



Supplemental Report to the Report of the Independent Actuary

**Supplemental Report of the Independent Actuary on the
proposed Scheme to transfer certain insurance business
of Irish Life Assurance plc to Saol Assurance dac**

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1 INTRODUCTION

Purpose of this report

- 1.1 I have previously prepared a report (the "**Independent Actuary's Report**") dated 22 June 2023 on the terms of the proposed transfer of a portfolio of life insurance business from Irish Life Assurance plc ("**Irish Life**") to Saol Assurance dac trading as AIB life ("**AIB life**") (together "**the Companies**") pursuant to an insurance business scheme of transfer under Section 13 of the Assurance Companies Act 1909 (the "**1909 Act**").
- 1.2 The Independent Actuary's Report summarises the terms of the proposed transfer and sets 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.
- 1.3 This report (the "**Supplemental 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.
- 1.4 I understand that a copy of the Supplemental Report will be made available to the Court and will also be made available on both the Irish Life website (www.irishlife.ie/aib-life-portfolio-transfer) and the AIB life website (www.saolassurance.ie/legal/portfolio-transfer).

Reliances and limitations

- 1.5 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 Supplemental Report, except that this Supplemental Report is based on the information available to me at, or prior to, 22 September 2023, and takes no account of developments after that date.
- 1.6 All abbreviations and technical terms used in this report have the same meaning as in the Independent Actuary's Report unless otherwise indicated.
- 1.7 This Supplemental 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.
- 1.8 The Supplemental Report should also be read in conjunction with the other documents that pertain to the proposed Scheme.
- 1.9 In preparing the Supplemental Report, I have had access to certain documentary evidence provided by Irish Life and AIB life, 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 Irish Life and AIB life. 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.
- 1.10 Neither the Supplemental Report, nor any extract from it, may be published without my specific written consent having first been given, save that copies of the Supplemental Report may be made available on the Companies' respective websites, and copies may be provided to any person requesting the same in accordance with legal requirements. In the event such consent is provided, the Supplemental Report must be provided in its entirety. In addition, a summary of this report may not be made without my written consent and, in particular, a summary of this report may not be distributed to policyholders without my prior approval.
- 1.11 The Supplemental 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 Section 13 of the 1909 Act. No liability will be accepted by Milliman, or me, for any application of the Supplemental 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 Supplemental Report (or any summary thereof).

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 Directions Hearing and subsequent order of the 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 changes to the regulatory or legal environments; and,
 - Relevant communications received from policyholders 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.

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 On 3 July 2023 the Companies petitioned the Court seeking the sanction by the Court of the proposed Scheme. The proposed Scheme, as set out in that petition, was unchanged from that summarised in the Independent Actuary's Report.
- 2.8 The Court directed that the communications plan, as set out in the petition, be put into effect as proposed and ordered that the petition be served on the Central Bank.
- 2.9 The Court set the next hearing date for 3 October 2023.
- 2.10 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.

UPDATES ON THE COMPANIES' CIRCUMSTANCES

- 2.11 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. Neither company has engaged in any further acquisitions or disposals of business lines in the period since completion of the Independent Actuary's Report.
- 2.12 Both companies have traded broadly in line with expectations (see below for information on the Companies' updated solvency positions).

