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# Supplementary Report to the Report of the Independent Actuary

Supplementary Report of the Independent Actuary on the Proposed Scheme to transfer the insurance business of

**Nordben Life and Pension Insurance Co. Limited (“Nordben”)**  
to  
**Monument International Life Assurance Company Limited (“MILAC”)**

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## 1 INTRODUCTION

### Purpose of this report

- 1.1 I have previously prepared a report (the "**Independent Actuary's Report**") dated 7 September 2022 on the terms of the proposed transfer of the entire book of long-term insurance business ("**the Transferring Policies**") from Nordben Life and Pension Insurance Co. Limited ("**Nordben**") to Monument International Life Assurance Company Limited ("**MILAC**") (collectively "**the Companies**").
- 1.2 The Independent Actuary's Report summarised the terms of the proposed transfer and set out my conclusions on its likely effects on both the security of benefits and the fair treatment and reasonable benefit expectations of the Companies' policyholders. This was based on information available to me (as Independent Actuary) at the time of writing the report.
- 1.3 In order to complete the transfer, a Scheme of Transfer ("**the Proposed Scheme**") must be presented to both the Royal Court of Guernsey and the Isle of Man High Court of Justice. The Transferring Policies in question will be transferred to MILAC via the Proposed Scheme only if approved by the Guernsey Royal Court and the High Court of Justice of the Isle of Man (Civil Division) (together, "**the Courts**").
- 1.4 Both the Guernsey Financial Services Commission ("**GFSC**") and the Isle of Man Financial Services Authority ("**IOMFSA**") have to confirm their non-objection to the Proposed Scheme.
- 1.5 I understand the Companies are submitting final papers to the Courts ahead of the final Court hearings (scheduled for 9 December 2022 in Guernsey and 16 December 2022 in the Isle of Man) and will seek to receive the formal court orders sanctioning the Proposed Scheme. The proposed transfer (if approved) will become effective and the transfer will take place at 18:00 hours on 28 December 2022 ("**the Effective Date**").
- 1.6 This report (the "**Supplementary Report**") provides an update on my conclusions as set out in the Independent Actuary's Report in the light of further information now available to me, and in respect of the effect of the Proposed Scheme on the different groups of policyholders in light of any significant events subsequent to the date of the finalisation of the Independent Actuary's Report.
- 1.7 I understand that a copy of the Supplementary Report will be made available to the Courts and will also be made available to policyholders and other interested parties on both the MILAC website <https://www.monumentregroup.com/transfers/> and Nordben website <https://nordben.com/milac-transfer/> and from the respective offices of the Companies (as referred to in paragraph 2.27 below).
- 1.8 The Supplementary Report will also be furnished to the GFSC and IOMFSA as relevant insurance regulators, as well as any person who asks for a copy at any time before an order to sanction the Proposed Scheme is made.

### Parties for whom my report has been prepared

- 1.9 The Independent Actuary's Report and this Supplementary Report have been prepared for use by the Courts in approving the Proposed Scheme but will also be of interest to the following interested parties:
  - Policyholders of Nordben and MILAC
  - Members of Nordben and MILAC (noting the "**Members**" of these two companies are the shareholders. Both companies have the same shareholder – i.e. Monument Re)
  - The Directors and senior management of Nordben and MILAC and their parent company
  - The GFSC or any other governmental department or agency having responsibility for the regulation of insurance companies in Guernsey
  - The IOMFSA or any other governmental department or agency having responsibility for the regulation of insurance companies in the Isle of Man
  - The professional advisers of any of the above with respect to the Proposed Scheme.

### Reliances and limitations

- 1.10 The statements in the Independent Actuary's Report regarding qualifications and disclosures; the parties for whom my report has been prepared; reliances and limitations; and professional guidance, also apply to this Supplementary

Report, except that this Supplementary Report is based on the information available to me at, or prior to, 28 November 2022, and takes no account of developments after that date.

