

**POLICYHOLDER COMMUNICATION**

**THE PROPOSED TRANSFERS OF LONG TERM  
INSURANCE BUSINESS TO UTMOST  
PANEUROPE designated activity company**

Quilter International Ireland designated activity company

Utmost Worldwide Limited

Please read this important document carefully. You do not need to take any action, but if you have any queries about the proposals you should consult your independent financial adviser, or contact the companies directly.

# Contents of this Policyholder Circular

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# SECTION 1 – Introduction

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## Introduction

The purpose of this Policyholder Circular is to inform you of

(i) the proposed transfer of the long term business of Quilter International Ireland dac (“QII”) to Utmost PanEurope dac (“UPE”) (the “**QII Policies**”); and

(ii) the separate but simultaneous transfer of a small number of investment linked life assurance policies held by residents of the Netherlands from Utmost Worldwide Ltd (“UW”) to UPE (the “**Dutch Policies**”).

Please see Section 2 of this pack for a summary of the proposed transfers. The policies which are currently provided by UPE will remain in UPE post transfer. The policies which are currently provided by UW, other than the Dutch Policies, will remain in UW post transfer.

## How are you protected?

The legal process by which life assurance business may transfer from one insurer to another requires court approval of a Scheme of Transfer. The legal process is described in more detail below. This circular is part of the legal process which seeks to ensure that the interests of policyholders are protected and that you are fully informed about the proposed transfer. You do not need to take any action in respect of this circular or the proposed transfer, but you do have a right to object to what is proposed (see Q10 in Section 3) and to have your objections considered as part of the court process.

It is proposed that all QII policies will transfer from QII to UPE (the “QII Transferring Policies”) and that the Dutch Policies in UW will transfer to UPE (the “UW Transferring Policies”). Included within the QII Transferring Business are policies that have been sold by QII to residents of Guernsey (the “QII Guernsey Policies”).

The transfer of the QII Transferring Business to UPE is subject to the approval, or sanction, of two courts: the High Court of Ireland and the Royal Court of Guernsey (the “Irish Scheme” and the “QII Guernsey Scheme” respectively). The transfer of the UW policies to UPE is only subject to the approval of one court: the Royal Court of Guernsey (the “UW Scheme”) (together the “Schemes”).

## When will the transfer happen and how will it affect my policy?

To effect the transfers, we must follow a prescribed process which includes a number of key protections for policyholders. These protections include notification to policyholders, including giving them an opportunity to object; consultation with relevant prudential supervisory regulators, including the Central Bank of Ireland (“CBI”) and the Guernsey Financial Services Commission (“GFSC”); a detailed review of the transfer proposals by an Independent Actuary; statutory periods of prior notification to policyholders to provide an

opportunity to lodge objections; and ultimately consideration and approval of the terms of the transfer by the relevant Courts.

Subject to the respective regulatory and court processes, it is anticipated that the Schemes will be approved by the Courts and is due to come into effect on 30 September 2022, or such later date as set by the courts.

When your policy is transferred to UPE you will not experience any significant difference in doing business with your new insurer, although there will be a change in the branding of documentation to reflect the role of UPE as the new sole insurer of your policy.

There will be no change to your policy terms and conditions, and we will ensure that our services will be provided seamlessly during and after the transfer period.

## **How will I contact my insurer after the transfer takes place?**

There will be no change to the way in which you contact us after the transfer takes place. Please see our contact details in Section 6 – Contact Details.

Please note you will only need to refer to one website after a rebranding exercise on 22nd October 2022: - [www.utmostinternational.com](http://www.utmostinternational.com). See Section 2 – Branding.

## **Report of the Independent Actuary**

As legally required and to safeguard the interests of policyholders, an Independent Actuary has reviewed the terms of the proposed transfers. This review has been carried out by Fergal O'Shea (Fellow of the Society of Actuaries in Ireland). Fergal O'Shea is a Senior Director in Willis Towers Watson (Ireland) Limited, a firm of Actuarial Consultants. His Summary Report for policyholders on the proposed transfer is set out in Section 4. He has concluded that

- The proposals provide appropriate protection for the interests of the QII and UW Transferring Policyholders. He does not consider it necessary to put in place any additional protections in addition to those in the proposed Schemes;
- There will be no material adverse impact on the security of benefits (which includes claims payments) for any group of policyholders (including the holders of the QII Guernsey Policies and the UW Transferring Policies) as a result of the proposed Schemes;
- There will be no material adverse effect on the profile of risks to which any group of policyholders (including the holders of the QII Guernsey Policies and the UW Transferring Policies) are exposed;
- There will be no material adverse effect on the level of services provided to any group of policyholders (including the holders of the QII Guernsey Policies and the UW Transferring Policies) as a result of the proposed Schemes;

- No group of policyholders (including the holders of the QII Guernsey Policies and the UW Transferring Policies) will suffer any reduction in reasonable benefit expectations as a result of the proposed Schemes; and,
- The implementation of the UW Scheme will not have a material adverse effect on the policyholder protections currently enjoyed by the UW Transferring policyholders in Guernsey.

## **Actuaries' reports to policyholders**

Reports on the proposed transfers have also been prepared by the Head of Actuarial Function of UPE, Sarah Johnston (Fellow of the Society of Actuaries in Ireland), by the Head of Actuarial Function of UW, Francis Kehoe (Fellow of the Institute of Actuaries) and by the Head of Actuarial Function of QII, Tom Morfett (Fellow of the Society of Actuaries in Ireland).

Sarah Johnston has concluded in relation to the Irish Scheme, the QII Guernsey Scheme and the UW Scheme that:

- the Schemes will have no material adverse impact on the security of the benefits of UPE policyholders and the QII Transferring Policyholders;
- the fair treatment and reasonable benefit expectations of UPE policyholders and QII Transferring Policyholders will not be materially adversely affected by the Schemes; and,
- the Schemes will have no material adverse impact on the current and projected solvency position of the combined entity.

Tom Morfett has concluded in relation to the Irish Scheme, the QII Guernsey Scheme and the UW Scheme that:

- the Schemes will have no material adverse impact on the security of the benefits of QII policyholders;
- the fair treatment and reasonable benefit expectations of QII policyholders will not be materially adversely affected by the Schemes; and,
- the Schemes will have no material adverse impact on the current and projected solvency position of the combined entity.

Francis Kehoe has concluded in relation to the UW Scheme that:

- the Schemes will have no material adverse impact on the security of the benefits of UW policyholders;

- the fair treatment and reasonable benefit expectations of UW policyholders will not be materially adversely affected by the Schemes; and,
- the Schemes will have no material adverse impact on the current and projected solvency position of the combined entity.

Copies of the reports of the Heads of Actuarial Function of QII, UW and UPE are available on a page dedicated to the transfers on our website <https://utmostinternational.com/scheme-transfer/>.

A copy of the Report prepared by the Independent Actuary, which has been provided to the Central Bank of Ireland (“CBI”), to the Irish High Court, and to the Guernsey Financial Services Commission (“GFSC”) is also available on our website.

## **Further Information on the proposed transfer**

Once you have read this circular, if you have further questions, contact details are available in Section 6 – Contact Details.

A hard copy of this circular is available on request, free of charge by phoning the Transfer Helpline number. All information regarding the proposed transfers is available on our website.

The following information will also be available for inspection, during normal business hours until the Sanctions Hearing at the offices of QII, UW and UPE which are listed in Section 6 – Contact Details; and upon request from our Irish solicitors: Matheson, 70 Sir John Rogerson’s Quay, Dublin 2, Ireland; and until 23 September 2022 at the offices of our Guernsey Advocates: Carey Olsen (Guernsey) LLP, Carey House, Les Banques, St Peter Port, GY1 4BZ:

- Petition to the Irish High Court including the terms of the Irish Scheme
- Application to the Royal Court of Guernsey in respect of the QII Guernsey Scheme and the UW Scheme
- This Policyholder Circular (which includes the Summary of the Independent Actuary Report)
- The Report of the Independent Actuary
- Report of the Head of Actuarial Function of UPE
- Report of the Head of Actuarial Function of UW
- Reports of the Head of Actuarial Function of QII

## SECTION 2 - Summary of Proposed Transfer

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### **Introduction**

This section sets out a summary of the terms of the proposed transfer of the QII and UW Transferring Policies into UPE.

The proposed transfer of the QII Policies to UPE does not require the consent of policyholders, but it must be sanctioned by the Irish High Court and the Royal Court of Guernsey before the transfer can occur.

The proposed transfer of the Dutch Policies from UW to UPE does not require the consent of policyholders, but it must be sanctioned by the Royal Court of Guernsey before the transfer can occur.

In respect of the Irish Scheme and the QII Guernsey Scheme, a petition (or application) was presented by the directors of QII to the Irish High Court on 27 June 2022 asking the Irish High Court to sanction the Irish Scheme. The Irish High Court will hear from any concerned person whom it considers has an entitlement to be heard (including any policyholder) and sanction the Irish Scheme if it is satisfied that no sufficient objection has been established. In parallel, an application will be made by QII and UPE to the Royal Court of Guernsey in respect of the QII Guernsey Scheme which will be heard on 23 September 2022. The Royal Court will consider the QII Guernsey Scheme and sanction the scheme if satisfied that the scheme meets the requirements set out at section 44 of The Insurance Business (Bailiwick of Guernsey) Law (the "Guernsey Insurance Law"). Any Guernsey resident policyholder who alleges that they might be adversely affected by the carrying out of the QII Guernsey Scheme is entitled to object in writing or to make oral representations. Information on how to do this is set out in Section 3 Question 10 of this circular.

In respect of the UW Scheme, an application will be made by UW and UPE to the Royal Court of Guernsey which will be heard on 23 September 2022. The Royal Court will consider the UW Scheme and sanction the scheme if satisfied that the scheme meets the requirements set out at section 44 of the Guernsey Insurance Law. Any policyholder who alleges that they might be adversely affected by the carrying out of the UW Scheme is entitled to object in writing or to make oral representations. Information on how to do this is set out at Section 3 Question 10 of this circular.

### **Effective Date of Transfer**

If the Irish Scheme is approved by the Irish High Court, and subsequently the QII Guernsey Scheme and UW Scheme are sanctioned by the Royal Court of Guernsey, the Schemes are due to simultaneously become effective on the Effective Date (30 September 2022 or such later date as set by the courts).

Confirmation of the date of the Irish Scheme sanctions hearing in the Irish High Court will be published in the legal notices sections of at least two daily Irish and UK newspapers and on the dedicated transfer webpage <https://utmostinternational.com/scheme-transfer/> – see Section 5 – Notices advertising the Petition.

Confirmation of the date of the QII Guernsey Scheme sanction hearing in the Royal Court of Guernsey will be published in the Guernsey La Gazette Officielle, The Alderney Gazette and in the Sark Notice Box on at least two occasions and on the dedicated transfer webpage on <https://utmostinternational.com/scheme-transfer/>.

Confirmation of the date of the UW Scheme sanctions hearing in the Royal Court of Guernsey will be published in the Guernsey La Gazette Officielle, The Alderney Gazette and in the Sark Notice Box on at least two occasions, and in the legal notices section of the Government Gazette of the Netherlands and on the dedicated transfer webpage on <https://utmostinternational.com/scheme-transfer/>.

## **Transferring Business**

The following policies will not transfer as part of the Schemes: (i) policies which are currently provided by UPE and (ii) policies which are currently provided by UW, and which are not "Dutch Policies".

## **Transferring Assets and Liabilities**

It is anticipated that the assets and liabilities relating to the QII and UW Transferring Policies will transfer to UPE at the Effective Date, with the exception of assets representing QII's minimum capital requirement, and a small amount of operating cash required until QII is de-authorised.

To the extent that any assets or liabilities forming part of the Transferring Policies from QII and/or UW are not transferred on the Effective Date, these assets or liabilities will be held in trust on behalf of UPE by QII and/or UW until such time as the transfer can be made. All parties will take every action to ensure that the transfer of assets and liabilities can take place in full by the Effective Date.

In relation to the transfer of the Dutch Policies, UPE will become the sole risk bearer of the policies but it will also enter into a reinsurance agreement with UW such that the linked investments of the Dutch Policies will continue to be held in the policyholder protection trust arrangements currently operated by and on behalf of UW in Guernsey.

## **Future operations of UPE**

Future operations in respect of existing UPE policies and QII Transferring Policies will be unaffected by the transfer.

The terms and conditions applying to all QII Transferring Policies will remain unchanged following the transfer. UPE will, from the Effective Date, operate the policies in the same manner as QII and UW prior to the Effective Date. If your policy is linked to a Financial Adviser then this relationship will remain in place.

## **Future operations of UW**

Future operations in respect of non-transferring UW policies and UW Transferring Policies will be unaffected by the transfer.

## **Administration of the Transferring Policies from the Effective Date**

The arrangements in place prior to the transfers for the administration of the QII and UW Transferring Business will remain in place following the transfer, except that UW will provide administration services for the transferred Dutch Policies on behalf of UPE.

## **Branding**

For UPE policies and UW policies all product literature is currently branded “Utmost Wealth Solutions” and this will continue to be the case following the transfer. Product literature, correspondence and other documentation for the transferred QII and Dutch Policies will reflect the fact that UPE has become the sole insurer and contractual risk bearer of record.

For QII Transferring Policies, there will be a transition period between the Effective Date and 24 October 2022 when your product literature, forms and documentation will continue to use QII branding, however **UPE will become your insurer from the Effective Date**. From 24 October 2022 onward your product literature, forms and documentation will be rebranded to Utmost Wealth Solutions. Following the rebranding, all product literature issued for transferring policies will identify UPE as your insurer.

Legacy documents will not be rebranded or re-issued.

## **On-line Services**

Following the transfers and rebranding, the on-line information and services currently in place for QII Policies via [www.quilterinternational.com](http://www.quilterinternational.com) will be accessed via a new customer support area on the [www.utmostinternational.com](http://www.utmostinternational.com) website. The new customer support area will provide information based on your particular policy; you will also be presented with relevant contact information, literature and links to secure sites, if applicable to your policy's product type.

Dutch Policyholders will continue to access policy services by using their existing login profile at the Online Service Centre operated by UW at: [my.utmostworldwide.com/Portfolio Manager](http://my.utmostworldwide.com/PortfolioManager)

The intention is not to make new online services available but rather to ensure that any services that you have access to pre-transfer will remain available to you following the transfer.

## **Unit Linked Funds**

If your policy permits investment in unit linked funds, your benefits are determined with reference to the performance of unit linked funds which either you or your authorised adviser have selected. The investments allocated to these unit linked funds will be transferred under the Scheme. The unit linked funds will continue to be managed by UPE in exactly the same way as they were managed by QII or UW prior to the Effective Date. Furthermore, the implementation of the Scheme will have no impact on the investment strategy of the unit linked funds. If your policy currently utilises the services of a Discretionary Fund Manager, Platform or Custodian, these arrangements will remain in place following the transfer.

## **Additional Single Premiums, Regular Premiums and Claims**

If your policy permits receipt of top up premiums, this will continue to be the case following the transfer. Any transactions including regular withdrawals, adviser charges and other claims that are in progress on the date of the transfer will be completed by UPE following the transfer. This also means that any additional single or regular premiums paid immediately prior to the Effective Date will fall to UPE following that date if they are not processed by the Effective Date.

## **Costs of the Scheme**

The costs of implementing the Schemes will be borne by UPE. No costs of the Schemes will be payable by policyholders.

## **Guernsey Residents**

There are a number of Transferring Policies issued by QII which were concluded with policyholders resident in Guernsey. As a result of this, the sanction of the Royal Court of Guernsey will be sought for the QII Guernsey Scheme. The QII Guernsey Scheme will be based upon and incorporate the terms of the Irish Scheme.

The sanction of the Royal Court of Guernsey to the QII Guernsey Scheme will be sought either shortly before or following the sanction hearing in the Irish High Court in respect of the Irish Scheme.

You can inspect and obtain copies (free of charge) of the documents relating to the QII Guernsey Scheme, including the Independent Actuary's report, the Policyholder Circular (which includes a copy of the Summary of the Independent Actuary's Report) and a copy of the Application to the Royal Court of Guernsey, during normal office hours at the offices of

our Guernsey Advocates: Carey Olsen (Guernsey) LLP, Carey House, Les Banques, St Peter Port, GY1 4BZ, Guernsey.

The proposed transfer of the QII Guernsey Policies from QII to UPE pursuant to the QII Guernsey Scheme does not require the consent of policyholders, but it must be sanctioned by the Royal Court of Guernsey pursuant to the Guernsey Insurance Law before the transfer can occur. Any Guernsey resident policyholder who alleges that they might be adversely affected by the carrying out of the QII Guernsey Scheme is entitled to object in writing or to make oral representations (see Question 10 of Section 3 below). The hearing at which the sanction by the Royal Court of Guernsey will be sought is scheduled to take place at 9.30am on Friday, 23 September 2022 at the Royal Court of Guernsey, Royal Court House, St Peter Port, Guernsey, GY1 2PB. Details of any changes to the date of the hearing of the QII Guernsey Scheme, and copies of any supplemental reports prepared by the Independent Actuary in connection with the transfers will be made available at the website set out above.