ASSUMPTIONS MADE IN THE INDEPENDENT ACTUARY'S REPORT

- 2.13 In the Independent Actuary's report, I 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.
- 2.14 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 made were as follows:
- The portfolio of policies which falls within the scope of the proposed Scheme is in line with the definition set out therein (and described in paragraph 1.6 of the Independent Actuary's Report);
 - All liabilities associated with the Transferring Policies will transfer from Irish Life to AIB life (with the exception of any liabilities which have been specified by the Scheme as being excluded);
 - The assets (or equivalent value of assets) supporting the investments in any unit-linked funds held by the Transferring Policies will transfer from Irish Life to AIB life (or to such third parties as nominated by AIB life, in accordance with the proposed Scheme);
 - Irish Life Financial Services Ltd (a member of the Great-West Lifeco group) already administers the portfolio of Transferring Policies and will continue to do so post transfer to AIB life (under a separate outsourcing agreement). However, the administration of this business will be appropriately segregated from the administration of Irish Life's business post-transfer;
 - Irish Life will follow the business strategy as articulated in its most recent ORSA;
 - AIB life will follow the business strategy which has been articulated in its application for authorisation to the Central Bank of Ireland; and
 - AIB life has been structured as a long-term strategic investment by both shareholders and there are currently no corporate plans that would impact its current ownership.
- 2.16 I have discussed these assumptions once more with the Companies and they have confirmed that my assumptions remain valid.

THE TRANSFERRING POLICIES

- 2.17 I have been provided with an updated summary of the Transferring Policies as at 30 June 2023. This information has not highlighted any unexpected movements in either the number or the total value of the policies in question.

THE COMPANIES' SOLVENCY POSITIONS

- 2.18 At 30 June 2023, the solvency coverage ratio reported by AIB life to the Central Bank was well in excess of 1,000% (i.e. more than ten times the regulatory minimum required level), with an excess of eligible own funds over the relevant regulatory capital requirement of €48 million. The company did not report a solvency coverage ratio at 31 December 2022 as it had not yet received regulatory approval at that date. The 30 June 2023 reported position is considerably stronger than what had been projected for that date in the company's 2022 business plan which accompanied AIB life's application for authorisation to the Central Bank of Ireland. This was due to a number of factors, including new business volumes, experience variances, assumption changes and economic impacts (such as changes in interest rates) during the intervening period since the projections were originally prepared.
- 2.19 AIB life also prepared an estimate of its expected solvency coverage ratio at 31 December 2023, both including and excluding the proposed transfer of business from Irish Life. An updated set of projections, prepared based on a 30 June balance sheet date, indicate that the expected solvency position excluding the proposed transfer is significantly stronger than had previously been anticipated (1,450% vs. 878%) for the same reasons as outlined in the previous paragraph. The expected solvency coverage ratio at 31 December 2023 including the proposed transfer remains broadly in line with the original expectation (149% vs. 144%).
- 2.20 At 30 June 2023, the solvency coverage ratio reported by Irish Life to the Central Bank was 159% (net of foreseeable dividends), with an excess of eligible own funds over the relevant regulatory capital requirement of €662 million. This was only slightly weaker than the 166% coverage ratio reported at 31 December 2022, with excess own funds €673 million reported at the time. The solvency coverage ratio at 30 June 2023 is comparable to that which was projected in the 2022 ORSA report prepared by Irish Life. Variations between the projections and the actual outcome are well-understood and can be largely attributed to factors such as experience variances, assumption changes, dividend payments and changes in economic conditions which have occurred during the intervening period since the projections were originally prepared.
- 2.21 In summary, the solvency positions of both Irish Life and AIB life are broadly in line with their previously projected solvency positions, with the reasons for variation being well-understood and not presenting any cause for concern. Both companies' solvency coverage ratios remain comfortably in excess of their target levels and regulatory minimum requirements.
- 2.22 In addition, the risk profile of both companies has remained stable.