- 1.11 All abbreviations and technical terms used in this report have the same meaning as in the Independent Actuary's Report unless otherwise indicated.
- 1.12 This Supplementary Report should be read in conjunction with the Independent Actuary's Report, as reading this report in isolation may be misleading. Similarly, both reports must be considered in their entirety as individual sections, if considered in isolation, may likewise be misleading.
- 1.13 The Supplementary Report should also be read in conjunction with the other documents that pertain to the Proposed Scheme.
- 1.14 In preparing the Supplementary Report, I have had access to certain documentary evidence provided by MILAC and Nordben, the principal elements of which I list in the Appendix to this report. In addition, I have had access to, and discussions with, the senior management of both MILAC and Nordben. I have relied on the accuracy of the information which has been provided to me in written or electronic form or verbally. My conclusions depend on the substantial accuracy of this information, and I have relied on this information without independent verification. There are no documents or other information that I have requested and that have not been provided.
- 1.15 Neither the Supplementary Report, nor any extract from it, may be published without my specific written consent having first been given, save that copies of the Supplementary Report may be made available on the Companies' respective websites, and copies will be furnished to the GFSC and IOMFSA, and copies may be provided to any person requesting the same in accordance with legal requirements. In the event such consent is provided, the Supplementary Report must be provided in its entirety. In addition, a summary of this report may not be made without my written consent.
- 1.16 Nordben is authorised and regulated as an insurance company in Guernsey. The conduct of insurance business in Guernsey is regulated by the GFSC under the Insurance Business (Bailiwick of Guernsey) Law, 2002 ("**the 2002 Insurance Business Law**"). The 2002 Insurance Business Law contains a mechanism for the Guernsey Royal Court to sanction a scheme to transfer long term insurance business carried on by Guernsey authorised insurers in certain circumstances.
- 1.17 MILAC is authorised and regulated as an insurance company in the Isle of Man. The conduct of insurance business in the Isle of Man is regulated by the IOMFSA under the Insurance Act 2008 ("**the 2008 Act**"). The 2008 Act contains a mechanism for the Isle of Man Court to sanction a scheme to transfer long term insurance business carried on by Isle of Man authorised insurers or permitholders in certain circumstances.
- 1.18 The Supplementary Report has been prepared within the context of the assessment of the terms of the Proposed Scheme and specifically and solely for the purposes of the 2002 Insurance Business Law and the 2008 Act. No liability will be accepted by Milliman, or me, for any application of the Supplementary Report to a purpose for which it was not intended, nor for the results of any misunderstanding by any user of any aspect of the Supplementary Report (or any summary thereof).
- 1.19 My reports have been prepared in accordance with the terms of our statement of work dated 23 November 2021 and the terms of our engagement letter to which that statement of work refers.

## 2 ANALYSIS AND CONCLUSIONS

### Approach

- 2.1 I have sought and received additional information from the Companies in order to consider if any event or change in circumstances has occurred that would cause me to alter the conclusions expressed in the Independent Actuary's Report.
- 2.2 The information I have requested has been selected based on my knowledge of developments in the insurance industry and from the wider economic environment, which I consider likely to have a direct or indirect impact on the Companies.
- 2.3 In particular, I have considered developments in the following areas:
- The Isle of Man Directions Hearing of 22 September 2022 and subsequent order of the Isle of Man Court
  - Any changes in the Companies' business
  - Whether the assumptions noted in the Independent Actuary's Report remain valid
  - Current issues in the life insurance industry, including any changes to the regulatory or legal environments
  - Relevant communications received from policyholders, regulators or other interested parties relating to the Proposed Scheme.
- 2.4 Having received such additional information, I have then considered what impact, if any, this would have on the opinions I expressed in the Independent Actuary's Report.
- 2.5 The main pieces of additional information received are listed in the Appendix to this report.

### Developments since the completion of the Independent Actuary's Report

- 2.6 In the following paragraphs, based on the information provided to me by the Companies, I provide a summary of what I consider to be the key developments during the period since the Independent Actuary's Report was issued.

### COURT HEARINGS AND DIRECTIONS

- 2.7 The application to the Royal Court in Guernsey will be made on Wednesday 7 December 2022 with a view to an expected hearing before the Guernsey Court on 9 December 2022. The Guernsey application will be made on a similar factual basis as the Isle of Man application.
- 2.8 The Companies lodged a claim form dated 12 September 2022 (the same being issued on 21 September 2022) seeking the sanction by the Isle of Man High Court of the Proposed Scheme. The claim was brought for directions on 22 September 2022. The Proposed Scheme, as set out in the claim form, was unchanged from that summarised in the Independent Actuary's Report. The Isle of Man Court set the next hearing date for 16 December 2022.
- 2.9 Based on the information provided to me, I am satisfied that the Companies either have taken or are taking the necessary actions to comply with the Court's directions and procedures.

