

## **SUMMARY OF THE TERMS OF THE SCHEME**

### **General**

The following is summary of the Scheme for the transfer of the non-life insurance business of Aetna Health Insurance Company of Europe DAC (**AHICE**) to AWP Health & Life S.A. (**AWP**). Any capitalised terms have the meanings given to them in the table of definitions included at the end of this summary. Any capitalised term that is not defined in the table of definitions has the same meaning given to it in Appendix I of the Scheme.

An independent actuary (the **IA**) has been appointed to review the terms of the Scheme and has prepared a report (the **IA Report**). A summary of the Actuarial Report is appended to this document at Schedule 1 (the **Summary Report**) and the full IA Report can be found online at [www.aetnainternational.com/en/about-us/insurance\\_business\\_transfer/ireland-insurance-business-transfer.html](http://www.aetnainternational.com/en/about-us/insurance_business_transfer/ireland-insurance-business-transfer.html).

### **Nature/Scope of the Scheme**

The Scheme provides for the Transfer of the Transferring Business from AHICE to AWP and other matters in relation to the Transfer which will arise as a consequence of it. The Transfer is to be effected pursuant to Section 13 of the 1909 Act, Section 36 of the 1989 Act and Article 41 of the 2015 Regulations.

### **The Transfer**

On and with effect from the Scheme Date, the Transferring Policies and Transferring Liabilities will be transferred from AHICE to AWP and will become part of AWP's business (to be operated through AWP's Irish branch). With effect from the Scheme Date, AWP will assume responsibility for all of the Transferring Liabilities in respect of the Transferring Policies and AHICE will be released from all such liabilities.

### **Proceedings**

If on the Scheme Date there are any pending court, tribunal or arbitration proceedings (excluding any proceedings (disciplinary or otherwise), investigation or enquiry by any Regulatory Authority or dispute referred to any ombudsman) by or against AHICE in respect of Transferring Policies, the same shall be continued by or against AWP following the Scheme Date.

### **Rights of Policyholders**

Holders of Transferring Policies transferring pursuant to the Scheme will retain the same rights with AWP under those Transferring Policies as they previously had with AHICE.

### **Excluded Policies**

There may be policies which do not transfer on the Scheme Date. Such policies may not transfer for the following reasons:

- (a) The policies were concluded in another EU or EEA member state and the supervisory authority of such member state has not consented to the transfer of such policies and is not deemed to have provided such consent under the 2015 Regulations;
- (b) the Court has determined for any reason not to sanction the transfer of such Policies or requires further steps to be taken before it will sanction the transfer of such Policies;
- (c) further steps additional to an order made by the Court are required to secure that the transfer of such policies is fully effective under the law of any relevant state or country that is not a member state (as defined in the 2015 Regulations);
- (d) AHICE and AWP agreed prior to the Scheme Date that the policy's transfer is to be delayed until after the Scheme Date; or
- (e) the policies cannot be transferred to AWP pursuant to the Scheme for any other reason.

Any policies that are not transferred due to the reasons listed at (a), (b), (c), (d), or (e) above shall remain policies of AHICE but AWP shall fully indemnify AHICE for any liabilities under such policies in accordance with the Scheme.

It is not envisaged that there will be any Policies that will not transfer on the Scheme Date but it is standard practice for the Scheme to cater for the possibility of Policies not transferring on the Scheme Date. The Scheme provides for the ability to Transfer any such Policies on a date after the Scheme Date once any impediments to the Transfer, as listed above, have been removed or have otherwise been dealt with.

If, in relation to an Excluded Policy, on or after the Scheme Date:

- (a) The supervisory authority of a member state in which a contract was concluded has consented to the transfer of such policies and is deemed to have provided such consent under the 2015 Regulations;  
or
- (b) The relevant issue set out in (b) to (d) above has been resolved.

The Excluded Policy shall transfer to and become vested in AWP and the Excluded Policy shall then be treated as a Transferring Policy in all respects and the provisions of the Scheme applicable to Transferring Policies shall apply to such a policy.