The documents relating to the Guernsey Scheme will also be available free of charge on our website (see Section 6 – Contact details).

## **Dutch Policyholders in UW**

The “Dutch Policies” are those policies where the application was signed in the Netherlands and the policyholder is still recorded as resident or tax resident in the Netherlands.

UW has been registered with De Nederlandsche Bank (the Dutch National Bank or “DNB”) for a number of years and authorised by the DNB to distribute life insurance policies to residents of the Netherlands as a foreign insurer, without maintaining a place of business in the Netherlands. However, as a consequence of changes in the Dutch Financial Supervision Act (Wet op het financieel toezicht – “WFT”), this authorisation will expire on 17 March 2023.

The WFT has been amended to prohibit the provision of insurance services into the Netherlands by all third country insurers who do not maintain a place of business in the Netherlands and the prohibition extends to all forms of general and life insurance policies already in existence. Under transitional arrangements, authorised foreign insurers such as UW have been provided with a 2 year transition period, ending on 17 March 2023, to exit all insurance policies that were executed with Dutch resident policyholders.

Consequently, UW is arranging the transfer of the Dutch Policies to another insurer within the Utmost Group, UPE (an Irish authorised insurer, which is currently licensed in the Netherlands by the DNB and maintains a place of business there). The intention is to transfer the Dutch Policies from UW to UPE in order to provide continuity for the Dutch policyholders, in accordance with the revised WFT and applicable regulations.

Because UW is a Guernsey registered insurer, the Dutch Policies are required to be transferred by a separate Guernsey scheme, the “UW Scheme” as outlined above, which will require the approval of the Royal Court of Guernsey.

Policyholders can inspect and obtain copies (free of charge) of the documents relating to the UW Scheme, including the Independent Actuary's report, the Policyholder Circular (which includes a summary of the Independent Actuary's Report) and the Application to the Royal Court of Guernsey during normal office hours at the offices of our Guernsey Advocates: Carey Olsen (Guernsey) LLP, Carey House, Les Banques, St Peter Port, GY1 4BZ, Guernsey and the documents can also be obtained from our website <https://utmostinternational.com/scheme-transfer/>.

The proposed transfer of the Dutch Policies under the UW Scheme does not require the consent of policyholders, but it must be sanctioned by the Royal Court of Guernsey pursuant to the Guernsey Insurance Law. Any policyholder who alleges that they might be adversely affected by the carrying out of the UW Scheme is entitled to object in writing or to make oral representations to the Royal Court of Guernsey (see Question 10 of Section 3). The hearing at which the sanction by the Royal Court of Guernsey will be sought is scheduled to take place at 9.30am on Friday, 23 September 2022 at the Royal Court of Guernsey, Royal Court House, St Peter Port, Guernsey, GY1 2PB. Details of any changes to the date of the hearing of the UW Scheme, and copies of any supplemental reports prepared by the Independent Actuary in connection with the transfer will also be made available at the website set out above.

In addition to the availability referred to above, the documents relating to the QII Guernsey Scheme and the UW Scheme are also available free of charge on our website <https://utmostinternational.com/> <https://utmostinternational.com/scheme-transfer/> (see Section 6 – Contact details).

## SECTION 3 – Questions and Answers

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### **Q1 Why are the transfers happening?**

A1. For the transfer of the QII Policies, both companies involved in the transfer are part of the Utmost Ireland group of companies. The consolidation of the life companies by way of schemes of transfer to create a single Irish insurer for the Transferring Business has a number of benefits which include operational and capital efficiencies. The transfer is expected to create a more efficient, robust business, enhancing further its ability to meet policyholder expectations and to ensure that they continue to be treated fairly.

For the transfer of the Dutch Policies, the transfer is required to comply with changes in the WFT which regulates supervision of the insurance sector in the Netherlands. The WFT has been revised to ban foreign insurers from conducting insurance business in the Netherlands unless a domestic place of business is established and licensed in the Netherlands. Transitional arrangements under the revised WFT mean that the current UW regulatory authorisation in the Netherlands will expire on 17 March 2023.

UW is transferring the Dutch Policies to UPE which is an EU regulated insurer that is already authorised in the Netherlands and is able to continue to service these policies in accordance with Dutch law and regulations.

### **Q2 What will be the name of my insurance company after the transfer?**

A2. Subject to the necessary court approvals being obtained, your policy will be transferred to UPE on the Effective Date. UPE will then be your insurer. Business will be carried on by UPE using the “Utmost Wealth Solutions” name and brand. For QII policyholders as noted in Section 2 during the transition period between the Effective Date and the rebranding exercise in October 2022, you will temporarily continue to receive QII branded product literature but your insurer of record will become UPE. UW already uses the Utmost Wealth Solutions branding.

### **Q3 Do I need to take any action?**

A3. If, having read this circular, asked any questions of the companies and sought any advice needed, you are happy with our proposals, you are not required to take any action.

### **Q4 Who can I contact if I have a query about the proposed transfer?**

A4. If you have a query, please call the helpline number given in Section 6 – Contact Details, or contact your Independent Financial Adviser.

### **Q5 Do I need to vote on the proposals?**

A5. No, the proposals are not subject to a vote. They do, however, need to be approved by the relevant courts. The sanction of the Irish High Court is required for the Irish Scheme. The sanction of the Royal Court of Guernsey is required for the QII Guernsey Scheme. The sanction of the Royal Court of Guernsey is required for the UW Scheme.

**Q6 Will the proposals affect the security of my benefits?**

A6. The Independent Actuary has considered the impact of the Scheme on the security of your benefits. He has concluded that there would be no material adverse effect of the Scheme on the security of your benefits (which includes the holders of the QII Guernsey Policies and Dutch policies).

**Q7 Are there any tax implications caused by the transfer of my policy?**

A7. Based on current tax laws, the transfer is not expected to have any adverse effect on the policyholder tax treatment of the Transferring Policies. Policyholders are advised to contact their tax advisor should they have any doubts in relation to their personal tax affairs.

**Q8 Have the likely effects of the proposed transfers on my policy been assessed by anyone independent of the insurance companies proposing the transfers?**

A8. Yes, in order for insurance business to transfer between insurers there is a legal and regulatory requirement that an Independent Actuary must consider and report on the proposed transfer. We have included a summary of the Report of the Independent Actuary, in Section 4 of this circular. Fergal O'Shea, the Independent Actuary, concludes that the proposals provide appropriate protection for the interests of transferring policyholders, that there is no material adverse impact on the security of benefits for any group of policyholders (including the holders of the QII Guernsey Policies and Dutch Policies) as a result of the proposed Schemes; and that no policyholders (including the holders of the QII Guernsey Policies and Dutch Policies) will suffer any reduction in reasonable benefit expectations as a result of the proposed Schemes.

The Independent Actuary will keep the proposals under review up until the Irish High Court sanction hearing date. A further safeguard which protects your interests is that the proposed transfers will take place only after they have been considered and approved by the Irish High Court in respect of the Irish Scheme and the Royal Court of Guernsey in respect of the QII Guernsey Scheme and the UW Scheme, following notification of and engagement with the CBI, the GFSC and any other regulators with whom the CBI is required to consult.

**Q9 Why is the confirmation of the respective courts necessary?**

A9. The Irish law (specifically section 13 of the Assurance Companies Act 1909 and section 36 of the Insurance Act 1989) provides that the approval of the Irish High Court is required for the proposed transfer of the QII Transferring Policies to take place. The proposed transfer will not be confirmed unless the Irish High Court is satisfied that the interests of all policyholders will not be prejudiced by the proposed transfer and the requirements of applicable legislation have been met. Policyholders are entitled to attend the Irish High Court on the date of the

hearing, at which the approval of the Irish High Court to the Irish Scheme will be sought, to object in person or through their legal adviser.

Section 44 of the Guernsey Insurance Law provides that the sanction of the Royal Court of Guernsey is required for the proposed transfer of the QII Guernsey Policies under the QII Guernsey Scheme as they have been concluded with policyholders who are resident in Guernsey.

As UW is an insurance company licenced in Guernsey, section 44 of the Guernsey Insurance Law provides that the sanction of the Royal Court of Guernsey is required for the proposed transfer of the Dutch Policies under the UW Scheme

### **Q10 Can I object to the proposed transfer?**

**A10. Irish Policyholders** Yes, you are entitled to object in person and in writing or through your legal advisors to the Irish Scheme. Policyholders should first review the details contained in this circular. If you then wish to object to the proposed transfer, you are entitled to attend the Irish High Court on the day of the hearing at which the sanction of the Irish High Court to the Irish Scheme will be sought.

If you wish to be heard at the hearing of the Petition, you should (1) notify our solicitors Matheson, 70 Sir John Rogerson's Quay, Dublin 2, Ireland, of this intention in writing with reference 'GC/AS/HV/661794-143 (marked for the attention of Gráinne Callanan) and (2) file an affidavit setting out your objection and the evidence backing it, with the High Court Central Office in the Four Courts, Inns Quay, Dublin 7 and serve a copy of that affidavit on Matheson Solicitors no later than 5:00pm at least two working days in advance of the Court hearing.

**Guernsey Resident Policyholders:** Yes, you are entitled to object to the QII Guernsey Scheme in person or in writing or through any Guernsey Advocate. If you wish to raise an objection, please write to our Guernsey Advocates, Carey Olsen (Guernsey) LLP, PO Box 98, Carey House, Les Banques, St Peter Port, GY1 4BZ, Guernsey, citing reference 'NK/WG/1073631.0003', by no later than 5pm on 16 September 2022. The sanction hearing in the Royal Court of Guernsey is scheduled for 9.30am on Friday, 23 September 2022 and you are entitled to attend in person or by sending a representative. Note that your right to attend the court hearing and object in person is not affected if you have not notified us prior to the hearing.

**The holders of the Dutch Policies:** Yes, you are entitled to object to the UW Scheme in person or in writing or through any Guernsey Advocate. If you wish to raise an objection, please write to our Guernsey Advocates, Carey Olsen (Guernsey) LLP, PO Box 98, Carey House, Les Banques, St Peter Port, GY1 4BZ, Guernsey, citing reference 'NK/WG/1073631.0003', no later than 5pm on 16 September 2022. The sanction hearing in the Royal Court of Guernsey is scheduled for 9.30am on Friday, 23 September 2022 and you are entitled to attend in person or by sending a representative. Note that your right to attend the court hearing and object in person is not affected if you have not notified us prior to the hearing.

### **Q11 Will the proposals automatically go ahead?**

A11. No. The proposed transfers will only proceed if they are approved by the respective courts. The respective courts will only approve the transfers if satisfied that the proposals meet the relevant legal requirements in each jurisdiction. Objections received from policyholders will also be considered.

**Q12 How will I know whether the respective courts have approved the proposed transfer?**

A12. Following the court hearings we will publicise the fact that the relevant Scheme has been sanctioned through newspaper notices and on the website (see Section 6 – Contact details). You do not need to take any action as a result of the transfer.

**Q13 Will I retain my existing policy after the transfers?**

A13. Yes, there is no need for your existing policy documents to be altered or for new policies to be issued.

**Q14 Will my policy be the same after the transfers?**

A14. Yes. There will be no change to the terms and conditions of your policy other than the change of insurer.

**Q15 Will I still be able to make changes to my policy or take advantage of any options available under my policy?**

A15. Yes, subject to the existing terms and conditions of your policy, which are not changing as a result of these proposals.

**Q16 Will the transfers result in a change to the investments that my policy is invested in?**

A16. No. there will be no change to the underlying fund strategy of your policy.

UPE and UW will enter an agreement so that the transferring Dutch Policies continue to invest in and have access to the same underlying funds as they do currently.

**Q17 Will I be able to make top up payments to my policy after the transfers?**

A17. If your policy allows top up payments now, then you will be able to make them after the transfer in accordance with the terms and conditions of your policy.

**Q18 I've received a letter about the transfer, but my policy is cancelled. Do I need to do anything?**

A18. If your policy is no longer in force and cannot be reinstated, you do not need to take any action and you can ignore this mailing.

**Q19 What happens if the courts do not approve the transfer?**

A19. If the proposed transfer is not approved by the relevant court then your policy will continue to be with QII or UW. For the holders of Dutch Policies, we will consider alternative options and write to you shortly after the UW Scheme sanction hearing on 23 September 2022. Any Dutch Policies that are not transferred by 17 March 2023 will need to be terminated in order to comply with Dutch law.

**Q20 Why have I received more than one letter about the transfer?**

A20. If you have more than one policy with QII or UW you may receive more than one copy of the letter.

**Q21 Why have I received a letter about the transfer when I no longer have a policy?**

A21. If you no longer have a policy in place, you should not have received a letter and we apologise for any inconvenience.

**Q22 Will the transfer impact my data subject rights under the General Data Protection Regulation (Regulation (EU) 2016/79) (the “GDPR”) or associated Data Protection Regulations?**

A22. The GDPR gives individuals (data subjects) a right to be informed about the collection and use of their personal data. Post transfer, UPE will be the Data Controller in relation to your personal data. UPE’s Data Privacy Notice (“DPN”) provides information about the ways in which UPE will collect, store and use personal data relating to individuals. The DPN is available on the website [www.utmostinternational.com/privacy-statements/](http://www.utmostinternational.com/privacy-statements/). The point of contact for all queries arising from this privacy notice, including requests to exercise data subject rights, is UPE’s Data Protection Officer. The Data Protection Officer can be contacted via [dataprotection@utmost.ie](mailto:dataprotection@utmost.ie).

## SECTION 4 - Summary of the Report of the Independent Actuary

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# Report of the Independent Actuary

Summary of the Report of the Independent Actuary on the proposed transfer of Quilter International Ireland dac to Utmost PanEurope dac for inclusion in the policyholder circular.

29 June 2022

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# Section 1: Introduction

## Scope of the Independent Actuary Report

- 1.1 The Independent Actuary report has been prepared in respect of the schemes to be presented to the Irish Court<sup>1</sup> and the Guernsey Court<sup>2</sup> for the transfer of all of the insurance business from Quilter International Ireland dac (“QII”) and a small number of insurance policies from Utmost Worldwide Limited (“UWW”) to Utmost PanEurope dac (“UPE”) in compliance with the requirement for an independent actuary’s report in Ireland and Guernsey respectively. As Independent Actuary, I am required to examine the consequences and potential consequences of the proposed transfer. In particular, I must consider the implications of the Schemes on the security of policyholders’ benefits and the impact on the benefits ultimately payable.
- 1.2 The Independent Actuary report considers the consequences of the Schemes for the QII and UWW transferring policyholders, for the policyholders of the transferee company, UPE (or the “Transferee”) and also for the non-transferring policyholders of UWW. I have only considered the Schemes proposed and I have not considered any alternative schemes. This report compares the position of the life assurance policyholders of the three companies after implementation of the Schemes against the position if the Schemes were not to proceed.
- 1.3 This report (the “Summary Report”) is a summary of my Independent Actuary Report in respect of the proposed Schemes and further information and the analysis underlying my conclusions can be found in my full Independent Actuary Report.

## Background

- 1.4 The Utmost Group has been operating since 2013, previously as two separate groups: Utmost International Group Holdings and Utmost UK Group Holdings. In October 2020, the Group underwent a reorganisation which resulted in the Group’s two businesses being brought together under a single UK holding company, Utmost Group Limited, which was reregistered as Utmost Group plc (“UG”) in July 2021. UG, is a UK based financial services group operating in the UK and international life assurance sectors. It is a provider of insurance and savings products which also specialises in the acquisition and consolidation of books of life assurance business in the UK and internationally.
- 1.5 QII is a member of UG, and a direct subsidiary of UPE. UPE is a member of UG, and a direct subsidiary of Utmost Holdings Ireland Limited (“UHIL”). It is proposed that QII will transfer its insurance business to UPE via a scheme of transfer in Ireland (the “Irish Scheme”) and in Guernsey (the “QII Guernsey Scheme”), that are currently planned to take effect at 30 September 2022 (the “Effective Time”). This transfer is a continuation of UG’s consolidation strategy to simplify the business, produce operational and capital efficiencies and manage liquidity.
- 1.6 UWW is also a member of UG, and a direct subsidiary of Utmost International Group Holdings Limited (“UIGH”). At the same time as the transfer of the QII insurance business, and through a separate scheme of transfer in Guernsey (the “UWW Guernsey Scheme”), UWW will transfer a small number of insurance policies to UPE. The transfer of these policies is as a result of the Dutch Authority for the Financial Markets (“The Dutch Regulator”) requiring that all third country insurance companies operating within the Netherlands, including UWW, run-off their

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<sup>1</sup> The High Court of Ireland

<sup>2</sup> The Royal Court of Guernsey

positions over a period of two years following the United Kingdom's exit from the European Union ("EU") on 31 January 2021.