### UPDATES ON THE COMPANIES' CIRCUMSTANCES

- 2.10 I have been provided with updates on both Companies' circumstances. Each company's strategy, risk profile and capital management policy remain substantially unchanged from the position as set out in the Independent Actuary's Report.
- 2.11 In November 2022, Monument Group refined its policy on employee remote working and staff locations and set out a policy that restricts employee country locations to countries where Monument has a business (legal) presence. This means once Nordben has no legal presence in Guernsey (assuming the Proposed Scheme is approved and the migration of all insurance activities from Guernsey to the Isle of Man are complete), current employees in Guernsey will be offered redundancy or an alternative role in a country where Monument has a business presence. This is planned to occur before the end of 2023.
- 2.12 Both Companies have traded broadly in line with expectations (see below for information on the Companies' updated solvency positions) and the separate portfolio transfer of Singapore branch business from Zurich International Life Limited ("ZILL") to MILAC was approved and completed.

## ASSUMPTIONS MADE IN THE INDEPENDENT ACTUARY'S REPORT

2.13 In anticipation of the Proposed Scheme, MILAC and Nordben committed to enter into a Business Transfer Agreement before the Court hearings in 2022. This agreement includes (inter alia):

- Transfer of the agreed amount of assets from Nordben to MILAC in respect of the business on completion of the Proposed Scheme. The basis for the calculation of this amount is set out in the Business Transfer Agreement. Most of the assets will transfer in-specie (i.e. via change of ownership) from Nordben to MILAC. A defined residual amount of liquid assets (including cash at bank) will remain in Nordben to cover the liquidation costs and associated closure costs of Nordben.
- Agreement to the provisions of the Trusts Novation Agreement to novate the existing Trust agreement relating to all Nordben policyholder assets with the Zedra Trust Company from Nordben to MILAC. This will also require Zedra Trust Company as Trustee to enter into a new Trust agreement.
- Agreement to the provisions of the Transitional Services Agreement between MILAC and Nordben. This agreement obliges Nordben to continue to administer and manage the insurance business in Guernsey on behalf of MILAC for a limited period after the Effective Date until Monument Insurance Services (IOM) Limited, ("MIS") (on behalf of MILAC) has tested the migration of the insurance data and has onboarded the administration processes from Nordben.

The Business Transfer Agreement was signed and dated 12 September 2022. The existing trust agreements between Nordben and Zedra are ready for novation (assuming the Proposed Scheme is approved). The Transitional Services Agreement is drafted but is not yet signed, pending confirmation by the GFSC on the regulatory requirements for the proposed activities.

2.14 In the Independent Actuary's report, I also listed a number of key assumptions that I had made when assessing and reaching my conclusions on the Proposed Scheme. I also noted that I had discussed my assumptions with the Companies, and they had not raised any objections. However, I also noted that, if any of those assumptions were incorrect, it was possible that my conclusions on the Proposed Scheme could change as a result.

2.15 The key assumptions in relation to MILAC made were as follows, and I have commented on the current status of each of these assumptions below.

- The scheme of transfer from ZILL Singapore to MILAC will be approved by the Isle of Man and Singapore Courts (expected in September 2022) and the Court orders issued will be effected by the Court agreed effective date for the transfer.

This occurred as expected.

- MILAC expands the current intra-group reinsurance agreement between MILAC and Monument Re to include the business transferring to MILAC under the Proposed Scheme. This will materially reduce the capital requirements of MILAC.
  - MILAC entered into an intra-group reinsurance agreement with Monument Re in 2022 and this was subject to IOMFSA approval. MILAC paid a reinsurance premium upon the inception of the agreement to Monument Re and Monument Re will pay claims to MILAC based on 90% (i.e. the reinsurance quota share) of the emerging future profits<sup>1</sup> and losses (on an IOMFSA solvency basis) of MILAC.
  - MILAC paid an additional reinsurance premium on the treaty to Monument Re to extend the scope of the intra-group reinsurance agreement to include the Singapore Branch business on transfer from ZILL to MILAC.
  - MILAC will pay an additional reinsurance premium on the treaty to Monument Re if the Proposed Scheme relating to Nordben is approved.

