

## **Introduction**

An Independent Actuary's Report ("Full Report") dated 16 May 2023 has been prepared in order that the Irish High Court, the Central Bank of Ireland ("CBI"), the Autorité de Contrôle Prudential et de Résolution ("ACPR") in France, the policyholders and other affected parties may properly assess the impact of the proposed transfer of a portfolio of insurance liabilities of Aetna Health Insurance Company of Europe DAC ("AHICE") ("the Transferor") into AWP Health & Life SA ("AWP H&L" or "the Transferee") operating through its Irish branch ("the Companies"). I refer to this proposed transfer of the portfolio as the proposed "Scheme". AHICE and AWP H&L are referred to collectively herein as the "Scheme Companies".

The Scheme arises from a decision by Aetna International LLC ("Aetna") to wind down most of their non-Americas insurance business. Aetna is achieving this wind down using two transactions, the above Scheme and a separate Asset Purchase Agreement (APA).

Under the APA, AHICE has given exclusive introductory rights to seek to migrate its annual premium business to AWP H&L, to support continuity of coverage for its members wherever possible.

Under the Scheme, Aetna are also proposing to transfer all of AHICE's remaining private medical insurance business to AWP H&L, operating through its Irish Branch ("AWP Irish Branch"). This includes all insurance policies underwritten by AHICE where there is still potential liability for claims.

The Full Report describes this second transaction, the Scheme. The Full Report considers the potential impact and benefits on all affected policyholders (of the Scheme Companies), including the security of their policies. This Summary Report is a summary of the Independent Actuary's Full Report. The Full Report is available from the:

- The registered office of AHICE – Alexandra House, 3, Ballsbridge Park, Ballsbridge, Dublin 4, Ireland;
- The AI website at [www.aetnainternational.com/](http://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](http://www.allianzcare.com).

The proposed transfer of insurance business from one insurer to another must be approved by the High Court in Ireland. In addition, the CBI and the ACPR, as the regulators of the Scheme Companies, will be consulted. The terms covering the proposed Scheme are set out in the Scheme document that will be presented to the High Court. I refer to that document as the "Scheme of Transfer". It is anticipated that the Scheme of Transfer will be presented to the High Court in accordance with the provisions of Section 13 of the Assurance 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), in July 2023, at which time the directions of the High Court will be sought. It is intended that the Sanctions Hearing will take place in November 2023, when final approval of the Scheme of Transfer will be sought with a proposed effective date of 1 December 2023 (the "Effective Date").

## **About the Independent Actuary**

I am a partner in KPMG Ireland. I am a Fellow of the Society of Actuaries in Ireland with more than 30 years of experience of working in the insurance industry. I have previously conducted similar Independent Actuary roles. My detailed biography is included in the Full Report.

## **Use and Limitations**

This Summary Report covers the main conclusions of the Full Report. However, this Summary Report must be considered in conjunction with that Full Report and reliance must not be placed solely on this Summary Report. Both this Summary Report and the Full Report must be considered in their entirety as individual sections, if considered in isolation, may be misleading. This Summary Report is subject to the same limitations on its use as are set out in the Full Report. In the event of any real or perceived conflict between this Summary Report and the Full Report, the latter contains the definitive description. A summary of my Full Report is set out below.

## **Background to Scheme Companies**

My Full report contains an overview of the Scheme companies including the nature of products underwritten; risk profile, management and governance; use of reinsurance and other risk mitigation; outsourcing; financial strength and capital

analysis; projections of financial strength including stress testing; consideration of Treating Customers Fairly; Regulatory matters including complaints and litigation. I have not reproduced the detail in this Summary Report as my Full Report is available on request from the Scheme Companies.

### ***Details of the Scheme***

The Scheme proposed is one for the transfer of all of AHICE's remaining private medical insurance business to AWP H&L, with the transferring business to be allocated in full to its Irish Branch. This includes all insurance policies underwritten by AHICE where there is still potential liability for claims. The Scheme has the following attributes:

- The portfolio transfer will be made on an arm's length basis and will include the transfer of assets to support the maintenance of the portfolio post the portfolio transfer.
- There will be no changes to policy terms.
- There will be no impact on the benefits under policies.
- There will be no change to policyholders' rights and obligations under their policies.
- All claims which are currently being dealt with by AHICE will be handled by, or on behalf of, AWP H&L, on and from the Effective Date.

### ***Independent Actuary's Approach***

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

- Understand the businesses of the Companies; and
- 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:

- Identify the groups of policyholders directly affected i.e. those policyholders of AHICE whose policies are to be transferred to AWP H&L and the current policyholders of AWP H&L;
- Consider the impact of the Scheme on the security of each group of policyholders;
- Consider the impact of the Scheme on the expected treatment of claims and other aspects (for example, policyholder service and any changes in administration or other arrangements).

### ***Key assumptions***

The assumptions underpinning my analysis are set out in Section 2.5 of my Full Report. The assumptions underlie the analysis and conclusions in my Full Report and, at this stage, these assumptions correctly represent the current intentions of the Companies. If any of these assumptions were to change, my opinion may also change. Whilst my Full Report captures all of the detail, below I have summarised some of the more significant assumptions:

- AWP H&L retain solvency levels within their 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 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.
- For the policyholders of AHICE moving to AWP H&L under the Scheme, the 100% quota share reinsurance treaty with Aetna Life Insurance Company (ALIC") will cease on the Effective Date, but such policyholders will enjoy the benefit of a 100% quota share reinsurance treaty between AWP H&L and ALIC from that date.
- 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. In the event that this is not the case, I will address that scenario in my Supplementary Report.

### ***Security of benefits***

The balance sheets I have reviewed for AHICE and AWP H&L respectively show amounts as at 31 December 2021 and 31 December 2022. From my review of the full range of financial and regulatory information, I conclude 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 31 December 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 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;
- The projected regulatory capital position for AWP H&L also takes account of the transfer of the exclusive introduction rights from AHICE under the APA;
- 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 from AWP H&L in to ALIC, so the net impact of 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. Looking forward, in absolute money terms, AWP H&L has a much larger balance sheet than AHICE would have if the Scheme did not proceed;
- ALIC (regulated by the Connecticut Insurance Department), has strong external credit ratings and is well capitalised.

*Overall, I am satisfied that the proposed Scheme does not affect in a materially adverse way the security of the AHICE Policyholders and the AWP H&L Policyholders.*

### **Consideration of other matters including service levels**

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

Given the APA, I have also been provided with operations documents assessing the service levels over the period of migration of these exclusive rights. No material issues appear to be flagged in terms of meeting service levels and standards.

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

### **The Approach to Communication to Policyholders**

The intended approach that AHICE and AWP H&L plan to take in communicating information about the Scheme to affected policyholders and other parties is set out in Section 7 of my Full Report. 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 my Full Report 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 High Court to approve the notification arrangements.

I have also reviewed the communication pack including the cover letter (with different covers to policyholders, brokers, frontiers, healthcare partners etc), an information document containing a summary of the Scheme document setting out the terms of the proposed Transfer; this Summary 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. I consider the information presented to be clear.

## Conclusions

In my opinion, provided the proposed Scheme operates as intended, and I have no grounds for believing that it will not do so:

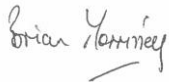
- The security of benefits to policyholders of AHICE and AWP H&L will not be materially adversely affected by the implementation of the Scheme on the Effective Date; and
- The Scheme will not materially adversely impact on the service standards experienced by the policyholders of AHICE and AWP H&L.

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 my Full 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.



16 May 2023

**Brian Morrissey, FSAI**

**Date**

*Independent Actuary, KPMG in Ireland*