- 1.7 Although the transfer of the QII business is separate to the transfer of the UWW policies, the processes are being carried out in parallel and so I provide my opinion on the overall outcome for policyholders of UPE after the proposed transfer. My conclusions are based on the assumption that both the QII and UWW policies will transfer to UPE. If however either transfer does not go ahead as planned, I will consider the impact of this in my supplementary report.
- 1.8 The acquisition of QII by Utmost Holdings Isle of Man Limited was completed on 30 November 2021 and as part of a subsequent business reorganisation, QII was acquired by UPE. The business of QII includes single premium Portfolio Bonds and a small amount of unit-linked business, collectively referred to as the "QII Transferring Business". QII is open to new business in respect of Portfolio Bond products only.
- 1.9 UWW is a life insurance company based in Guernsey which was acquired by UG in February 2019. The business of UWW includes unit-linked and Portfolio Bond products as well as group protection and retirement and savings business, sold to individual expatriates and multinational corporations globally. The only UWW policies that will transfer to UPE, collectively referred to as the "UWW Transferring Business", are those policies where at least one policyholder was a resident of the Netherlands at the time of the inception and where the policyholder is still recorded as resident or tax resident in the Netherlands. These policies cover a range of different products including unit-linked single and regular premium business and make up a small proportion of UWW's overall liabilities.
- 1.10 The QII Transferring Business and the UWW Transferring Business are collectively referred to as the "Transferring Business".
- 1.11 UPE, previously Generali PanEurope dac, was acquired by UG during 2018. The in-force business of UPE includes unit-linked single and regular premium business, employee benefits business and a small portfolio of German variable annuity ("VA") business as well as with-profits business. UPE is open to new business in respect of a number of different unit-linked and group protection products.
- 1.12 It is proposed that all the policies in QII will be transferred to UPE at the Effective Time via the Irish Scheme, approved by the High Court of Ireland ("the Irish Court").
- 1.13 Included within the QII Transferring Business are policies that have been sold by QII to residents of Guernsey ("the QII Guernsey Policies"). To the extent that the QII Guernsey Policies fall within the scope of the Insurance Business (Bailiwick of Guernsey) Law 2002 ("Guernsey Insurance Law"), the QII Guernsey Policies will not transfer to UPE pursuant to the terms of the Irish Scheme but instead will transfer pursuant to the QII Guernsey Scheme under the Guernsey Insurance Law with the same planned effective date as the Effective Time of the Irish Scheme. Having reviewed the draft QII Guernsey Scheme, I am satisfied that the QII Guernsey Scheme incorporates and reflects the Irish Scheme. The QII Guernsey Scheme will be subject to the approval of the Royal Court of Guernsey ("the Guernsey Court"). My conclusions as set out in this report apply equally in respect of the QII Guernsey Policies comprised in the QII Transferring Business.
- 1.14 As UWW is a licensed insurer in Guernsey, the UWW Transferring Business will be transferred to UPE pursuant to the separate UWW Guernsey Scheme at the same time as the QII Guernsey Scheme. The Schemes in respect of the QII Transferring policies are not dependent on the transfer of the UWW policies. My conclusions as set out in this report apply equally in respect of the UWW Transferring Business.
- 1.15 The structure of UG before the proposed Schemes is set out in Figure 1.1 below and the planned structure post the proposed Schemes is shown in Figure 1.2 below:

Figure.1 - UG structure before transfer

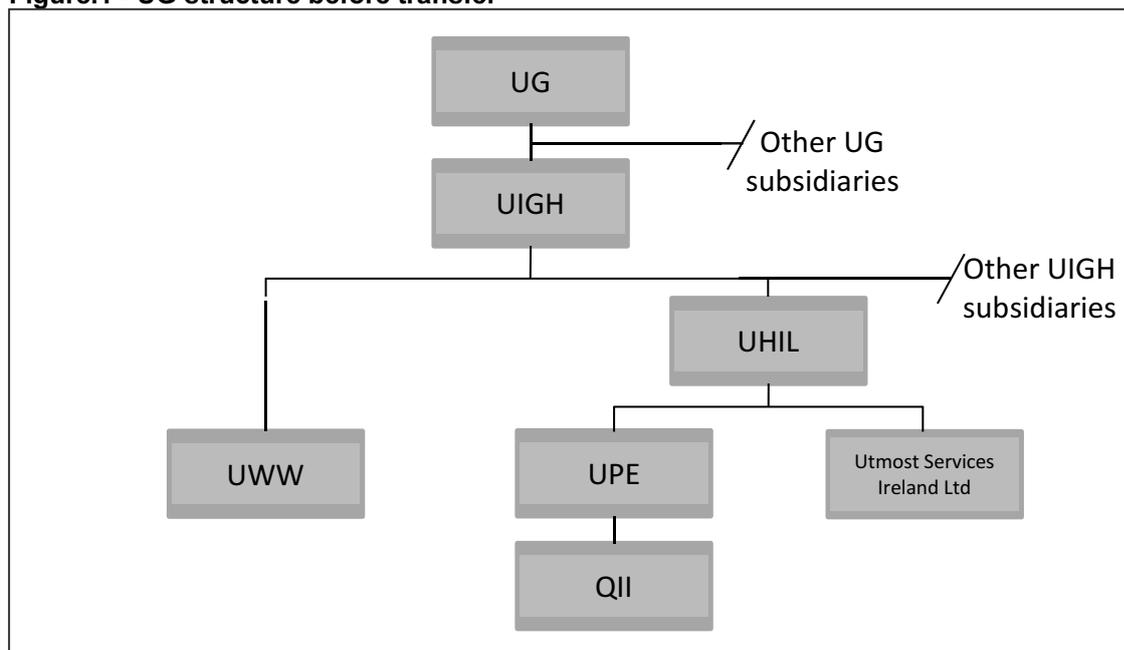
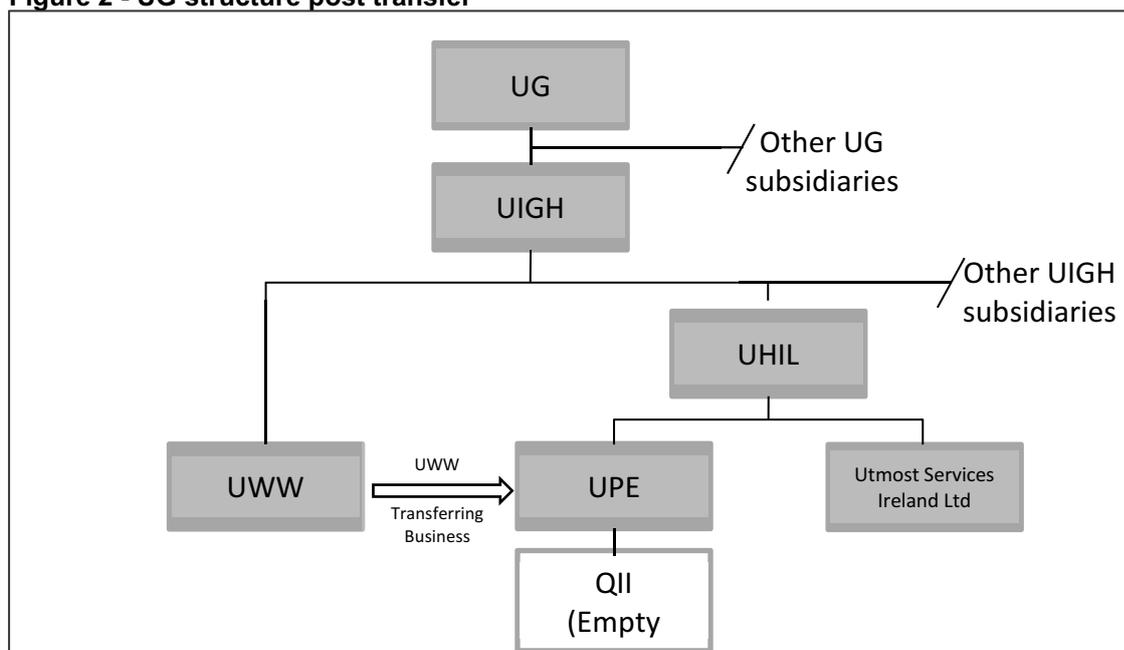


Figure 2 - UG structure post transfer



- 1.16 The respective Boards of Directors of QII, UWW and UPE have approved the draft Schemes, subject to the requirements of; the Central Bank of Ireland ("the CBI"); the Guernsey Financial Services Commission ("GFSC"); the sanction of the Irish Court in respect of the Irish Scheme; the sanction of the Guernsey Court in respect of the QII Guernsey Scheme and the UWW Guernsey Scheme.

### The role of the Independent Actuary

- 1.17 Under Section 13 of the Assurance Companies Act 1909 ("the Act"), any scheme which provides for the whole or part of the life assurance business carried on by an insurance company to be transferred to another body, requires the prior sanction of the Irish Court.

- 1.18 The Irish Court will consider the Irish Scheme on the basis of a petition by one, or both, of the parties. The petition must be accompanied by a report on the terms of the scheme by an Independent Actuary.
- 1.19 The Actuarial Standard of Practice LA-6 (“ASP LA-6”), “Transfer of long-term business of an authorised insurance company – role of the independent actuary”, issued by the Society of Actuaries in Ireland, sets out the statutory and professional responsibilities of the Independent Actuary.
- 1.20 I have been appointed by UPE to act as the Independent Actuary in connection with the Irish Scheme pursuant to Section 13 of the Act and in connection with the Guernsey Schemes. My appointment is also made in fulfilment of the requirement of Section 45(2)(a)<sup>1</sup> of the Guernsey Insurance Law. The “Schemes” refer to the schemes of transfer which are the legal documents that set out the terms of the proposed transfer of business from QII and UWW to UPE.
- 1.21 I am a Fellow of the Society of Actuaries in Ireland. I am a Consulting Actuary at Willis Towers Watson (Ireland) Limited (“Willis Towers Watson”) of Elm Park, Merrion Road Dublin 4, Ireland. I have no personal connection with QII, UWW or UPE. I previously acted as Independent Actuary in relation to the 2019 transfer of UHI and HLI to UPE. Previously, in a number of transfers of business for companies owned by UHIL, a colleague in Willis Towers Watson acted as Independent Actuary in relation to the 2017 and 2018 transfers (namely transferring a book of business from AXA to UI, a book of business from Athora to UI and a number of simultaneous transfers of business from three companies owned by Utmost Holdings Ireland Limited to HLI). Other consultants in Willis Towers Watson have worked for and carried out consultancy work for the UG in the UK, although that work was not related in any way to the proposed transfer discussed in this report.
- 1.22 This report applies equally to the life assurance business comprising of policies issued to residents of Guernsey and the Netherlands. It may therefore be used to satisfy the requirement for a report by an independent actuary on the terms of the QII Guernsey Scheme and the UWW Guernsey Scheme.

### Information on which this report is based

- 1.23 In the course of preparing the Independent Actuary Report and this Summary Report, I have been provided with a number of documents by QII, UWW and UPE to assess the impact on their policyholders of the proposed Scheme. Full details of the information provided to me are included in the Independent Actuary Report.
- 1.24 In addition, my team and I have participated in a number of meetings involving the management of UPE, QII and UWW. These included meetings with the Heads of Actuarial Function of QII, UPE and UWW.

### Reliances and Limitations

- 1.25 This Summary Report is subject to the reliances and limitations set out in the Independent Actuary Report and, to the extent permitted by law, the use of the Independent Actuary Report is subject to the terms and conditions, including limitation of liability, set out in our Statement of Work document dated 03 May 2019.
- 1.26 The purpose of the Independent Actuary Report and this Summary Report is to set out my assessment of the likely effects of the proposed Schemes on the long-term policyholders of Utmost PanEurope dac, Quilter International Ireland DAC and Utmost Worldwide Limited and it should not be used for any other purpose or in any other context. My report was not

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<sup>1</sup> “The Royal Court shall not determine an application for an order under section 44 sanctioning a scheme unless the application is accompanied by a report on the terms of the scheme by an independent actuary”

specifically intended to, and may not therefore, address the particular needs, concerns or objectives of any individual policyholder. This Summary Report must be considered in its entirety as individual sections, if considered in isolation, may be misleading. If reliance is placed contrary to the guidelines set out above, Willis Towers Watson disclaim any and all liability which may arise.

- 1.27 In carrying out my review and producing this report I have relied without independent verification upon the accuracy and completeness of the data and information provided to me, both in written and oral form, by UPE, QII and UWW, particularly in relation to the financial information concerning the solvency position of each company, both before the proposed transfer and the projected solvency position after the proposed transfer, and also in respect of the legal and tax advice provided to me which I have reviewed and placed reliance on.
- 1.28 Neither the Independent Actuary Report, this Summary Report, nor any extract from either document, may be disclosed to, or relied on, by any third party not part of this process without the prior written consent of Willis Towers Watson, and neither will Willis Towers Watson nor I accept any responsibility or liability in respect of such disclosure or reliance, with the exception of making the Independent Actuary Report (or this Summary Report) available for inspection by, or circulation to UPE, QII and UWW policyholders as required by legislation or in order to meet any other specified legal requirements. In the event that such consent is provided, the Independent Actuary Report must be provided in its entirety.

## Section 2: Background to QII, UWW and UPE

### QII history

- 2.1 QII is a member of UG and is a direct subsidiary of UPE. QII is based in Dublin and offers life assurance investment solutions cross border, predominantly into EU countries utilising EU freedom of services regulations, plus selected non-EU markets. The principal activity of QII is the transaction of international unit-linked life assurance business and the company is authorised and regulated by the Central Bank of Ireland (“CBI”).
- 2.2 QII has a larger sister company, Quilter International Isle of Man Limited (“QIIOM”), which serves non-EU and UK markets offering similar products. QII outsources extensively to group service companies.
- 2.3 The company has business in the majority of European Economic Area (“EEA”) countries and a number of non-EEA countries, including Crown Dependencies for which schemes of transfer are expected to be required.

### The business of QII

- 2.4 QII currently has two distinctive product groupings, as set out below
- Portfolio bonds: These are single premium, open architecture products with a variety of charging structures, and make up the majority of the in-force book and all new business written by QII. The bonds are offered on a cross-border basis; and
  - Unit-linked products: The business also has a very small book of unit-linked products utilising the company’s internal fund offering. This book is entirely closed to new business and the internal fund offering continues to be rationalised as the book contracts.
- 2.5 A more detailed description of the product features is included in the QII Head of Actuarial Function report relating to the proposed transfer.
- 2.6 The QII business is administered by staff employed by Quilter International Business Services (“QIBS”) in the Isle of Man which is a member of UG.
- 2.7 Table 2.1 below summarises the number of policies and funds under management (“FUM”) of QII as at year-end 2021.

**Table 2.1 – QII on 31 December 2021**

	Number of policyholders	FUM € million
Portfolio Bonds	7,005	4,559
Unit-Linked	400	32
<b>Total</b>	<b>7,405</b>	<b>4,591</b>

### UWW history

- 2.8 UWW is a life insurance company based in Guernsey and was acquired by Utmost on 28 February 2019. UWW is made up of an Amalgamation of Generali International Ltd (“GIL”) and Generali Worldwide Insurance Company Limited (“GWICL”). The Amalgamation was akin to an Insurance Business Transfer, but under Guernsey law. The Amalgamation took place on 11 December 2015.

- 2.9 GIL wrote unit-linked savings contracts and portfolio bonds to individual expatriates globally. GWICL wrote group protection contracts and retirement and savings contracts to multinational corporations globally. UWW continues to write group protection, group savings, unit-linked savings and portfolio bonds, as well as accepting top-ups on existing contracts.

## The business of UWW

- 2.10 UWW currently has a range of different product types as summarised in Table 2.2.

**Table 2.2 – UWW on 31 December 2021 (FUM shown in GBP)**

	Number of policyholders	FUM £ million
Vision	44,091	1,717
Focus	142	2
Legacy Unit-Linked	4,337	206
Portfolio Bonds	3,798	1,349
Group Life & Disability	1,255	
Group Retirement & Savings, Momentum and individual legacy	753	506
Annuities	1,565	
<b>Total</b>	<b>55,941</b>	<b>3,780</b>

- 2.11 However only a small subset of the UWW policies make up the UWW Transferring Business. This includes those policies where at least one policyholder was a resident of the Netherlands at the time of the inception and where the policyholder is still recorded as resident or tax resident in the Netherlands. A breakdown of the liabilities of the UWW Transferring Business is provided in Table 2.3 which shows that the transferring policies make up less than 1% of UWW business by both number of policies and FUM.