The adjustments to the MILAC intra-group reinsurance agreement proceeded as assumed and the necessary amendments required to include the Transferring Policies will be effected if the Proposed Scheme is approved.

2.16 The key assumptions made in relation to Nordben were as follows:

<sup>1</sup> The reinsurance claims are defined in the treaty and are based on the MILAC emerging surplus (or deficit) measured under a UK GAAP methodology and valued under the Isle of Man Risk Based Capital ("IoM RBC") basis.

- Confirmation of the GFSC that the provision of the Transitional Services by Nordben in accordance with the provisions of the Transitional Services Agreement will not result in Nordben requiring a licence in Guernsey under the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002, or, if any authorisation or licence is required, it will be in place at the time of the Proposed Transfer.

This is still in progress. It does not impact on my assessment as the consequences of the decision of the GFSC on the regulatory approach for activities occurring in Guernsey (if the Proposed Scheme is approved) will be counterbalanced and complemented by MILAC responsibilities and activities. Overall the business can be administered appropriately between Isle of Man and Guernsey if the Proposed Scheme is approved.

- Confirmation that Nordben's external reinsurance agreements and international pooling arrangements are either ready for novation (assuming the Proposed Scheme is approved) or have been terminated.

Nordben has corresponded with all of its external reinsurance providers and with the secretariat administering the international pooling arrangements in which Nordben participates. Preparations are in place to either terminate or novate the agreements and arrangements as appropriate should the Proposed Scheme be approved.

Additionally, the with-profits intra-group reinsurance treaty with Monument Re and the risk rider with-profits intra-group reinsurance treaty with Monument Re will both be novated from Nordben to MILAC if the Proposed Scheme is approved.

2.17 I also identified some issues that were expected to change (or develop) since the date of my Independent Actuary's Report, and I undertook to comment on these issues again in the Supplementary Report. These issues were as follows:

- An update on the most recent financial/solvency position of the Companies. This is addressed in Sections 2.22 to 2.25 below.

2.18 Under the Proposed Scheme no employees will transfer from Nordben to MILAC, and this remains unchanged.

2.19 I also assumed both Companies would follow their respective business strategies as articulated in their most recent ORSAs and each of the Companies will continue in its current ownership.

2.20 I have discussed these assumptions once more with the Companies and they have confirmed that my assumptions remain valid.

### THE TRANSFERRING POLICIES

2.21 I have been provided with an updated summary of the Transferring Policies as at 17 November 2022. The information shows that the number and total value of the policies in question has moved broadly in line with expectations, considering that the block in question is in run-off.

### THE COMPANIES' RECENT SOLVENCY POSITIONS

2.22 In Guernsey, the GFSC does not require quarterly solvency returns showing capital requirements. The quarterly regulatory return to the GFSC includes a value of the policyholder liabilities and a listing of the assets backing the policyholder liabilities. These regulatory returns were submitted to the GFSC in mid-November 2022.

2.23 However, based on internal management accounts, the Nordben solvency coverage at 30 September 2022 was 236%. This was 241% at year end 2021. The movement over the first nine months of 2022 is within expectations of the company.

2.24 At the time of writing, the MILAC Q3 2022 solvency return to the IOMFSA has not been submitted, but the provisional solvency coverage at 30 September 2022 is 297%. This was an increase from a solvency coverage of 165% at year-end 2021. The movement over the first nine months of 2022 is within normal expectations for the company and includes the introduction of the intra-group reinsurance as described above as well as the financial performance of the company over the period.

2.25 In summary, the solvency positions of both MILAC and Nordben are broadly in line with their projected solvency positions (as per their ORSA projections). The reasons for some variations in the short term are well-understood and do not present any cause for concern, with both Companies' solvency coverage ratios remaining in excess of their target levels and the regulatory minimum requirements.

