy Statement

The PRA in the UK provide a useful checklist for IE expert reports. So although clearly compliance with this is not required in Ireland, I found this a useful checklist while compiling the report.

The table below indicates how I have complied with the provisions of the PRA Policy Statement ("*The Prudential Regulation Authority's approach to insurance business transfers*", dated January 2022, updating April 2015) that pertain to the form of the Report.

PRA Policy statement Reference	Requirement	Scheme Report Paragraph Reference
2.30 (1)	Who appointed the independent expert and who is bearing the costs of that appointment;	1.2
2.30 (2)	confirmation that the independent expert has been approved or nominated by the PRA;	1.2
2.30 (3)	a statement of the independent expert's professional qualifications and (where appropriate) descriptions of the experience that makes them appropriate for the role;	1.2, Appendix 3
2.30 (4)	whether the independent expert, or their employer, has, or has had, direct or indirect interest in any of the parties which might be thought to influence their independence, and details of any such interest;	1.2
2.30 (5)	the scope of the report;	1.3
2.30 (6)	the purpose of the Scheme;	1.1
2.30 (7)	a summary of the terms of the Scheme in so far as they are relevant to the report;	1.1.3, 2.1, Chapter 5
2.30 (8)	what documents, reports and other material information the independent expert has considered in preparing the report, whether they have identified any material issues with the information provided and whether any information that they requested has not been provided;	Appendix 1
2.30 (8A)	any firm-specific information the independent expert considers should be included, where the applicant(s) consider it inappropriate to disclose such information, then the independent expert should explain this and the reasons why disclosure has not been possible;	NA
2.30 (9)	the extent to which the independent expert has relied on: (a) information provided by others; and (b) the judgement of others;	1.4
2.30 (10)	the people the independent expert has relied on and why, in their opinion, such reliance is reasonable;	6.2, 6.3 in particular and Chapter 6 more generally
2.30 (11)	their opinion of the likely effects of the Scheme on policyholders (this term is defined to include persons with certain rights and contingent rights under the policies), distinguishing between: (a) transferring policyholders; (b) policyholders of the transferor whose contracts will not be transferred; (c) policyholders of the transferee; and	Chapter 6

	(d) any other relevant policyholder groupings within the above that the independent expert has identified.	
2.30 (12)	their opinion on the likely effects of the Scheme on any reinsurer of a transferor, whose contracts of reinsurance are to be transferred by the Scheme;	Chapter 7
2.30 (12A)	their definition of ‘material adverse’ effect;	6.1
2.30 (13)	what matters (if any) that the independent expert has not taken into account or evaluated in the report that might, in their opinion, be relevant to policyholders’ consideration of the Scheme;	NA
2.30 (14)	for each opinion and conclusion that the independent expert expresses in the report, an outline of their reasons; and	Chapter 6
2.30 (15)	an outline of permutations if a Scheme has concurrent or linked Schemes, and analysis of the likely effects of the permutations on policyholders.	5.4
2.32 (1)	The summary of the terms of the Scheme should include a description of any reinsurance arrangements that it is proposed should pass to the transferee under the Scheme;	Chapter 5
2.32 (2)	The summary of the terms of the Scheme should include a description of any guarantees or additional reinsurance that will cover the transferred business or the business of the transferor that will not be transferred.	5.4
2.33 (1)	The independent expert’s opinion of the likely effects of the Scheme should be assessed at both firm and policyholder level and should include a comparison of the likely effects if it is or is not implemented;	 7.6
2.33 (2)	The independent expert’s opinion of the likely effects of the Scheme should be assessed at both firm and policyholder level and should state whether the firm(s) considered alternative arrangements and, if so, what were the arrangements and why were they not proceeded with;	 7.9
2.33 (2A)	The independent expert’s opinion of the likely effects of the Scheme should be assessed at both firm and policyholder level and should analyse and conclude on how groups of policyholders are affected differently by the Scheme, and whether such effects are material in the independent expert’s opinion. Where the independent expert considers such effects to be material, they should explain how this affects their overall opinion;	 Chapter 6
2.33 (3A)	The independent expert’s opinion of the likely effects of the Scheme should be assessed at both firm and policyholder level and should	

	include the independent expert's views on: the likely effect of the Scheme at firm and policyholder level on the ongoing security of policyholders' contractual rights, including an assessment of the stress and scenario testing carried out by the firm(s) and of the potentially available management actions that have been considered by the board of the firm(s) and the likelihood and potential effects of the insolvency of the transferor(s) and transferee(s). The independent expert should also consider whether it is necessary to conduct their own stress and scenario testing or to request the firm(s) to conduct further stress and scenario testing;	5.4 terms and conditions 6.3 NA
2.33 (3AA)	The independent expert's opinion of the likely effects of the Scheme should be assessed at both firm and policyholder level and should include the independent expert's views on: transferor's and transferee's respective abilities to measure, monitor, and manage risk and to conduct their business prudently. This includes their ability to take corrective action in the even there is a material deterioration of their balance sheets;	Covered in Chapters 3 and 4 in details
2.33 (3AAA)	The independent expert's opinion of the likely effects of the Scheme should be assessed at both firm and policyholder level and should include the independent expert's views on: the likely effects of the Scheme, in relation to the likelihood of future claims being paid, with consideration of not only the regulatory capital regime, but also any other risks not falling within the regime. This would include those likely to emerge after the first year or that are not fully captured by the regulatory capital requirements;	6.3/6.4/6.5
2.33 (3AAAA)	The independent expert's opinion of the likely effects of the Scheme should be assessed at both firm and policyholder level and should include the independent expert's views on: whether the transferee'(s') existing (or proposed, where applicable) capital model would remain appropriate following the Scheme;	6.3
2.33 (3B)	The independent expert's opinion of the likely effects of the Scheme should be assessed at both firm and policyholder level and should	

	include the independent expert's views on: the likely effects of the Scheme on matters such as investment management, capital management, new business strategy, claims reserving, administration, claims handling, expense levels and valuation bases for both transferor(s) and transferee(s) in relation to: (i) the security of policyholders' contractual rights, (ii) levels of service provided to policyholders, (iii) for long-term insurance business, the reasonable expectations of policyholders;	All covered in Chapter 6 Clearly long-term NA
2.33 (3C)	The independent expert's opinion of the likely effects of the Scheme should be assessed at both firm and policyholder level and should include the independent expert's views on: the likely cost and tax effects of the Scheme, in relation to how they may affect the security of policyholders' contractual rights, or for long-term insurance business, their reasonable expectations; and	7.8
2.33 (3D)	The independent expert's opinion of the likely effects of the Scheme should be assessed at both firm and policyholder level and should include the independent expert's views on: the likely effects at firm and policyholder level due to any change in risk profiles and/or exposures resulting from the Scheme or related transactions.	6.6 6.9.2
2.34	The independent expert is not expected to comment on the likely effects on new policyholders, that is those whose contracts are entered into after the effective date of the transfer.	OK
2.35	For Mutual companies	OK
2.36	Long Term business	OK
2.37	If part of a wider chain of events	OK
2.38	If benefits are being reduced	NA
2.39/40	Relates to supplementary report	OK