**Table 2.3 - UWW Transferring Business on 31 December 2021 (FUM shown in GBP)**

	Number of policyholders	FUM £ million
Vision	226	10.9
Focus		
Legacy Unit-Linked	8	0.5
Portfolio Bonds		
Group Life & Disability		
Group Retirement & Savings, Momentum and individual legacy		
Annuities		
<b>Total</b>	<b>234</b>	<b>11.4</b>

- 2.12 All of the UWW Transferring Business is unit-linked in nature:

- Vision is a regular premium unit-linked whole-of-life savings plan that permits premium increases, with a wide fund range. There are no significant investment guarantees or insurance benefits within this. Policies have death benefits at 101% of sum assured. The

product variants included with the UWW Transferring Business are closed to new business and do not include any additional death benefits; and

- Legacy Unit-Linked business includes either single or regular premium unit-linked policies with varying charges and benefits. None of the policies have guaranteed minimum fund values, and all are closed to new business.
- 2.13 A more detailed description of the product features is included in the UWW Head of Actuarial Function report relating to the proposed transfer.
- 2.14 The UWW business is administered by UWW in Guernsey. The administration systems differ by line of business.

## UPE history

- 2.15 UHIL acquired Generali PanEurope dac on 19th June 2018 and subsequently renamed it as Utmost PanEurope dac. UHIL in turn is part of UG. UG is a specialist vehicle operating in the UK and international life assurance sectors. It is a provider of insurance and savings products which also specialises in the acquisition and consolidation of books of life assurance business in the UK and internationally.
- 2.16 UPE was incorporated in October 1999 and began trading in October 2001, writing cross border life assurance contracts to pan-European jurisdictions. These products were unit-linked savings products, marketed at ultra-high-net worth individuals.
- 2.17 In 2006, UPE expanded its product range to include Employee Benefits, which are group risk style insurance products marketed to domestic Irish and multi-national corporations.
- 2.18 In 2019, the business of two other entities within UG, Harcourt Life Ireland dac (“HLI”) and Utmost Ireland dac (“UI”) transferred into UPE.

## The business of UPE

- 2.19 UPE currently has three distinctive product groupings, as set out below:
- Heritage UPE products:
    - Wealth solutions business: unit-linked business investing in a range of stocks, shares and other funds, which can be sub-divided as follows:
      - Wealth Protection business;
      - Investment Planning Single Premium business; and
      - Investment Planning Regular Premium business (Vision).
    - Corporate Solution business: group risk style employee benefit business providing life cover, income protection and critical illness benefits to employees of domestic Irish and multi-national corporations.
    - Variable annuity (VA) business: unit-linked contracts offering a Guaranteed Minimum Accumulation Benefit (GMAB) to policyholders in the German market. This book is closed and is 100% reinsured.
  - Ex-UI products:
  - Ex-HLI products:

- 2.20 A more detailed description of the product features is included in the UPE Head of Actuarial Function report relating to the proposed transfer.
- 2.21 A significant feature of the UPE business is that it prepays tax to the Italian tax authority and then reclaims amounts from tax due to be paid by Italian policyholders when they withdraw funds and have had investment gains. The company has received tax advice that it can also recover the prepayment tax from tax amounts due to be paid to the Italian tax authority. The nature of the prepayment tax means that a significant tax asset has built up within the company. The amount of the prepayment Italian tax asset was €129 million as at year-end 2021.
- 2.22 UPE's business is managed by staff employed by Utmost Services Ireland Limited ("USIL"), a services company which is part of UG. The administration systems differ by line of business.
- 2.23 Table 2.4 below summarises the number of policies and funds under management ("FUM") of UPE as at year-end 2021.

**Table2.4 - UPE on 31 December 2021**

	Number of policyholders	FUM € million
Wealth Protection	2,814	12,619
Investment Planning Bond	960	237
Vision	23,970	521
Employee Benefits	967	-
Non-Profit	324	-
Unit-Linked	15,181	7,115
<b>Total</b>	<b>44,216</b>	<b>20,492</b>

## Section 3: Main features of the Schemes

- 3.1 The purpose of the Schemes is to provide for the transfer to UPE of the QII and UWW Transferring Business so that from the effective date of the Schemes the QII and UWW Transferring Business will become part of the life assurance business of UPE.
- 3.2 As described in Section 1, the QII Transferring Business will transfer to UPE via the Irish Scheme and the QII Guernsey Scheme, and the UWW Transferring Business will transfer to UPE via the UWW Guernsey Scheme. I have been provided with a draft of the proposed Irish Scheme and the principal features of this Scheme are set out in the following paragraphs. I have been informed that the Guernsey Scheme will incorporate and reflect the Irish Scheme.

### Scope of transfer

#### The Schemes (excluding the UWW Guernsey Scheme)

- 3.3 Under the Irish Scheme and the QII Guernsey Scheme, the life assurance business liabilities of the Transferors<sup>1</sup> will be transferred to UPE at the Effective Time (the time and date when the Schemes will become operative). The assets that will transfer under the Schemes at the Effective Time will be the assets of the Transferors in connection with the Transferring Business held by the Transferor on the Effective Time, but excluding the Excluded Assets.
- 3.4 The excluded assets are defined in the Schemes as follows:
- QII: Cash deposits with a value of €3.8 million.
- 3.5 The QII Transferring Policies are those life assurance policies written by the transferors up to and including the Effective Time.

#### UWW Guernsey Scheme

- 3.6 Under the UWW Guernsey Scheme, the life assurance business liabilities of the UWW will be transferred to UPE at the Effective Time (the time and date when the UWW Guernsey Scheme will become operative). A book of specific policies (the “UWW Transferring Policies”) will transfer to UPE from UWW under the UWW Guernsey Scheme.
- 3.7 The excluded assets are defined in the UWW Guernsey Scheme as follows:
- Any and all assets of UWW, other than assets relating to the UWW Transfer Policies.
- 3.8 The excluded policies are defined in the UWW Guernsey Scheme as follows:
- All policies other than the UWW Transferring Policies, which are comprised of 234 transferring policies which had been concluded with, and currently held by, persons resident in the Netherlands.

### Business transfer agreement between UWW and UPE

- 3.9 A Business Transfer Agreement will be put in place between UPE and UWW. This agreement states that:
- The UWW Guernsey Scheme is not dependent on any other schemes;

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<sup>1</sup> QII and UWW are each a Transferor. QII and UWW are together the Transferors.

- The transfer of the UWW Transferring Business is conditional on the reinsurance arrangement that will be put in place between UWW and UPE in respect of the UWW Transferring Business; and
- UWW will retain exposure for any legal risks relating to the UWW Transferring Business.

## Effective Time

- 3.10 It is proposed that the Schemes will take effect at 23.59 on 30 September 2022 (“the Effective Time”) or such other date as the Transferors and Transferee may agree and to which the Irish Court consents.
- 3.11 It is proposed that the UWW Guernsey Scheme will take effect at the effective time or such other date as UWW and Transferee may agree and to which the Guernsey Court consents.

## Conditions for Schemes to become operative

- 3.12 The Irish Scheme will not take effect on the Effective Time unless:
- The CBI has given its consent or indicated it has no objection to the Schemes;
  - The Relevant Regulators<sup>1</sup> have given their consent to the Transfer, or the Relevant Regulators have failed to object to the Schemes within three months of having been notified by the Central Bank of the Schemes (as the case may be) pursuant to the terms of the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485 of 2015) (“2015 Regulations”);
  - the Irish Court approves the Scheme pursuant to the 1909 Act, the 1989 Act and the 2015 Regulations; and
  - In the event that the Irish Court imposes a modification of or addition to the Schemes or any further conditions or provisions affecting same before the Effective Time, the Transferors and the Transferee consent to such modification, addition or condition before the Effective Time.
- 3.13 The QII Guernsey Scheme will not take effect on the Effective Time unless:
- The Irish Scheme has been approved by Irish Court; and
  - In the event that the Guernsey Court imposes a modification of or addition to the Schemes or any further conditions or provisions affecting same before the Effective Time, the Transferors and the Transferee consent to such modification, addition or condition before the Effective Time.
- 3.14 The UWW Guernsey Scheme will not take effect on the Effective Time unless:
- The Guernsey Court approves the Scheme pursuant to The Guernsey Insurance Law;
  - The GFSC has given its consent or indicated that it has no objection to the Scheme;
  - The Guernsey Revenue Service has confirmed that the implementation of the Scheme does not appear to create any adverse Guernsey income tax consequences for the Policyholders;
  - The CBI has given its consent or indicated it has no objection to the Schemes; and

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<sup>1</sup> Defined in the Schemes as “The supervisory authorities of every relevant EU / EEA Member State where the Transferring Policies were concluded as listed in Schedule 2 (Relevant Regulators)”

- In the event that the Guernsey Court imposes a modification of or addition to this Scheme or any further conditions or provisions affecting same before the Effective Time, the Transferor and the Transferee consent to such modification, addition or condition before the Effective Time.

## Contractual rights

- 3.15 Following the transfer, UPE will assume all the obligations to the policyholders of the Transferors. The rights under transferring contracts written by QII and UWW will not be changed as a result of the transfer. There will be no change to the policy terms and conditions for policyholders of the Transferor and UWW as a result of the proposed Schemes and the UWW Guernsey Schemes.
- 3.16 Currently some of the contract terms of the Transferring Policies permit policyholders the option of making additional ad-hoc incremental contributions to their policies. The proposed Schemes state that any rights that policyholders have under their contracts are transferred to UPE under the Schemes and the UWW Guernsey Schemes. As such the Schemes and the UWW Guernsey Schemes make no changes to this aspect of policyholder's contract terms.

## Unit-linked funds

- 3.17 The assets backing the transferring unit-linked UWW policies will remain within UWW with unit pricing continuing to be carried out by the same staff using the same tools and methods as current. UPE will enter into a fund linked reinsurance arrangement with UWW so that the transferring policyholder's investment returns will continue to be linked to the performance of the same unit-linked funds of UWW as current.
- 3.18 UPE will establish new internal linked investment funds for the QII Transferring Policies which are unit-linked. These new internal linked investment funds will correspond to the internal linked investment funds which the Transferring Policies are currently invested in, including the same rules and procedures for the calculation of unit prices and fund-related charges. The legal and beneficial ownership of the assets relating to each fund will change from the Transferors to UPE.
- 3.19 There will be no change to the underlying assets, investment strategy, approach to unit pricing, policy charges or to the investment criteria as a result of the transfer.
- 3.20 For Transferring Policies which have externally managed portfolios, at the Effective Time, UPE shall establish records corresponding to all of the records maintained, on an individual policy-
- 3.21 As all contractual terms remain unchanged under the Schemes, any powers contained within the transferring contracts for funds to be merged, closed or sub-divided, or for the approach to unit pricing to be changed, will be preserved under the Schemes with such powers being transferred to UPE post transfer. Nothing within the Schemes prevent any such changes on such terms and conditions as is approved by the Board of UPE, having taken account of policyholders' reasonable expectations and the advice of the Head of Actuarial Function ("HoAF") in relation to the interpretation of policyholders' reasonable expectations.

## Unit-linked charges

- 3.22 As all contractual terms remain unchanged under the Schemes any powers contained within the transferring contracts for changes to be made to unit-linked charges will be preserved under the Schemes with such powers being transferred to UPE post transfer. Nothing within the Schemes prevent any such changes on such terms and conditions as is approved by the Board of UPE, having taken account of policyholders' reasonable expectations and the advice of the HoAF in relation to the interpretation of policyholders' reasonable expectations.

## Tax

- 3.23 The Schemes state that any tax liabilities which crystallise as a result of the transfer of policyholders' assets will not be borne by the policyholders.

## New products

- 3.24 The Schemes do not prevent UPE from writing new product lines.

## Continuity of proceedings

- 3.25 Any judicial, quasi-judicial, arbitration proceedings or any complaint to the ombudsman or other proceedings for the resolution of a dispute or claim which are pending by or against QII in respect of the transferring business shall be continued by or against UPE.
- 3.26 In respect of the UWW Transferring Business, the business transfer agreement referred to in paragraph 3.9 will mean that UWW retains exposure for any legal risks relating to the UWW Transferring Business post-Schemes.

## Costs of the Schemes

- 3.27 All costs and expenses relating to the preparation of the Schemes and application for the sanctions of the Schemes, shall be borne by UPE. No costs will be directly borne by policyholders.

## Policyholder communications

- 3.28 Section 13 of the Act requires that, unless the Court otherwise directs, certain materials must be transmitted to each policyholder of UPE, QII and UWW (the "Policyholder Circular"). The Policyholder Circular should include a statement summarising the proposed Schemes together with a summary of the Independent Actuary's Report.
- 3.29 It is proposed that, subject to relevant court approvals, a letter will be sent to each Transferring Policyholder which will provide outline details of the proposed Scheme and information on how to access full details of the policyholder circular. At the request of a Transferring Policyholder, a hard copy of the policyholder circular will be provided.
- 3.30 In addition, the following information will be available to any relevant parties from the offices of UPE, QII and UWW and will also be made available on a dedicated website relating to this transfer and at the offices of UPE in Navan, as well as the offices of Matheson in Dublin and to the extent required by the Guernsey Insurance Law, the offices of Carey Olsen in Guernsey:
- The Petition to the Courts including the Schemes;
  - The full Report of the Independent Actuary;
  - The Policyholder Circular;
  - The QII Guernsey Scheme Application;
  - The UWW Guernsey Scheme Application;
  - The Report of UPE's Head of Actuarial Function;
  - The Report of QII's Head of Actuarial Function; and
  - The Report of UWW's Head of Actuarial Function.

## Section 4: Pre-Schemes Solvency Positions

### Introduction

- 4.1 In reviewing the Schemes, I must consider the implications of the proposed transfer for the security of policyholders' contractual benefits (that is, the likelihood that their contractual benefit entitlements will be met).
- 4.2 My analysis of the impact of the Schemes on policyholder security depends heavily on the level of capital available to the participating companies, and their ability to satisfy their respective solvency requirements now and in the future.
- 4.3 The companies involved in the transfer are subject to two different regulatory regimes. UPE and QII are regulated in Ireland by the CBI whereas UWW is regulated by the GFSC in Guernsey. I consider these regulatory regimes separately below.

### *Insurance Regulation in Ireland*

- 4.4 Companies regulated by the CBI are required to determine their capital requirements under the European Union (Insurance and Reinsurance) Regulations 2015 (usually referred to as the Solvency II regulations). Under these regulations companies are required to hold sufficient assets to be able to cover the technical provisions associated with a portfolio of insurance contracts, where the technical provisions are the sum of the following two items:
1. The Best Estimate Liability ("BEL")<sup>1</sup> which is the sum of the following:
    - The policyholder unit liabilities (for unit-linked and UWP business); and
    - The best estimate view of the value of future costs less income (from the company's perspective) associated with the insurance policies in question (which may have a negative value);
  2. The Risk Margin<sup>2</sup>.
- 4.5 Under Irish insurance legislation (which is derived from European Directives) each life assurance company must then hold further additional assets at least equal to the Solvency Capital Requirement ("SCR") associated with its life assurance business. The SCR is the amount of capital that insurance undertakings are required to hold to ensure that they can meet their obligations to policyholders over the following 12 months with a 99.5% probability.
- 4.6 Under Irish insurance legislation, if the SCR is no longer complied with or where there is a risk of non-compliance in the following 3 months, companies are obligated to inform the CBI with immediate effect. Companies must then submit, within 2 months of the observation of non-compliance, a recovery plan for approval by the CBI such that the SCR is covered within 6 months of the observation of the non-compliance.
- 4.7 Irish insurance legislation also defines the Minimum Capital requirement ("MCR") which is a simple factor-based linear formula which is targeted at a Value at Risk measure over one year

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<sup>1</sup> The BEL is the expected value of the present value of future cashflows of a contract including cashflows related to future premium flows, insurance benefit payouts and the expenses of administering the contracts. These cashflows are projected over the contract's run-off period taking into account all up-to-date financial market and actuarial information

<sup>2</sup> The Risk Margin is the cost of providing an amount of capital equal to the Solvency Capital Requirement necessary to support the insurer's policyholder obligations over the lifetime of the in-force contracts.

with 85% confidence. The MCR has a floor of 25% and a cap of 45% of the SCR. The MCR is subject to a floor of €3.7m for life insurance companies. The MCR is generally less than the SCR except in the circumstances whereby the absolute minimum capital floor of €3.7 million bites. Where this minimum capital floor bites companies tend to focus primarily on the MCR when reporting solvency coverage.