### **Administration and Claims Handling**

AWP will assume overall responsibility for the administration of the Transferring Policies and claims handling relating to the Policies from the Scheme Date.

In respect of any Transferring Policies that do not transfer due to any of the reasons listed at (a), (b), (c), (d), or (e) in the Excluded Policies section, AWP will be responsible for the administration of such Policies.

### **Amendments, Modifications or Additions**

In respect of the Scheme, on or before the Scheme Date, AHICE and AWP together may consent to, and agree on behalf of the persons to be bound by the Scheme, to any variation of the Scheme subject to the Court's approval and the provision to the Central Bank of Ireland of advance notice of such variation.

### **Costs and Expenses**

The costs and expenses of, and incidental to, the Transfer of the Policies and the Scheme will be borne by AHICE.

### **Governing Law**

The Scheme is governed by the laws of Ireland.

## DEFINITIONS

<b>1909 Act</b>	means the Assurance Companies Act 1909;
<b>1989 Act</b>	means the Insurance Act 1989;
<b>2015 Regulations</b>	means the European Union (Insurance and Reinsurance) Regulations 2015;
<b>Aetna Parent Reinsurance Agreement</b>	means the reinsurance agreement entered into between Aetna Life Insurance Company and AHICE in relation to the Transferring Business, effective 1 January 2023;
<b>Court</b>	means the High Court of Ireland;
<b>Excluded Assets</b>	means all assets of AHICE other than the Transferring Assets;
<b>Ireland</b>	means the Republic of Ireland;
<b>Transfer</b>	Means the transfer of the Transferring Business pursuant to the Scheme
<b>Transferring Assets</b>	means all of the following assets as at the Scheme Date: <ul style="list-style-type: none"> <li>i. the rights, benefits, authorities and powers (whether actual or contingent) of AHICE whatsoever under or by virtue of the Transferring Policies;</li> <li>ii. the Records including, without limitation, all rights, title and interest of AHICE in the Records; and</li> <li>iii. the assets or cash deposits comprising the insurance provisions and reserves associated with the Transferring Policies</li> </ul> but excluding the Excluded Assets;
<b>Transferring Business</b>	means the Transferring Policies, the Transferring Assets and the Transferring Liabilities and for the avoidance of doubt, excluding any rights or liabilities of AHICE under or relating to the Excluded Policies or the Aetna Parent Reinsurance Agreement or any other assets or liabilities of AHICE;
<b>Transferring Liabilities</b>	means all liabilities of the Transferor of every kind and description (whether present or future, actual or contingent, lapsed, expired or reinstated) 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;
<b>Transferring Policies</b>	means any Policy (that is not an Excluded Policy), including any endorsements or amendments thereto, ever underwritten by AHICE and forming part of the Transferring Business under which any liability or contingent liability remains unsatisfied or outstanding at the Scheme Date;
<b>Scheme</b>	means the Scheme agreed between AHICE and AWP for the purposes of transferring all Transferring Policies, Transferring Liabilities and Transferring Assets pursuant to the 1909 Act, the 1989 Act and the 2015 Regulations, in its original form or with or subject to any modification, addition or condition which may be approved or imposed by the Court;
<b>Scheme Date</b>	Means 00:01 a.m. on 1 December 2023 or such other date as AHICE and AWP may agree and to which the Court consents, upon which the order sanctioning the Transfer takes effect;
<b>Transfer</b>	means the transfer of the Transferring Business from AHICE to AWP; and
<b>AHICE</b>	means Aetna Health Insurance Company of Europe DAC;
<b>AWP</b>	means the AWP Health & Life SA.

**SCHEDULE 1**

**Summary Report**

## **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:

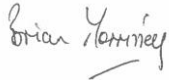
- The security of benefits to policyholders of AHICE and AWP H&L will not be materially adversely affected by the implementation of the Scheme on the Effective Date; and
- The Scheme will not materially adversely impact on the service standards experienced by the policyholders of AHICE and AWP H&L.

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*