2.26 The risk profile of both Companies has also remained stable.

## OBJECTIONS AND COMPLAINTS

- 2.27 In accordance with the Order for Directions, in the Isle of Man a copy of the claim form and Independent Actuary's Report have been available for inspection from the offices of Appleby (Isle of Man) LLC and, in Guernsey, the application and the Independent Actuary's Report have been available for inspection from the offices of Appleby (Guernsey) LLP, as the representatives of the Companies. These documents have also been made available on the Companies' websites.
- 2.28 In addition, the Companies' plans to communicate with the holders of the Transferring Policies and other impacted policyholders were put into effect.
- 2.29 As at the date of this Supplementary Report, I have been informed by the Companies that no potential complaints, or indications of intent to object, to the proposed Scheme have been received from policyholders and/or their financial advisers.
- 2.30 Nordben informed me that it had received queries from a number (i.e. 16) of policyholders and/or their financial advisors which related to clarification on any actions needed, options for surrendering policies, and technical queries on tax and other consequences.
- 2.31 MILAC has informed me that it has received no queries from its policyholders in relation to the Proposed Scheme.
- 2.32 In all instances, any queries or concerns expressed by any policyholders have been addressed to the extent possible.
- 2.33 Having considered the correspondence received, nothing has arisen to change my opinion on the Proposed Scheme (as summarised in Section 2.38 below).

## REGULATORY AND OTHER MATTERS

- 2.34 The recent refinement of Monument Group's policy on staff country locations (as explained in Section 2.11 above) has an ultimate impact on Nordben employees based in Guernsey. These employees are now in a process with Nordben and Monument Group management and Nordben has arrangements in place to seek to retain Guernsey staff through the interim period (through 2023) if the Proposed Scheme is approved. Separately, the migration plans of Nordben activities into MILAC (and its Isle of Man Group services company) are being prioritised to facilitate the planned migration as soon as possible post approval of the Proposed Scheme.
- 2.35 I am not aware of any new regulatory, or other similar, matters impacting on either of the Companies in the period since the completion of the Independent Actuary's Report.
- 2.36 The impact of the ongoing war in Ukraine, together with the period of heightened inflation, which is currently being experienced, is being monitored closely by the Companies, and both have considered these issues in their calculated solvency positions as at 30 September 2022 (as set out in paragraphs 2.22 and 2.24 above). I would not expect either Company to be more adversely impacted by these developments than other companies in the wider life insurance industry.

## Conclusion

- 2.37 Having taken account of the updated information as set out in this Supplementary Report, I believe there is no reason for me to amend or qualify any of the conclusions set out in the Independent Actuary's Report.
- 2.38 For reference, my conclusions in the Independent Actuary's Report were that I am satisfied that the implementation of the Proposed Scheme would not have a material adverse effect on:
- the security of benefits under the policies of Nordben and MILAC;
  - the reasonable expectations of the policyholders of Nordben and MILAC with respect to their benefits; and
  - the standards of administration, service, management and governance that apply to the Nordben and MILAC policies.



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**Mike Claffey**  
**Fellow of the Society of Actuaries in Ireland**  
**29 November 2022**

### 3 APPENDIX – LIST OF PRINCIPAL ADDITIONAL DATA SOURCES

- 3.1 In carrying out my work and producing this report, reliance has been placed upon documents and information provided to me. All items have been provided directly to me by either MILAC and Nordben unless otherwise noted.
- 3.2 In addition to those listed in the Independent Actuary's Report, these included, but were not limited to, the following:

#### **Nordben**

- Summary Solvency II balance sheet and SCR (capital requirement) as at 30 September 2022 based on internal management accounts (and consistent with the schedule of policyholder liabilities and backing assets submitted to the GFSC as part of the quarterly regulatory reporting).
- Updated details on the Transferring Policies as at 17 November 2022
- Internal employee FAQ document dated November 2022 relating to Monument Group policy on employee country locations.

#### **MILAC**

- Summary Solvency II balance sheet and SCR as at 30 September 2022, as included in the provisional quarterly reporting pack due to be submitted to IOMFSA

#### **Other**

- Isle of Man court orders, following the Isle of Man Directions Hearing on 22 September 2022
- Updates on the actions taken by the Companies to comply with the various requirements imposed in the Court Order
- Details of policyholder and other interested parties queries, complaints and objections received
- Verbal update from the Companies on most recent regulatory communications.