- 4.8 If the MCR is no longer complied with or where there is a risk of non-compliance in the following 3 months, companies are obligated under Irish insurance legislation to inform the CBI with immediate effect. Companies must then submit, within 1 month of the observation of non-compliance, a short-term realistic finance scheme for approval by the CBI such that the MCR is covered within 3 months of the observation of non-compliance. Therefore, under Irish insurance legislation (which is derived from the EU Solvency Directive) a breach of the MCR requires more immediate action than that of the SCR.
- 4.9 For UPE (both pre- and post-transfer) and QII pre-transfer, the SCR exceeds the MCR and therefore in assessing the solvency position of these entities the principal solvency coverage ratio is that based on the SCR. Given this, I do not comment further on the MCR.

### ***Insurance Regulation in Guernsey***

- 4.10 Companies regulated by the GFSC determine their capital requirements under the Guernsey Insurance Law, and The Insurance Business (Solvency) Rules and Guidance, 2021 ("Guernsey Solvency Rules"). Under the Guernsey Solvency Rules, companies must at all times hold Regulatory Capital Resources ("RCR") greater than or equal to the Prescribed Capital Requirement ("PCR").
- 4.11 For this purpose, the RCR should be calculated in accordance with recognised accounting standards. However, I have been informed that UWW has received approval from the GFSC to determine their RCR in line with the Solvency II Eligible Own Funds applicable to UK firms.
- 4.12 Companies can either calculate their PCR using the Guernsey Standard Formula or using a Recognised Standard Formula. The Standard Formula applicable to UK regulated firms is a Recognised Standard Formula under the Guernsey Solvency Rules and I understand that UWW follows the UK approach to set its PCR. At the time of writing, the Standard Formula approach applicable to UK regulated firms is the same as the Standard Formula approach applicable to Irish (and other EU) regulated firms.
- 4.13 Given the above, the regulatory capital resources, PCR and solvency coverage ratio for UWW are directly comparable to the Own Funds, SCR and solvency coverage ratio of UPE and QII.
- 4.14 In the event of regulatory capital resources falling below 105% of PCR, the GFSC would apply a supervisory ladder of interventions requiring a company to take a series of remedial actions. These interventions vary in severity depending on the solvency of the company.
- 4.15 Under Guernsey Solvency Rules, firms must also at all times hold regulatory capital resources greater than or equal to the MCR. The MCR under Guernsey Solvency Rules is calculated differently than under Solvency II. However, for UWW the PCR exceeds the MCR and therefore I do not comment further on the MCR for UWW.

### ***Capital policy***

- 4.16 The target solvency for each participating company will be determined according to the company's capital policy and risk appetite in the context of the risk profile of the company. This could be in the form of a minimum target percentage of the SCR/PCR (or MCR in situations where the SCR/PCR is less than the MCR) that the firm will not want to fall below expressed as a percentage of SCR/PCR (or MCR if appropriate). Furthermore, the capital policy may determine a different target ratio (i.e. higher) in deciding whether dividends can be paid e.g. such that any dividends paid would not result in the participating company having a

solvency capital ratio of less than Y% of SCR/PCR where Y is greater than the equivalent coverage derived from the risk appetite. Liquidity risk may also be specifically considered by companies within their capital policy, and different metrics may be used by companies to address liquidity concerns e.g. liquid assets of at least X% of SCR should be held if a material illiquid asset is excluded from the company's assets.

- 4.17 Each Irish insurance company is required by the CBI to set out within its risk management framework what additional assets it intends to hold over and above the SCR (or the MCR if greater). This additional capital is frequently expressed as a percentage of the SCR (or MCR if greater). The purpose of this additional capital, sometimes referred to as "buffer capital", is to provide additional security to policyholder benefits consistent with the company's own view of the volatility of its balance sheet (including the appropriateness of the SCR Standard Formula) and its risk appetite.
- 4.18 UWW also holds capital in excess of its PCR and I understand that the GFSC requires that UWW must at all times hold RCR greater than or equal to 135% of PCR.

### Opening Solvency Position

- 4.19 This Section of the Report sets out a summary of the solvency position of each of the participant companies as at 31 December 2021. The numbers presented are the results that we have been informed each company submitted to the CBI (for UPE and QII) and GFCR (for UWW) in respect of its solvency position for their year-end 2021 returns.
- 4.20 The solvency position of the participating companies is an important indicator in assessing whether sufficient assets have been set aside to fulfil the current and future obligations to the policyholders in respect of their insurance contracts. The principal measure used to assess the solvency of each company is the ratio of adjusted own funds/RCR to the SCR/PCR. Adjusted Own Funds is the sum of the Own Funds (the assets held by an insurance company over and above all liabilities including Technical Provisions<sup>1</sup> and adjustments permitted under Solvency II. UPE has an adjustment related to a loan that is subordinate to policyholders (described in paragraph 6.10). Adjustments within QII relate to basis harmonisation and have a relatively minor impact to Own Funds. These ratios are also referred to as Solvency Coverage Ratios.

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<sup>1</sup> Technical Provisions are equal to the sum of the BEL and the RM

## UPE – Pre-Transfer Solvency Position

4.21 The reported solvency position of UPE pre-transfer is shown in the table below:

**Table 4.5 – UPE solvency position as at 31 December 2021**

€ million	Reported
Total Assets*	21,389.6
Best Estimate Liability – unit liability	20,736.0
Best Estimate Liability – non-unit liability	(136.2)
Risk Margin	122.6
Other Liabilities	143.4
Deferred Tax Liability	36.0
Total Liabilities	20,901.8
Own Funds (Asset less Liabilities)	487.8
Subordinated Debt	23.8
<b>Adjusted Own Funds</b>	<b>511.6</b>
Solvency Capital Requirement	275.3
Excess Assets	236.2
<b>Solvency Coverage Ratio</b>	<b>186%</b>
Adjusted Own Funds excluding Italian Withholding Tax asset	382.2
Solvency Capital Requirement excluding Italian Withholding Tax asset	267.6
Excess Assets excluding Italian Withholding Tax asset	114.6
<b>Solvency Coverage Ratio excluding Italian Withholding Tax asset</b>	<b>143%</b>

## UPE SCR

4.22 The key components of UPE's adjusted SCR (before allowing for diversification) are described below.

- Equity risk (€94.0 million): UPE's business consists primarily of unitised policies where the income to UPE is represented by percentage charges made on the value of the unit funds. This means that UPE's income is exposed to the movements in the value of these funds. Therefore, UPE is exposed to equity risk to the extent that if there is a fall in the value of the equity component of these funds this will lead to a reduction in future income for UPE;
- Currency risk (€102.1 million): A proportion of UPE's business is written in the UK. As a result, any income from this business is in pounds sterling. In addition, a proportion of the underlying assets in the unit funds is denominated in currencies other than Euros. UPE is an Irish company situated within the Eurozone, with a material portion of its expenses in addition to its capital requirements denominated in Euros. There is therefore a risk that the

income falls relative to expenses and capital requirements due to currency movements. This currency risk accounts for a material proportion of the market risk capital component;

- **Spread risk (€19.9 million):** This is the risk of losses arising from changes in the value of market securities driven by changes in the credit standing of counterparties, UPE is exposed to spread risk through policyholder unit funds which are invested in a diverse range of assets including bonds, as well through direct holdings in sovereign and corporate bonds;
- **Expense risk (€37.2 million):** UPE incurs expenses in administering the policies through to claim. Its costs are made up of direct costs and costs related to outsourced activities. Policy administration is currently carried out by USIL. UPE is exposed to risk that future expenses will be greater than expected;
- **Lapse risk (€146.3 million):** The lapse risk captures the risk that there is an unexpected change (higher or lower) in the rate of run-off of the business. For UPE, the key risk is a mass lapse event which would lead to the loss of future profits on those policies which lapse;
- **Counterparty default risk (€40.5 million):** The counterparty default risk for UPE arises from the risk of a failure of a counterparty (such as a bank or reinsurer) resulting in the loss of funds to the company. The key drivers of this risk for UPE are the exposures to reinsurers, the exposure in respect of the Italian Withholding Tax (“IWT”) asset, cash balances held by the shareholder in bank accounts and “aged debtors” (debts owed to UPE in respect of outstanding asset fees). As the IWT asset may be recovered from policyholders in certain circumstances it could be argued that it is not necessary to include it the counterparty default risk calculations. Excluding it would reduce the SCR to €267.6 which is equal to the SCR excluding IWT assets, shown in Table 4.1. However, it would not change the UPE solvency cover (excluding the IWT asset). Therefore, continuing to include the IWT asset in the counterparty default risk calculation does not negatively impact my conclusions in this report; and
- **Operational risk (€15.8 million):** UPE is exposed to operational risks and losses which can arise from inadequate or failed processes, systems or from external events.

### **QII – Pre Transfer Solvency Position**

4.23 The reported and adjusted solvency position of QII pre-transfer is shown in the table below.

**Table 4.6 – QII solvency position as at 31 December 2021**

€ million	Reported
Total Assets	4,605.3
Best Estimate Liability – unit liability	4,591.5
Best Estimate Liability – non-unit liability	(103.5)
Risk Margin	19.4
Other Liabilities	24.9
Deferred Tax Liability	-
Total Liabilities	4,532.3
Own Funds (Asset less Liabilities)	73.0
Subordinated Debt	-
<b>Adjusted Own Funds</b>	<b>73.0</b>
Solvency Capital Requirement	38.9
Excess Assets	34.1
<b>Solvency Coverage Ratio</b>	<b>187%</b>

### **QII SCR**

4.24 The key components of QII's adjusted SCR (before allowing for diversification) are described below:

- Currency risk (€11.8 million): Currency risk is significant for QII since a large proportion of business is written in foreign currency (predominantly in GBP);
- Expense risk (€17.8 million): QII incurs operational and other expenses in administering the contracts through to claim, including the expenses incurred with third party outsourcers. Policy administration is currently carried out by QIBS. QII is exposed to risk that future expenses will be greater than expected; and
- Lapse risk (€17.0 million): The lapse risk captures the risk that there is a higher or lower rate of lapses in the rate of run-off of the business. For QII, the key risk is a mass lapse event which would lead to the loss of future profits on those policies which lapse.

### **UWW – Pre-Transfer Solvency Position**

4.25 The reported solvency position of UWW pre-transfer is shown in the table below. Figures are shown as reported in GBP.

**Table 4.7 - UWW solvency position as at 31 December 2021 (figures shown in GBP)**

£ million	Reported
Total Assets	4,372.6

Best Estimate Liability – unit liability	3,461.3
Best Estimate Liability – non-unit liability	389.4
Risk Margin	42.7
Other Liabilities	129.9
Deferred Tax Liability	3.4
<b>Total Liabilities</b>	<b>4,026.7</b>
Own Funds (Asset less Liabilities)	345.9
Restriction to Own Funds due to ring-fenced funds	(12.0)
<b>Adjusted Own Funds</b>	<b>333.9</b>
Solvency Capital Requirement	189.5
Excess Assets	144.4
<b>Solvency Coverage Ratio</b>	<b>176%</b>

### **UWW SCR**

4.26 The key components of UWW's adjusted SCR (before allowing for diversification) are described below:

- Equity risk (€96.1 million): UWW business includes unitised policies where the some of the income to UWW is based on percentage charges made on the value of the unit funds. This means that UWW's income is exposed to the movements in the value of these funds and therefore, UWW is exposed to equity risk to the extent that if there is a fall in the value of the equity component of these funds this will lead to a reduction in future income for UWW;
- Lapse risk (€61.1 million): Lapse risk captures the risk that there is an unexpected change (higher or lower) in the rate of run-off of the business. For UWW, the key risk is a mass lapse event which would lead to the loss of future profits on those policies which lapse;
- Currency risk (€36.6 million): The majority of the currency capital charge relates to unit-linked business and represents the mismatch of future income (denominated in a wide range of global currencies, but notably US Dollars) compared to future expenses which are incurred mainly in GBP and EURO; and
- Expense risk (€28.5 million): UWW incurs expenses in administering the policies through to claim including costs related to outsourced activities. UWW is exposed to the risk that future expenses will be greater than expected.

## Section 5: Effects of the Schemes on UPE Policyholders

### General Considerations

- 5.1 In reviewing the Schemes, I must consider the implications of the proposed transfer for the security of policyholders' contractual benefits (that is, the likelihood that contractual benefit entitlements will be met), for the level of benefits payable to policyholders (including the impact of variable charges on such benefits) and for the reasonable expectations of all policyholders in UPE, QII and UWW. In particular, I need to consider whether any changes to discretionary charges or entitlements are consistent with policyholders' reasonable expectations. Separate consideration is required for each group of policyholders affected by the Schemes.
- 5.2 The factors I must consider for each company in assessing the implications of the transfer for the security of policyholder benefits include:
- The current solvency position;
  - The risk profile of the participant companies;
  - The capital targets as set out in each company's Risk Management Framework; and
  - The expected future solvency position of each company, both before and after the transfer.
- 5.3 The issues I need to consider in assessing the likely impact on policyholders' reasonable expectations for the transferring policyholders include:
- Contractual obligations to policyholders;
  - Investment criteria for the corresponding unit-linked and UWP funds in the transferee company;
  - The pricing basis for the new equivalent unit-linked and UWP funds in the transferee company;
  - The level of charges to be deducted from the new equivalent unit-linked funds in the transferee company;
  - Any changes, caused by the transfer, to the taxation of policyholder benefits;
  - Application of discretion by UPE;
  - The levels of customer service to policyholders following the transfer; and
  - Current strategic plans for UPE.
- 5.4 The terms of reference of the role of the Independent Actuary require me to consider whether the Schemes provide sufficient protection for policyholders' interests in the changed circumstances that will apply after the implementation of the Schemes.
- 5.5 In this section I consider the likely impact of the Schemes on the policyholders of UPE. These are policyholders with policies held in UPE prior to the transfer.

## Security of UPE policyholders' benefits

### i) Opening Solvency position

5.6 In order to assist me in forming my judgement regarding the security of policyholder benefits, I have considered the solvency position of UPE, both before and after the proposed transfer.

5.7 Table 6.1 summarises the solvency position UPE before and after the proposed transfer assuming that the effective date of the transfer had been 31 December 2021.

**Table 5.8 - UPE solvency position pre- and post-transfer as at 31 December 2021**

€ million	Pre-Transfer		Post Transfer	
	UPE	QII	Diversification and aggregation*	UPE (Post)**
Assets	21,389.6	4,605.3	(76.2)	25,918.6
	-	-	-	
BEL - unit-linked/UWP	20,736.0	4,591.5	-	25,327.5
BEL - non-linked	(136.2)	(103.5)	(5.1)	(244.8)
RM	122.6	19.4	0.9	143.0
Other liabilities	143.4	24.9	-	168.2
DTL	36.0	-	10.2	46.2
Total liabilities	20,901.8	4,532.3	6.0	25,440.1
			-	
Own Funds	487.8	73.0	(82.2)	478.6
Subordinated debt	23.8	-	-	23.8
Adjusted Own Funds	511.6	73.0	(82.2)	502.3
SCR post LACDT	275.3	38.9	(20.8)	293.5
Solvency*** Coverage Ratio	186%	187%		171%
Adjusted Own Funds (excl IWT asset)	382.2	73.0	(82.3)	373.0
SCR post LACDT (excluding IWT asset)	267.6	38.9	(20.7)	285.9
Solvency Coverage Ratio (excl IWT asset)****	143%	187%		130%

\*This column represents the impacts of combining the transferring business from QII and UWW in UPE. The own funds of QII are already included in UPE's assets, so an adjustment is made to strip these out to avoid double counting.

\*\* Includes the UWW transferring business

\*\*\* Represents the coverage if the IWT asset is included in the own funds and stressed in the SCR of UPE.

\*\*\*\* Represents the coverage if the IWT asset is not included in the own funds or stressed in the SCR of UPE

5.8 Table 5.1 shows a reduction in assets of €76.2 million in the 'diversification and aggregation' column when moving from the individual entities to the combined post-Schemes entity. This is because UPE's holdings in QII as a subsidiary are already included in UPE's assets. Post-Schemes, the assets of QII will be held directly by UPE (with the exception of €3.8 million in cash retained). The ultimate goal will be to wind up QII, at which point the remaining assets will pass to UPE.

