

IMPORTANT ANNOUNCEMENT: REINSURANCE OF AFFECTED POLICIES AND AMENDMENT TO BONUS REGULATIONS



wherever life takes you

This announcement applies to policies and claims (“policy” or “policies”) held in respect of the following Nordben contracts (“affected policies”):

Nordben Annuity Plan; Nordben Level Plan; Pensions in Payment arising from: Triple C Plan, Flex Plan, Unit Linked Plan, and Group Risk Plan, with the exception of pensions which do not qualify for discretionary increases, and disability benefits under Level Plan.

Note: This announcement does not apply to selected Pensions or Claims in Payment accepted by the Company on or after 1 January 2016 (please contact us if you have any questions). Furthermore, this announcement does not apply to Triple C Plan and Flex Plan policies currently in-force.

The affected policies are administered in six different currency sub-funds of the With-Profits Policyholders’ Fund (“the Funds”) held by Nordben to meet its liabilities. The sub-funds that contain the affected policies are given in the table below:

Currency	CHF	EUR	GBP	NOK	SEK	USD
Contracts in the sub-fund	Flex Plan, Triple C Plan, Level Plan, Annuity Plan and Pension in Payment	Level Plan, Annuity Plan, and Pension in Payment	Triple C Plan, Level Plan, Annuity Plan and Pension in Payment	Level Plan, Annuity Plan and Pension in Payment	Level Plan, Annuity Plan and Pension in Payment	Triple C Plan, Level Plan, Annuity Plan and Pension in Payment

Please be advised that **no action is required from you**. The principal outcome is that future annual bonus declarations applying to affected policies on and after **1 January 2021** are expected to remain **stable**. For further information see below, or please contact us using the following webpage: <https://nordben.com/contact/>

BACKGROUND

Nordben closed to new business in 2015 and since then, the number of affected policies in-force has continued to decline. There are a number of risks associated with the Funds used to pay the benefits of the affected policies, such as longevity risk (the risk that the affected policies will be in payment for longer than anticipated) and investment risks (such as changes in bond values), that become harder to manage as the number of affected policies decline.

REINSURANCE OF AFFECTED POLICIES

In order to effectively manage the affected policies, Nordben has entered into a reinsurance arrangement of the affected policies with its shareholder Monument Re Limited. The reinsurance applies from 1 January 2020.

SUMMARY OF THE REINSURANCE ARRANGEMENT

For the affected policies, the reinsurance transfers all of the longevity and investment (i.e. market and foreign exchange) risks to the reinsurer, removing the volatility which these risks would otherwise introduce to the profits and losses in the Funds.

PRINCIPAL EFFECTS OF THE REINSURANCE ARRANGEMENT

The effects of the reinsurance are discussed in more detail in a section below, but one of the principal effects of the reinsurance arrangement is that profits in the relevant Funds will become more certain.

Whilst Nordben still applies discretion when determining annual bonus rates, the reduction in volatility of profits means that future annual bonus declarations applying to affected policies on and after **1 January 2021** are expected to remain **stable** at the long-term level which could be afforded by the Funds at the date the reinsurance was transacted. The bonus rates on which the reinsurance was transacted are determined based on the currency of the affected policies and are available at: <https://nordben.com/bonus-enhancement-information>

AMENDMENT TO THE BONUS REGULATIONS

We are amending the bonus regulations governing the computation and distribution of annual bonuses to reflect that a reinsurance arrangement has been entered into for the affected policies.

Up until 31 December 2019, the bonus regulations describe that the prime source of the surplus arising in the funds for distribution to policyholders via bonuses was determined by investment returns, mortality and disability profits, as well as profits arising from surrenders, lapses and paid-up policies (where contractually possibly).

With effect from 1 January 2020, the regulations for the affected policies have been amended to confirm the prime source of the surplus is a reinsurance arrangement.

MORE DETAIL ON THE EFFECTS OF THE REINSURANCE ARRANGEMENT

Entering into a reinsurance arrangement and the amendment to the bonus regulations has the following implications on the affected policies:

- The reinsurance arrangement has the advantage of transferring all of the longevity risk (the risk that affected policies will be in payment for longer than anticipated) and investment risks (such as changes in bond values), to the reinsurer and therefore removing the volatility which these risks would otherwise introduce in the profits and losses in the Funds.
- Future bonus rates will continue to be declared on the 1 January each year, but it is anticipated that, whilst Nordben still applies discretion when determining annual bonus rates, the applicable level of bonus each year will be set at a level consistent with that which was affordable for the Funds at the date the reinsurance was transacted.
- The first annual bonus declaration that will be impacted by this change is that applying on 1 January 2021.
- The reinsurance arrangement will ensure that Nordben's shareholder charge does **not** increase beyond those published in the announcement of 22 October 2018 ([available by clicking here](#)).
- The reinsurance arrangement has **no impact** on any of the policy terms governing the affected policies and does not affect any rights under these contracts.
- Nordben continues to meet all regulatory capital requirements and policyholder protection requirements set under Guernsey law.
- Counterparty risk introduced via the reinsurance arrangement is mitigated by a collateral arrangement should the reinsurer be unable to meet its liability towards Nordben.
- Some of the affected policies had targets that were linked to consumer price inflation ("CPI") in the relevant currency. Whilst these targets were not guaranteed, future declared bonuses will no longer target future CPI rates.
- Nordben continues to reserve the right to amend bonus regulations and use its discretion when declaring future annual bonus rates.

The above action has been taken in consultation with Nordben's Appointed Actuary, Nordben's Independent Third Party Trustee in compliance with its policyholder protection arrangements, and approved by the Nordben Board of Directors.