OBJECTIONS AND COMPLAINTS

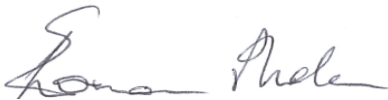
- 2.23 In accordance with the directions of the Court, a copy of the petition together with supporting documentation (including the Independent Actuary's Report) has been made available on the Companies' websites and for inspection at the Companies' registered offices.
- 2.24 In addition, the Companies' plans to communicate with the holders of the Transferring Policies (as summarised in the Independent Actuary's Report) were approved by the Court and have been put into effect.
- 2.25 As at the date of signing this report, 346 queries have been received by the Portfolio Transfer Team. Of these, the Portfolio Transfer Team identified objections to the proposed transfer involving 23 individuals in respect of 17 Transferring Policies (i.e. some Transferring Policies are jointly held by more than one individual). The Companies have advised me that each "objection" has been responded to and dealt with accordingly. In some cases, this resulted in the objector indicating that they intend to surrender their policy or policies, while in other cases the objector simply expressed a strong preference not to have their policy or policies involuntarily moved away from Irish Life.
- 2.26 There are a small number of objections (I understand it to be six at the date of this Supplemental Report) which remain "open" and in these instances the concerns expressed by the policyholders in question have been addressed to the extent possible.
- 2.27 Having examined the details provided to me in relation to the recorded objections, I do not believe that any of these objections indicates that there is any reason for me to amend or qualify any of the conclusions set out in the Independent Actuary's Report.
- 2.28 Of the queries received that were not deemed to be "objections", these generally related to one or more of the following categories: clarification of various aspects of the policyholder communications received as part of the proposed transfer, queries about how they might be impacted by the proposed transfer going forward, policy valuation, confirmation of what is proposed to change as a result of the transfer and whether or not there is any option to remain with Irish Life.
- 2.29 Irish Life and AIB life have both informed me that neither has received any queries from existing policyholders in relation to the proposed Scheme (i.e. policyholders not expected to transfer from Irish Life to AIB life under the proposed Scheme).

REGULATORY AND OTHER MATTERS

- 2.30 It is my understanding that the proposed Scheme cannot proceed unless and until the Central Bank communicates its non-objection (or alternatively, fails to raise any objection in connection with the proposed transfer). The Central Bank has confirmed its non-objection.
- 2.31 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.
- 2.32 At the time of signing this report, AIB life was in the latter stages of the formal approval process with the Pensions Authority in relation to becoming a Registered Administrator, which is an approval that is required in relation to the administration of certain trust-based insurance policies comprising part of the portfolio of Transferring Policies. I understand that Irish Life will continue to act as Registered Administrator to the affected policies until such time as AIB life receives formal approval from the Pensions Authority and is appointed to act as Registered Administrator. It is expected that AIB life will receive Pensions Authority approval on or around the Effective Date of the proposed scheme of transfer.
- 2.33 Revenue approval has also been received in respect of the tax treatment of the transferring policies. I had relied on tax advice provided to the Companies by their own external tax advisors when preparing the Independent Actuary's Report.
- 2.34 The impact of the ongoing war in Ukraine, together with the period of heightened inflation, which is currently being experienced, continues to be monitored closely by the Companies, and both have considered these issues in their calculated solvency positions as at 30 June 2023 (as set out in paragraphs 2.18 and 2.20 above). I would not expect either company to be more adversely impacted by these developments than other companies in the broader life insurance industry.

Conclusion

- 2.35 Having taken account of the updated information as set out in this Supplemental 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.
- 2.36 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 Irish Life and AIB life;
 - the reasonable expectations of the policyholders of Irish Life and AIB life with respect to their benefits; and
 - the standards of administration, service, management and governance that apply to the Irish Life and AIB life policies.



Eamonn Phelan
Fellow of the Society of Actuaries in Ireland

26 September 2023

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 Irish Life or AIB life 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:

Irish Life

- Solvency II balance sheet and SCR as at 30 June 2023, as included in the quarterly reporting pack submitted to the Central Bank
- Updated details on the Transferring Policies as at 30 June 2023
- Confirmation of Revenue treatment of the transferring policies
- Central Bank letter of non-objection to the proposed Scheme
- 2023 Own Risk and Solvency Assessment

AIB life

- Solvency II balance sheet and SCR as at 30 June 2023, as included in the quarterly reporting pack submitted to the Central Bank
- 2023 Own Risk and Solvency Assessment

Other

- Court Order following the Directions Hearing on 3 July 2023
- Updates on the actions taken by the Companies to comply with the various requirements imposed in the Court Order
- Details of any policyholder complaints and objections received by Irish Life and AIB life