- 5.9 A small reduction in liabilities is also expected as a result of the estimated impact of QII adopting UPE's methodology, including some minor cost savings expected post-transfer.
- 5.10 For UPE, results are shown both including and excluding the IWT asset. This is an illiquid asset that is not realisable at the company's option i.e. the company cannot in the normal course of business convert this asset into cash but rather must wait to recover amounts from the policyholders liability to pay tax in the future when they withdraw funds, and provided that investment performance is sufficiently positive that sufficient tax is payable by the policyholder on investment gains. This has liquidity implications for the company and is the reason why UPE monitor liquidity and solvency cover excluding the IWT asset.
- 5.11 Under the Italian withholding tax regime UPE is required to pay an amount each year to the Italian revenue which it may then effectively recover from policyholders once they encash funds and become liable to pay a gains tax. If recoveries cannot be made from policyholders, UPE has received legal advice that any remaining balance could be recovered directly from Italian tax authorities after the last Italian policyholder has exited, which may be a long time in the future. This means that UPE is exposed to the risk that when investment markets fall policyholder gains will reduce which makes it more difficult for UPE to convert this IWT illiquid asset into a liquid asset (i.e. cash). This is because the amount of tax on investment gains payable by policyholders would reduce. However, in this situation UPE has informed us that it would still deduct stamp duty from policyholders (again at the time policyholders withdraw funds), and to the extent it was not recovering the IWT asset it could reduce the amount of stamp duty paid to the Italian tax authorities. This reduces the risk that UPE would not recover the IWT asset (until after the last policyholders leave when an application to the Italian tax authorities could be made). There remains a liquidity risk because recovering part of the IWT asset from stamp duty can happen only as and when policyholders withdraw funds.
- 5.12 I have been provided with information which shows that at year-end 2021, the capital gains tax ("CGT") that would be due on the aggregate gain for UPE policyholders (if they were all to encash their policies) has been estimated to be in excess of €400 million. The total IWT asset at year-end 2021 was €129.6 million. This implies that UPE would have been able to recover the IWT asset from the CGT paid by these policyholders in this particular scenario. In the event of a 40% fall in asset values as at year end 2021 the amount of CGT due from policyholders would have reduced to €90 million while the accrued stamp duty is €79 million. Having considered these figures, I believe it is reasonable to take the IWT asset into account when considering the solvency position of UPE.
- 5.13 UPE's capital policy (pre-transfer) is to always maintain sufficient assets to cover at least 135% of its SCR. The company also aims to maintain sufficient assets excluding the IWT asset so that they are able to cover its SCR. Furthermore, the Directors adopted a dividend policy such that any dividends paid would not result in UPE having a solvency coverage ratio of less than 150% (or 110% excluding the IWT asset). The capital policy for UPE will not change as a result of the Schemes.
- 5.14 As shown in Table 5.1, the solvency coverage ratio of UPE pre-transfer is 186% (or 143% excluding the IWT asset). This means that UPE could, in line with their dividend policy described in paragraph 5.13, pay a dividend to their parent so that the coverage would fall to 150% or 110% excluding the IWT asset (whichever is the higher threshold).
- 5.15 As shown in Table 6.1, the solvency coverage ratio of UPE post-transfer is 171% (or 130% excluding the IWT asset). These coverage amounts are lower than the pre-transfer figures of 186% and 143% respectively as a result of including the QII risks directly onto the UPE balance sheet, rather than treating QII as a subsidiary.
- 5.16 The post-transfer solvency ratios are still in excess of the targets set out in the capital policy, of 150% (or 110% excluding the IWT asset), below which a dividend would not be paid. This means that UPE post-transfer would still be in a position to pay a dividend to their parent. Therefore, despite the solvency coverage decreasing as a result of the transfer, UPE would

still retain a buffer over the coverage amounts outlined in their dividend policy, and therefore I do not believe that the implementation of the Schemes would have a material adverse effect on the security of policyholder benefits from a coverage perspective.

### **ii) Risk Profile**

- 5.17 In assessing the impact of the Schemes on the risk profile of UPE it is necessary to consider the risk profile of each of the participant companies, and in particular the points of difference, in order to understand the additional risks (if any) to which each participant group of policyholders becomes exposed as a result of the Schemes. The key features of each of the participant businesses are described below.
- 5.18 The SCR is a key consideration when considering risk profile. It is a risk-based calculation that takes account of a predefined list of risks to which a life assurance company may be exposed. The component parts of the SCR calculation are defined within the Solvency II Regulations. The SCR consists of market risk, life insurance risk, health insurance risk, counterparty default risk and operational risk.
- 5.19 In considering the risk profiles of the various companies, I have considered the SCR for each participant company, including its component parts, the business profile of each company, its investment strategy and current holdings of shareholder assets.
- 5.20 UPE's Technical Provisions at 31 December 2021 (pre-transfer) are €20,722 million. Its business consists mostly of unit-linked business. It also sells group risk employee benefit business, which is heavily reinsured (100% for multinational business and 80% for domestic Irish business), and has a small amount of legacy variable annuity ("VA") business which is 100% reinsured. More information on UPE's business is available in Section 3 of this report.
- 5.21 Post-Schemes UPE will be a somewhat bigger business. The total BEL pre-transfer is €20,600 million and post transfer is €25,083 million. The vast majority of the increase in BEL is as a result of the addition of unitised business from QII (€4,488 million), and also a smaller amount of unitised business from UWW (£11 million). Post-Schemes, the UWW Transferring Business will be fully reinsured back to UWW and I understand that UPE will retain a small fee for administering the reinsurance arrangement.
- 5.22 The nature of business and risk profile of the transferring policies being transferred into UPE from QII and UWW is broadly consistent with the current UPE unit-linked business.
- 5.23 Both QII and the transferring policies in UWW remain exposed to litigation risk and, upon transfer, this risk will transfer to UPE. However, I understand that there is currently no ongoing litigation in relation to QII where QII is the defendant and nor is there any litigation in process or anticipated that affects the UWW Transferring Business.
- 5.24 Litigation risk is not explicitly considered as part of the SCR calculation. However, post-Schemes the operational risk capital charge within the SCR increases to €17.4 million from €15.8 million. Overall, the SCR increases from €275.3 million pre-Schemes to €293.5 million post-Schemes. In addition, UPE post transfer will also hold a capital buffer of over and above the SCR. UPE's capital policy states that it will hold own funds of 135% of its SCR (or 100% excluding the IWT asset), and will not pay a dividend if that dividend would cause coverage to fall below 150% of the SCR (or 110% excluding the IWT asset). It is not possible for me to estimate the possible financial impact of litigation risk.
- 5.25 UPE post transfer will continue to rely on a variety of outsourced partners. The implementation of the Schemes does not give rise to any changes to these arrangements.

### **SCR Comparison**

- 5.26 I have compared the SCR for UPE pre-transfer with the SCR for UPE post transfer.

- 5.27 Most of the SCR components have grown broadly in proportion to the increase in the size of the business and there is no material change in risk profile. The only exception being equity risk which shows a reduction post-transfer which mainly relates to the removal of the capital charge in respect of UPE's holdings in QII as a subsidiary company. By combining QII directly with UPE, the risks and benefits of owning QII are taken directly by UPE and can be diversified against UPE's own risks.
- 5.28 I have also considered risks that may not necessarily be captured by the SCR. Such risks could include legal risk, government bond risk, tax risk, political risk, reputational and strategic risk.
- 5.29 One such risk relates to litigations. While I understand that there are ongoing litigations in respect of UPE, as described in paragraph 5.23, I have been informed there is no relevant ongoing litigations in relation to QII or the UWW Transferring Business. As such the situation remains unchanged within UPE post-Schemes.
- 5.30 I have been provided with the pre-Schemes ORSA1 for 2021 which include projections and scenario tests for QII and UPE. These scenarios do not consider every feasible scenario but rather the scenarios help to indicate the sensitivity of the solvency position of the business to the factors considered. The pre-Schemes results show that UPE's capital position is most exposed to higher expenses, lower lapse rates and counterparty downgrade scenarios. None of the scenarios investigated resulted in the Solvency Coverage Ratio of UPE post-Schemes falling below UPE's "hard target" solvency ratio of 135% (except for a reverse stress test which considers what scenario would result in a breach of the solvency ratio target). There were no scenarios which resulted in the solvency ratio excluding IWT asset falling below 100%.
- 5.31 I have also been provided with a Stress and Scenario Testing Supporting Report which shows the impact of a number of stress scenario tests on UPE's solvency cover after QII and the transferring policies in UWW have been transferred into UPE. This shows that the post-Schemes solvency cover is also particularly exposed to lapse rates reducing and expenses increasing, albeit that this is consistent with the pre-Schemes ORSA scenarios.
- 5.32 In addition, UPE has considered a combined scenario stress test on the post-Schemes position. The circumstances UPE investigated were a combination of adverse events including a 50% mass lapse with 10% increase in expenses. This scenario led to a reduction in solvency coverage to 124%.
- 5.33 The UPE pre-Schemes ORSA and the Stress and Scenario Testing Supporting Report both identify the exposure to the IWT asset as being a material risk exposure. UPE has addressed this risk through its capital policy whereby it has set capital targets excluding the IWT asset as well as capital targets including the IWT asset.
- 5.34 Given the illiquid nature of the IWT asset, UPE has also assessed the liquidity position of the company post-Schemes. As at 31 December 2021, the combined entity, after repayment of the liquidity financing arrangement to QIIOM, would have €190 million in liquid assets, which would be predominately invested in cash (€13 million), government bonds (€71 million), corporate bonds (€46m) and investment funds (€61 million). These assets would be readily available if the company need to make substantial payments e.g. in the event of an operational event. The Stress and Scenario Testing Supporting Report shows that over time, the available liquid assets of the combined entity increase (allowing for expected dividend payments), as the

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<sup>1</sup> Own Risk and Solvency Assessment ("ORSA") is a report that must be prepared at least annually to cover the company's view of its risk profile and the amount of capital it needs. A key component of the ORSA is the scenarios that assess how the solvency position of the company might develop under different circumstances. It should cover all material risks that a company is exposed to

company continues to generate cash. The liquidity position is also helped by the mechanics of the IWT asset which includes a limit on the size of the total asset.

### **iii) Projected Solvency position**

- 5.35 As described in paragraph 4.17, each company regulated by the CBI is required to set out within its risk management framework what additional capital resources it intends to allocate over and above its SCR in order to provide additional security to policyholder benefits.
- 5.36 The capital policy for UPE, as set out in paragraph 5.13, will not change as a result of the Schemes.
- 5.37 I have also considered the projected solvency position of UPE pre- and post-Schemes. The projections assume that dividends are paid to UHIL throughout the period. The solvency coverage ratio is expected to reduce both pre-Schemes and post-Schemes as UPE has assumed that dividends of €40 million per annum would be paid throughout the projection pre-Schemes and €50 million per annum would be paid post-Schemes. If the IWT asset is excluded, the solvency coverage ratio is expected to reduce initially but then improve over time in both the pre-Schemes and post-Schemes projection.
- 5.38 The solvency coverage in the post-Schemes scenario projection remains above both the legislative requirement and also the targets of 135% (or 100% excluding the IWT asset) as set out in the capital policy. Whilst the projected solvency ratio pre-Schemes is higher, under the dividend policy any excess above the targets of 150% (or 110% excluding the IWT asset) can be paid as a dividend. As the post-Schemes solvency ratio remains above these targets in each year of the projection, I do not believe that the projected solvency position is materially adversely impacted as a result of the Schemes.
- 5.39 In consolidating QII into UPE the structure of UHIL will be simplified. A simplified group structure would be expected to be more cost efficient and also more capital efficient from a group perspective. This in turn should place UHIL in a stronger position to support its various businesses. This should be positive from the perspective of UPE policyholders.

### **Summary - Security**

- 5.40 Based on the information provided to me and having considered the various points set out above in relation to the solvency positions, the relative risk profiles, as well as the projected solvency coverage (all pre- and post-Schemes), it is my opinion that the UPE policyholders are not materially adversely impacted as a result of the proposed Schemes.

## **Reasonable Expectations of UPE policyholders**

- 5.41 The Schemes do not affect the contractual obligations to the policyholders of UPE.
- 5.42 The Schemes have no impact on the rights and obligations of UPE policyholders. All policyholders will be entitled to the same rights as were available to them before the Schemes.

### **i) Funds**

- 5.43 There will be no changes to the unit-linked funds as a result of the proposed Schemes.
- 5.44 The Schemes do not prevent UPE from establishing, closing, amalgamating Sub-Funds; changing the name of Sub-Funds or changing the charges where such changes would be in line with the policy terms and conditions. Any such changes would be made by UPE on such terms as recommended by the HoAF having regard to the reasonable benefit expectations of the policyholders and having been approved by the UPE Board.

**ii) Reinsurance arrangements**

- 5.45 UPE currently has a number of reinsurance arrangements in place. These include the reinsurance arrangement with Generali Switzerland in respect of the variable annuity business, reinsurance on the domestic Irish and multi-national employee benefit business, reinsurance on mortality benefits attached to the unit funds and the catastrophe reinsurance treaty. These arrangements will be unaffected by the Schemes.
- 5.46 QII currently has reinsurance arrangements in place which will be transferred to UPE as part of the Scheme. These arrangements will have no impact on UPE policyholders.
- 5.47 I understand that immediately following the schemes, UPE will reinsure the entirety of the UWW Transferring Business back to UWW. UPE are expected to retain a small annual fee for administering this reinsurance arrangement. This arrangement will not have a material impact on UPE policyholders.

**iii) Pricing basis for unit-linked funds**

- 5.48 The Schemes state that there will be no change to the approach to unit pricing as a result of the proposed transfer. There will also be no change to the unit pricing procedures affecting policies belonging to the existing UPE customers as a result of the proposed transfer, although the Schemes allow UPE to change the approach to pricing in future.

**iv) Charges**

- 5.49 The policy terms and conditions documents specify the charges that are levied on the policy throughout its lifetime. At present, some of these charges may be varied at the discretion of the company or as a result of certain events, such as changes in legislation. It is therefore also necessary for me to consider the effect of the Schemes on such charges both immediately after the transfer and also how these charges may vary in the future.
- 5.50 The terms and conditions of each product sold by UPE list all the charges that apply to a policy. The charges on the UPE policies mainly consist of percentage charges made on the value of the unit funds.
- 5.51 The contractual terms of UPE policyholders do not change as a result of the Schemes.

**v) Service**

- 5.52 The supporting documentation I have been provided with states that Schemes will have no material effect on the servicing arrangements for UPE policyholders. Consequently, the policyholders will continue to receive the same standard of service before and after the Schemes.

**vi) Options**

- 5.53 The Schemes state that all policyholder rights that exist under the policyholder contracts will remain unchanged as a result of the Schemes. As such, UPE policyholders are not adversely impacted as a result of the proposed transfer from the perspective of the options available to them on their policies.

**vii) Tax**

- 5.54 The supporting documentation I have been provided with states that the Schemes will not result in changes to the terms and conditions of any existing UPE policies. As such, there are not expected to be any tax implications to existing UPE policyholders.

## Conclusion

- 5.55 Subject to the points in paragraph 8.1, based on the information provided to me and the comments I have set out in this section of the report, I consider it reasonable to conclude that, for the UPE pre-Schemes policyholders, the proposed transfers do not have a material adverse impact on the security of their benefits, their reasonable benefit expectations or the level of service that they currently receive.
- 5.56 Furthermore, the Head of Actuarial Function of UPE has prepared a report in relation to the transfer. In that report the HoAF has concluded that:
- *The Schemes will have no material adverse impact on the security of the benefits of UPE dac policyholders;*
  - *The fair treatment and reasonable benefit expectations of UPE dac policyholders will not be materially adversely affected by the Schemes; and*
  - *The Schemes will have no material adverse impact on the current and projected solvency position of the combined entity.*

## Section 6: Effects of the Schemes on QII Policyholders

### Introduction

- 6.1 In this Section of the report, I consider the likely impact of the Schemes on the QII policyholders in terms of the impact on security of policyholder benefits and on policyholders' reasonable expectations and service levels.
- 6.2 As with the other participant companies, the factors I must consider in assessing the implications of the transfer for the security of policyholder benefits include:
- The current solvency position;
  - The risk profile of the participant companies;
  - The capital targets as set out in each company's Risk Management Framework; and
  - The expected future solvency position of each company, both before and after the transfer.
- 6.3 The issues I need to consider in assessing the likely impact on policyholders' reasonable expectations for the transferring policyholders are set out in paragraph 5.3.
- 6.4 The terms of reference of the role of the Independent Actuary require me to consider whether the Schemes provide sufficient protection for policyholders' interests in the changed circumstances that will apply after the implementation of the Schemes.

### Security of QII policyholders' benefits

#### *i) Solvency position*

- 6.5 In order to assist me in forming my judgement regarding the security of policyholder benefits I have considered the solvency position of QII before the proposed transfer and that of UPE post transfer.
- 6.6 Table 6.1 summarises the solvency position of QII before and after the proposed transfer assuming that the effective date of the transfer had been 31 December 2021. The pre-transfer numbers are those reported at 31 December 2021 and the post-Schemes UPE position is as described in Section 5 of this report.

**Table 6.9 – QII solvency position pre- and post-transfer as at 31 December 2021**

€ million	QII	UPE (Post)
Assets	4,605.3	25,918.6
BEL - unit-linked/UWP	4,591.5	25,327.5
BEL - non-linked	(103.5)	(244.8)
RM	19.4	143.0
Other liabilities	24.9	168.2
DTL	-	46.2
Total Liabilities	4,532.3	25,440.1
	-	-
Own Funds	73.0	478.5
Subordinated debt	-	23.8
Adjusted Own Funds	73.0	502.3
SCR	38.9	293.5
<b>Solvency Coverage Ratio</b>	<b>187%</b>	<b>171%</b>
Adjusted Own Funds (excl IWT asset)	73.0	373.0
SCR (excl IWT asset)	38.9	285.9
<b>Solvency Coverage Ratio (excl IWT asset)</b>	<b>187%</b>	<b>130%</b>

- 6.7 The table above shows that had the proposed transfer taken place as at 31 December 2021, then QII policyholders would be within a larger company whose solvency coverage exceeded the Solvency II regulatory requirements but which had a lower solvency coverage ratio than pre-Schemes. There are also other differences between the companies including in particular the IWT asset and the subordinated loan that are described in the following paragraphs.
- 6.8 If the IWT asset is excluded, the solvency coverage ratio of the combined entity would be 130%, which is lower than QII's current solvency coverage of 187%. While considering solvency coverage excluding the IWT is an onerous test, even on this basis the company has sufficient liquid capital to meet capital requirements. Also, despite the lower solvency coverage ratio post-Schemes compared to QII pre-Schemes, a large proportion of QII's Own Funds are made up of expected future profits which are largely illiquid, whereas a lower proportion of UPE's Own Funds will be made up of illiquid non-linked reserves post-Schemes. QII has a financial reinsurance arrangement in place to manage this liquidity risk. As such QII policyholders will not be exposed to materially different levels of liquidity risk post-Schemes compared to pre-Schemes.
- 6.9 QII's solvency target is for Solvency Coverage Ratio to be greater than 155% and no less than 130%. While this is an onerous test, I note that the solvency level post-schemes excluding the IWT of 130% is above the legislative requirement and is within the current solvency target range. In addition, the absolute level of this buffer (i.e. Adjusted Own Funds minus SCR), is much higher post-Schemes than it is for QII pre-Schemes (€87.1 million versus €34.1 million respectively). This means that post-Schemes, the entity would be better able to withstand a one-off hit in absolute terms (such as an operational event), than QII would be able to withstand pre-Schemes.

- 6.10 Under Solvency II Own Funds items are classified in accordance with quality criteria into three tiers. The three tiers are based on the quality of the Own Funds items and their ability to absorb losses, with Tier 1 being the highest quality and Tier 3 being the lowest quality. QII's Own Funds are all Tier 1. UPE's Own Funds are all classified as Tier 1 with the exception of a loan which is classified as Tier 2. UPE has a loan of £20m from Utmost Limited, which is due to be repaid in 2029. Repayment of the loan is subordinate to policyholders (with specific details set out in the loan agreement) and having assessed the Solvency II requirements, UPE classified the loan as Tier 2. Consequently, UPE is able to disregard the loan for the purpose of covering the SCR. If the loan was not disregarded, then the coverage in the above table would fall to 163% (or 122% excluding the IWT asset). Given the size of the loan, the relatively minor benefit on the capital cover from allowing for this loan and the size of the capital cover, I do not believe that the security of QII policyholder's benefits is materially adversely impacted by the loan.
- 6.11 Based on the above information, it is my opinion that the QII policyholders are not materially adversely impacted from a solvency perspective if the Schemes had been implemented at year-end 2021.

*ii) Risk Profile*

- 6.12 QII has 7,405 policies in force as at 31 December 2021 and funds under management of €4,591 million at the same date. The policies are unit-linked investment policies with no material investment guarantees.
- 6.13 The key risks to which QII is exposed are expense risk, lapse risk and currency risk:
- Expense risk, relating to future expenses being greater than expected;
  - Lapse risk, relating to a mass lapse event resulting in the loss of future revenue; and
  - Currency risk, reflecting the potential loss of future revenue resulting from adverse movement in currency markets which reduce the Euro value of future revenues and in particular to the depreciation of Sterling against Euro due a large proportion of business being denominated in GBP.
- 6.14 I have been provided with the QII pre-Schemes ORSA for 2021, which shows the impact of a number of stress scenarios on QII's solvency cover. The list of scenarios does not consider every feasible scenario but rather the scenarios considered indicate the sensitivity of the solvency position of the business to the factors considered. The risks that had the most material negative impact on solvency cover were expenses, currency and investment market falls. However, none of the scenarios investigated resulted in solvency coverage falling below 100%.
- 6.15 Post transfer, QII's policyholders will be part of a much bigger company with a broader range of risk exposures. The predominant nature of the QII's business, (i.e. unit-linked), is also the predominant business within UPE post-Schemes. Post transfer, QII policyholders will continue to be exposed to various market risks via the shareholder asset holdings as well as via the shareholder's exposure to variations in its expected income from unit-linked charges as a result of market movements, albeit to a greater scale. They will also be exposed to greater expense, lapse, counterparty and operational risks where the size of those risk exposures is greater, driven by the much greater scale of UPE post transfer, relative to the size of QII. They will also become exposed to health insurance risks in UPE post transfer, which are risks to which they are not currently exposed.
- 6.16 The Stress and Scenario Testing Supporting Report shows the impact of a number of stress scenario tests on UPE's solvency cover after QII and the transferring policies in UWW have been transferred into UPE. This shows that the post-Schemes solvency cover is also particularly exposed to lapse rates reducing and expenses increasing. The Stress and

Scenario Testing Supporting Report also identifies the exposure to the IWT asset (which is covered in paragraphs 5.10 to 5.12 above).

- 6.17 However, UPE does have in place a risk management framework to manage and mitigate the various risks within UPE. In addition, post transfer, the SCR of the combined businesses is materially greater than the SCR of QII in isolation. This materially increased SCR is reflective of the risks within the bigger combined businesses post transfer. Furthermore, the UPE capital policy is such that the company states that it will hold sufficient capital to cover 135% of the SCR (or 100% of the SCR if the IWT asset is excluded) and will not pay a dividend if such dividend would reduce the SCR capital coverage below 150% (or 110% if the IWT asset is excluded).
- 6.18 In moving to the larger entity, QII policyholders do benefit from being able to spread direct expense costs over a much larger book of policyholders which could be expected to reduce their exposure to expense risk. UPE is also an open book of business, meaning that fixed costs will continue to be spread over an increasing number of policies. In addition, the ultimate objective of the Schemes is to simplify UHIL's structure. A simplified group structure would be expected to be more cost efficient and may also be more capital efficient from a group perspective. This in turn places the UHIL in a stronger position to support its various businesses. This should be positive from the perspective of QII policyholders.

### *iii) Projected Solvency position*

- 6.19 QII's capital policy (pre-transfer) is to maintain sufficient assets to cover at least 155% of its SCR and a minimum of 130% of SCR. The Capital policy of UPE post-Schemes will be to maintain sufficient assets to cover at least 135% of its SCR (or 100% of its SCR excluding the IWT asset). Furthermore, the Directors adopted a policy such that any dividends paid would not result in UPE having a solvency capital ratio of less than 150% (or 110% excluding the IWT asset).
- 6.20 I have also considered the projected solvency position of QII pre-Schemes, and the projected solvency position of the combined UPE entity post-Schemes. The projections show that in the pre-transfer scenario for QII the solvency coverage is 187% initially and rises to 198% by 2026.
- 6.21 In the post-Schemes projection, the coverage is 171% initially, and steadily reduces over the course of the projection to 154% by 2026. This reduction is largely due the expected dividend payments over the period. If the IWT asset is excluded, the coverage is 130% initially, and remains broadly unchanged throughout the projection period.
- 6.22 Under the UPE capital policy any excess capital above the 150% target and the 110% target excluding the IWT asset may be paid out as a dividend which is reflected in these projections. Throughout the projection, the capital buffer remains above these levels under both bases, which provides some comfort around the security of policyholder benefits.

### **Summary - Security**

- 6.23 Having considered the various points set out above in relation to the solvency position of QII and UPE post-Schemes, the relative risk profiles of QII and UPE post-Schemes as well as the projected solvency coverage of both companies, it is my opinion that the QII policyholders are not materially adversely impacted as a result of the proposed Schemes.

### **Reasonable Expectations of QII policyholders**

- 6.24 The Schemes do not affect the contractual obligations to the policyholders of QII.
- 6.25 The Schemes have no impact on the rights and obligations of QII policyholders. All policyholders will be entitled to the same rights as were available to them before the Schemes.

**i) Funds**

- 6.26 The QII Transferring Policies are all unit-linked contracts. The Schemes state that UPE will establish new internal linked funds for the Transferring Policies which will correspond to the current QII internal linked funds and that the new funds will be subject to the same rules and procedures for the calculation of unit prices and fund-related charges as was the case with the corresponding QII funds.
- 6.27 For QII Transferring Policies with investments in internal managed funds the transferring policyholders will receive an identical number of units of equal value in the new “host” internal linked funds in UPE compared to their position in the corresponding QII fund.
- 6.28 Therefore, the nature and structure of the underlying asset holdings immediately after the transfer will be unchanged relative to their position immediately prior to the transfer. The value of transferring policyholders’ funds immediately after the transfer takes place will be equal in value to that immediately prior to the transfer taking place. The underlying unit-linked funds and associated assets immediately after the transfer will be the same as those immediately prior to the transfer.
- 6.29 The investment criteria of the QII internal linked funds and the fund management arrangements will also transfer to the new “host” internal linked funds in UPE. The external and discretionary fund managers are not parties to the Schemes and consequently the investment criteria of externally managed funds are unaffected by the Schemes.
- 6.30 Any powers contained within the transferring contracts for funds to be merged, closed or subdivided will be preserved under the Schemes with such powers being transferred to UPE post transfer.

**ii) Reinsurance arrangements**

- 6.31 QII has a number of reinsurance arrangements in place to mitigate the risk of excessive claims where the insurance element of its policies becomes a material risk to the Company. These arrangements will transfer with the Schemes.
- 6.32 In 2012 QII acquired, as a result of a Scheme of Transfer in Ireland (“2012 Scheme”), a small book of unit-linked business from a related Irish group company in a group consolidation exercise (“the 2012 Irish Policies”). The entire risk and reward of this book was at the time reinsured to Old Mutual International Guernsey Ltd (“OMIG”) and retroceded to Old Mutual International Isle of Man Ltd, which is now QIIOM. As part of a wider group project, this arrangement was altered in 2017 to remove OMIG from the arrangement so that the reinsurance is now direct with QIIOM and is therefore now an intra-group arrangement. The 2012 Scheme included provisions to maintain benefit security for the transferring 2012 Irish Policies. The arrangements put in place in 2012 were modified and simplified in 2017 as part of the wider group project. UPE and QIIOM will replicate the 2017 arrangements so that following the Schemes the transferring 2012 Irish Policies will continue to enjoy the same protection as afforded by the 2012 Scheme.
- 6.33 QII also has a financial reinsurance treaty in place to provide cash liquidity in order to make commission payments on relevant sales to distributors. The arrangement has limited risk transfer and is accounted for as loan financing within QII’s financial statements. This arrangement will transfer with the Schemes but is expected to be collapsed by UPE thereafter.

**iii) Pricing basis for unit-linked funds**

- 6.34 The Schemes state that there will be no change to the approach to unit pricing as a result of the proposed transfer. There will also be no change to the unit pricing procedures affecting policies belonging to the existing QII customers as a result of the proposed transfer.

**iv) Charges**

- 6.35 The policy terms and conditions documents specify the charges that are levied on the policy throughout its lifetime. At present, some of these charges may be varied at the discretion of the company. It is therefore also necessary for me to consider the effect of the Schemes on such charges both immediately after the transfer and also how these charges may vary in the future.
- 6.36 The terms and conditions of each product sold by QII list all the charges that apply to a policy.
- 6.37 As all contractual terms remain unchanged under the Schemes, any powers contained within the QII contracts for changes to be made to charges will be preserved under the Schemes with such powers being transferred to UPE post transfer.

**v) Service**

- 6.38 QII outsources many of its requirements for operational services to several different entities within the wider UG. None of these arrangements will change as a result of the Schemes. Consequently, the policyholders will continue to receive the same standard of service before and after the Schemes.

**vi) Options**

- 6.39 The Schemes state that all policyholder rights that exist under the policyholder contracts will remain unchanged as a result of the Schemes. As such QII policyholders are not adversely impacted as a result of the proposed transfer from the perspective of the options available to them on their policies.

**vii) Tax**

- 6.40 The Schemes will not alter policies and does not result in the cancellation or the issue of new policies to policyholders. It is not expected that the Schemes will give rise to tax consequences for policyholders and the Schemes state that any tax implications which crystallise as a result of the Schemes will not be borne by policyholders. The tax authorities in Ireland will be notified of the intention to carry out the proposed transfer under the Schemes.

**viii) Liquidity**

- 6.41 QII does not have an IWT asset but does rely on a financial reinsurance arrangement in order to provide liquidity to make commission payments on relevant sales to distributors. It is expected that this reinsurance will be collapsed post-Scheme. However, QII will continue to be exposed to liquidity risk post-Schemes through exposure to the IWT asset which is not readily available to make payments e.g. in the event of an operational event. However, the Stress and Scenario Testing Report shows that, post-Scheme UPE will have €223 million of liquid assets, which in absolute terms is a larger amount of liquid assets than QII currently holds. In addition, Stress and Scenario Testing Report also includes a forecast of the expected future liquid assets. While this shows a reduction in liquid assets over time, the main driver of this is the expected levels of future dividend payment. As a result, I do not believe that QII policyholders are materially worse off from a liquidity point of view as a result of the Schemes.

**Conclusion**

- 6.42 Subject to the points in paragraph 8.1 of Section 8, based on the information provided to me and the comments I have set out in this section of the report, I consider it reasonable to conclude that, for the QII Transferring Policyholders, the proposed transfer does not have a material adverse impact on the security of their benefits, their reasonable benefit expectations or the level of service that they currently receive.

6.43 Furthermore, the HoAF of QII has prepared a report in relation to this transfer. In that report the HoAF has concluded that:

- *The Schemes will have no material adverse impact on the security of the benefits for QII policyholders;*
- *The fair treatment and reasonable benefit expectations of QII policyholders will not be materially adversely affected by the Schemes; and*
- *The Schemes will have no material adverse impact on the current and projected solvency position of the combined entity.*

## Section 7: Effects of the Schemes on UWW Policyholders

### Introduction

- 7.1 In this Section of the report, I consider the likely impact of the Schemes on both the transferring and non-transferring UWW policyholders in terms of the impact on security of policyholder benefits, on policyholders' reasonable expectations and service levels.
- 7.2 Given the materiality of the transferring policies in the context of the remaining UWW policyholders, I have considered the impact of the transfer on the remaining UWW policyholders, by confirming that the impact on the balance sheet would not be material, which is illustrated in paragraph 2.11 which describes that the UWW Transferring Policies make up less than 1% of the overall UWW funds under management.
- 7.3 As with the other participant companies, the factors I must consider in assessing the implications of the transfer for the security of policyholder benefits include:
- *The current solvency position;*
  - *The risk profile of the participant companies;*
  - *The capital targets as set out in each company's Risk Management Framework; and*
  - *The expected future solvency position of each company, both before and after the transfer;*
- 7.4 The issues I need to consider in assessing the likely impact on policyholders' reasonable expectations for the transferring policyholders are set out below.
- 7.5 The terms of reference of the role of the Independent Actuary require me to consider whether the Schemes provide sufficient protection for policyholders' interests in the changed circumstances that will apply after the implementation of the Schemes.

### Security of UWW policyholders' benefits

#### *j) Solvency position*

- 7.6 In order to assist me in forming my judgement regarding the security of policyholder benefits I have considered the solvency position of UWW before the proposed transfer and that of UPE post transfer.
- 7.7 Table 7.1 summarises the solvency position of UWW before the proposed transfer and UPE after the proposed transfer assuming that the effective date of the transfer had been 31 December 2021 and that only the UWW Transferring Business transfers to UPE. For comparison purposes, figures are shown in GBP.

**Table 7.10 – Solvency position of UWW pre-Schemes compared to UPE post-Schemes as at 31 December 2021 (figures shown in GBP)**

£ million	UWW	UPE (Post)
Adjusted Own Funds	333.9	422.5
SCR	189.5	246.9
<b>Solvency Coverage Ratio</b>	<b>176%</b>	<b>171%</b>
		-
Adjusted Own Funds (excl IWT asset)	333.9	313.7
SCR (excl IWT asset)	189.5	240.5
<b>Solvency Coverage Ratio (excl IWT asset)</b>	<b>176%</b>	<b>130%</b>

- 7.8 The table above shows that had the proposed transfer taken place as at 31 December 2021, then the UWW Transferring policyholders would be within a larger company whose solvency coverage exceeded the Solvency II regulatory requirements and which is slightly lower but not materially different from the pre-Schemes solvency coverage. There are also other differences between the companies including in particular the IWT asset and the subordinated loan that are described in the following paragraphs.
- 7.9 Both UWW and UPE have a minimum Solvency Coverage Ratio target of 135%. Further, the Solvency coverage ratio for both UWW and UPE must remain above 150% immediately after a dividend payment. Including the IWT asset, the Solvency Coverage Ratio of UPE post-Schemes is not materially different to the Solvency Coverage Ratio of UWW. While this is an onerous test, if the IWT asset is excluded, the Solvency Coverage Ratio of the combined entity would be 130%, which is lower than UWW's current solvency coverage of 176%. However, the absolute amount of Own Funds for UPE post-Schemes and excluding the IWT assets is not materially different from the UWW Own Funds pre-Schemes.
- 7.10 Under Solvency II, Own Funds items are classified in accordance with quality criteria into three tiers. As described in paragraph 6.10, UPE's own funds are all classified as Tier 1 with the exception of a £20 million loan which is classified as Tier 2. Given the size of the loan, the relatively minor benefit on the capital cover from allowing for this loan and the size of the capital cover, I do not believe that the security of UWW policyholder's benefits is materially adversely impacted by the loan.
- 7.11 Based on the above information, it is my opinion that the transferring UWW policyholders are not materially adversely impacted from a solvency perspective if the Schemes had been implemented at year-end 2021. Further, given that the UWW Transferring Business makes up a very small proportion of the overall UWW business and also given that the UWW will be reinsured back to UWW post-Schemes, the remaining UWW policyholders would also not have been materially impacted from a solvency perspective if the Schemes had been implemented at year-end 2021.

**ii) Risk Profile**

- 7.12 UWW has 55,941 policies in force as at 31 December 2021 and funds under management of €3,780 million at the same date. The policies are unit-linked savings and portfolio bonds, group protection and group savings policies.
- 7.13 The key risks to which UWW is exposed are equity risk, expense risk, lapse risk and currency risk:
- Equity risk, relating to future revenue being lower than expected on unit-linked business following a reduction in unit-linked asset values;
  - Lapse risk, relating to a mass lapse event resulting in the loss of future revenue;

- Currency risk, reflecting the potential loss of future revenue resulting from adverse movement in currency markets which reduce the GBP value of future revenues; and
  - Expense risk, relating to future expenses being greater than expected.
- 7.14 I have been provided with the UWW pre-Schemes Actuarial Function Report for 2021, which show the impact of a number of sensitivities on UWW's Own Funds. The list of sensitivities does not consider every feasible scenario but rather the scenarios considered indicate the sensitivity of the solvency position of the business to the factors considered. The risks that had the most material negative impact related to lapses, however none of the sensitivities showed Own Funds falling below the level of the SCR.
- 7.15 The mix of risks that UWW is exposed to is broadly similar to the mix of risks that the UWW Transferring policies will be exposed to in UPE post-Schemes.
- UWW transferring policyholders will continue to be exposed to various market risks via the shareholder asset holdings as well as via shareholder's exposure to variations in its expected income from unit-linked charges as a result of market movements;
  - UWW reports in GBP whereas UPE reports in EURO, however UPE's cashflows are less diversified across different currencies compared to UWW's cashflows which means that UPE post-Schemes has proportionately higher currency risk;
  - UWW is more exposed to mass lapse and expense risk;
  - UPE does not write non-life business so holds no capital in respect of non-life insurance risks. This is not the case for UWW; and
  - UPE has higher counterparty default risk capital requirement which is partly as a result of the exposure to IWT asset as well as in respect of reinsurance treaties held.
- 7.16 The Stress and Scenario Testing Supporting Report shows the impact of a number of stress scenario tests on UPE's solvency cover after QII and the Transferring Business in UWW have been transferred into UPE. This shows that the post-Schemes solvency cover is also particularly exposed to lapse rates reducing and expenses increasing. The Stress and Scenario Testing Supporting Report also identifies the exposure to the IWT asset (which is covered in paragraphs 5.10 to 5.12 above).
- 7.17 However, UPE does have in place a risk management framework to manage and mitigate the various risks within UPE. In addition, post transfer, the SCR of the combined businesses is greater than the SCR of UWW in isolation. This materially increased SCR is reflective of the risks within the bigger combined businesses post transfer. Furthermore, the UPE capital policy is such that the company states that it will hold sufficient capital to cover 135% of the SCR (or 100% of the SCR if the IWT asset is excluded) and will not pay a dividend if such dividend would reduce the SCR capital coverage below 150% (or 110% if the IWT asset is excluded).

***iv) Projected Solvency position***

- 7.18 UWW's capital policy (pre-transfer) is to maintain sufficient assets to cover at least 135% of its SCR. The Capital policy of UPE post-Schemes will be to maintain sufficient assets to cover at least 135% of its SCR (or 100% of its SCR excluding the IWT asset). Furthermore, the Directors adopted a policy such that any dividends paid would not result in UPE having a solvency capital ratio of less than 150% (or 110% excluding the IWT asset).
- 7.19 I have also considered the projected solvency position of UWW pre-Schemes, and the projected solvency position of the combined UPE entity post-Schemes. The projections show that in the pre-transfer scenario for UWW the solvency coverage is 176% initially and remains

broadly level over the period to 2026. It is not expected that the UWW projection will be materially impacted by the Schemes due to the small number of transferring policies.

- 7.20 In the post-Schemes projection, the coverage is 171% initially, and steadily reduces over the course of the projection to 154% by 2026. This reduction is largely due to the expected dividend payments over the period. If the IWT asset is excluded, the coverage is 130% initially, and remains broadly unchanged throughout the projection period.
- 7.21 Under the UPE capital policy any excess capital above the 150% target and the 110% target excluding the IWT asset may be paid out as a dividend which is reflected in these projections. Throughout the projection, the capital buffer remains above these levels under both bases, which provides some comfort around the security of policyholder benefits.

### **Summary - Security**

- 7.22 As the UWW Guernsey Scheme involve the UWW Transferring policyholders moving from an entity regulated in Guernsey to an entity regulated in Ireland, these policyholders will be subject to a different policyholder protection regime post-Schemes. To assess the impact of this, I have been provided with a comparative analysis and legal review of the policyholder protections regimes in Ireland and Guernsey, which also considers policyholder protections in the event of the insolvency of an insurer. This analysis concludes that the Irish regulatory regime is broadly comparable to the Guernsey regime in respect of protections to policyholders. Based on this information, it is my understanding that UWW Transferring policyholders would receive similar protections in Ireland post-Schemes compared to what they currently receive in Guernsey.
- 7.23 The UWW Guernsey Scheme will be dependent on the reinsurance arrangement in respect of the UWW Transferring policyholders which will be entirely reinsured from UPE back to UWW at the same time as the Scheme comes into force. I have been provided with a report which describes the policyholder protection measures that will be included within the UWW Guernsey Scheme. This report describes the proposed terms of the reinsurance treaty which have been designed to maintain the current level of policyholder protections for UWW Transferring policyholders post-Schemes. These terms would require UWW to hold policyholder assets under trust directly for the benefit of underlying policyholders such that in the event of insolvency of either UPE or UWW, neither company (or their administrators) would have a claim on those assets. I understand that the specific terms of the reinsurance treaty have yet to be finalised, however the intention is that the treaty will maintain the current level of policyholder protections for UWW Transferring policyholders post-Schemes.
- 7.24 Having considered the various points set out above in relation to the solvency position and policyholder protections of UWW and UPE post-Schemes, the relative risk profiles of UWW and UPE post-Schemes as well as the projected solvency coverage of both companies, it is my opinion that both the UWW Transferring and non-transferring policyholders are not materially adversely impacted as a result of the proposed Schemes. This conclusion is based on the assumption that the final terms of the reinsurance treaty between UWW and UPE described paragraph 7.23 will not materially worsen the protections that policyholders currently enjoy. If however the terms of the reinsurance treaty does affect policyholder protections, I will consider the impact of this in my supplementary report.

### **Reasonable Expectations of UWW policyholders**

- 7.25 The Schemes do not affect the contractual obligations to the policyholders of UWW and the Schemes have no impact on the rights and obligations of UWW policyholders.

***i) Funds***

- 7.26 The UWW Transferring Policies will be entirely reinsured back to UWW post-Schemes. All existing investment options will be available to the policyholders, which will remain under the governance of UWW, including in respect of pricing and purchase/sale of units.
- 7.27 Therefore, the nature and structure of the underlying asset holdings immediately after the transfer will be unchanged relative to their position immediately prior to the transfer. The value of transferring policyholders' funds immediately after the transfer takes place will be equal in value to that immediately prior to the transfer taking place. The underlying unit-linked funds and associated assets immediately after the transfer will be the same as those immediately prior to the transfer.

***ii) Reinsurance arrangements***

- 7.28 There are no reinsurance treaties currently in-force in respect of the UWW Transferring Business. However, immediately following the Schemes it is intended that UPE will reinsure the entirety of the UWW Transferring Business back to UWW.

***iii) Pricing basis for unit-linked funds***

- 7.29 There will be no changes to the approach to unit pricing for the UWW Transferring Business as a result of the proposed transfer.

***iv) Charges***

- 7.30 The policy terms and conditions documents specify the charges that are levied on the policy throughout its lifetime. At present, some of these charges may be varied at the discretion of the company. It is therefore also necessary for me to consider the effect of the Schemes on such charges both immediately after the transfer and also how these charges may vary in the future.
- 7.31 The terms and conditions of each product sold by UWW list all the charges that apply to a policy. Policy charges on the UWW Transferring Business will continue to be set by the UWW (by way of recommendation to the UPE Board) and will equate to charges on equivalent non-transferring UWW policies.

***v) Service***

- 7.32 None of the administration arrangements for the transferred policies will change as a result of the Schemes. The policies will continue to be administered by UWW on the current administration platforms and consequently, the policyholders will continue to receive the same standard of service before and after the Schemes.

***vi) Options***

- 7.33 The Schemes state that all policyholder rights that exist under the policyholder contracts will remain unchanged as a result of the Schemes. As such UWW policyholders are not adversely impacted as a result of the proposed transfer from the perspective of the options available to them on their policies.

***vii) Tax***

- 7.34 The Schemes will not alter policies and does not result in the cancellation or the issue of new policies to policyholders. It is not expected that the Schemes will give rise to tax consequences for policyholders. The tax authorities in Ireland and Guernsey will be notified of the intention to carry out the proposed transfer under the Schemes.

**viii) Liquidity**

7.35 UWW does not have an IWT asset and so the UWW Transferring Business will be exposed to greater liquidity risk as a result of the schemes. However, Table 7.1 shows that Own Funds for UPE post-Schemes excluding the IWT asset are not materially different to the UWW Own Funds. As a result, I do not believe that UWW transferring policyholders are materially worse off from a liquidity point of view as a result of the Schemes.

**Conclusion**

7.36 Subject to the points in paragraph 8.1 of Section 8, based on the information provided to me and the comments I have set out in this section of the report, I consider it reasonable to conclude that, for both the transferring and non-transferring UWW policyholders, the proposed transfer does not have a material adverse impact on the security of their benefits, their reasonable benefit expectations or the level of service that they currently receive.

7.37 Furthermore, the HoAF of UWW has prepared a report in relation to this transfer. In that report the HoAF has concluded that:

- *The Schemes will have no material adverse impact on the security of the benefits for UWW policyholders;*
- *The fair treatment and reasonable benefit expectations of UWW policyholders will not be materially adversely affected by the Schemes; and*
- *The Schemes will have no material adverse impact on the current and projected solvency position of the combined entity.*

## Section 8: Summary and overall conclusions

7.38 In this report I have considered the effects of the proposed transfer on the current policyholders of UPE and the transferring policyholders of QII and UWW. My conclusion is subject to the following:

- That there are no changes to my opinion as a result of any activities within the wider UG between now and the date of implementation of the Schemes;
- That the final terms of the reinsurance treaty between UWW and UPE described paragraph 7.23 will maintain the protections that policyholders currently enjoy; and
- The Reliances and Limitations as set out in paragraphs 1.25 to 1.28.

7.39 Subject to 8.1, my conclusions may be summarised by the following statements:

- The proposal provides appropriate protection for the interests of QII and UWW Transferring Policyholders. I do not consider it necessary to put in place any additional protections in addition to those in the Schemes;
- There will be no material adverse impact on the security of benefits (which includes claims payments) for any group of policyholders (including the holders of QII Guernsey Policies and the UWW transferring policies) as a result of the proposed Schemes;
- No group of policyholders (including the holders of the QII Guernsey Policies and the UWW transferring policies) will suffer any reduction in reasonable benefit expectations or service levels as a result of the proposed Schemes; and
- There will be no material adverse effect on the level of services provided to any group of policyholders (including the holders of the QII Guernsey Policies and the UWW transferring policies) as a result of the proposed Schemes.



**Fergal O'Shea FSAI**  
**Senior Director**  
**Willis Towers Watson (Ireland) Limited**

**20 June 2022**

**Willis Towers Watson (Ireland) Limited**  
**Elm Park**  
**Merrion Road**  
**Dublin 4**

# SECTION 5 – Legal Notices

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A Copy of the Notice Advertising the Petition for the Irish Scheme

**NOTICE**

**THE HIGH COURT**

**2022 Record No. 140 COS**

**IN THE MATTER OF QUILTER INTERNATIONAL IRELAND DESIGNATED  
ACTIVITY COMPANY**

**AND IN THE MATTER OF UTMOST PANEUROPE DESIGNATED ACTIVITY  
COMPANY**

**AND IN THE MATTER OF THE ASSURANCE COMPANIES ACT 1909**

**AND IN THE MATTER OF THE INSURANCE ACT 1989**

**AND IN THE MATTER OF THE EUROPEAN UNION (INSURANCE AND  
REINSURANCE) REGULATIONS 2015**

**NOTICE**

**NOTICE IS HEREBY GIVEN** that Quilter International Ireland designated activity company (“**Quilter**”) (the “**Petitioner**”), having their registered office at Ashford House, 18 – 23 Tara Street, Dublin 2 applied to the Central Bank of Ireland on the 6th day of May 2022 for its approval, pursuant to the Assurance Companies Act 1909, the Insurance Act 1989 and the European Union (Insurance and Reinsurance) Regulations 2015, to transfer to Utmost PanEurope designated activity company (“**UPE**”) the Transferring Business, which includes the Transferring Assets, the Transferring Contracts, the Transferring Liabilities and the Transferring Policies each as defined in a Scheme dated the 21<sup>st</sup> day of June 2022 (the “**Scheme**”).

**AND FURTHER TAKE NOTICE** that copies of the Petition and the Schedules annexed thereto (including the Scheme), the Independent Actuary Report and the Reports of the Heads of Actuarial Function be made available for inspection at the offices of the Petitioner at Ashford House, 18-23 Tara Street, Dublin 2, and at the registered office of UPE at Navan Business Park, Athlumney,

Navan, Co Meath and at the offices of Matheson, 70 Sir John Rogerson's Quay, Dublin 2, Ireland during the hours of 9:00 a.m. to 5:00 p.m. Monday-Friday (public holidays excepted) for a period of at least fifteen days from the date of this notice. Copies of the Transfer Documentation will be made available free of charge to any policyholder or shareholder of the Petitioner or any person having sufficient interest in the transfer requesting such copies and are also available for viewing and / or download online at <https://utmostinternational.com/scheme-transfer/>. Policyholders (as defined in the Scheme) may also contact the dedicated policyholder telephone line on +44(0) 1624 655220 from Monday to Friday (public holidays excepted) between the hours of 9:00 a.m. and 5:00 p.m or via e-mail on [iom.business@utmostinternational.com](mailto:iom.business@utmostinternational.com).

**AND FURTHER TAKE NOTICE** that, if uncontested, the said Petition will be heard by the High Court on the 20th day of September 2022 at the Four Courts, Dublin 7, at 12.00 p.m. In the event that the Petition is opposed, it will be necessary, on the 20th day of September 2022, to fix a new date for the hearing of the Petition on an opposed basis.

Any person who wishes to be heard on the hearing of the said Petition should notify Matheson, 70 Sir John Rogerson's Quay, Dublin 2, (in writing) marked for the attention of Gráinne Callanan/Alison Shanley, no later than 5:00pm on Tuesday, the 13th day of September 2022 of their intention to appear on the said Petition and should indicate to the said Solicitors whether such person or persons support or oppose the said Petition and further should, by said time and date, file in court and furnish to the Petitioner's solicitors such evidence by way of affidavit as is proposed to be relied upon at the hearing of the Petition by such person.

Dated: this [●] day of July 2022

Matheson, 70 Sir John Rogerson's Quay, Dublin 2, Ireland

A Copy of the Notice Advertising the Petition for the QII Guernsey Scheme

**The Insurance Business (Bailiwick of Guernsey) Law, 2002  
(the "Insurance Law")**

**IN THE MATTER OF QUILTER INTERNATIONAL IRELAND DESIGNATED ACTIVITY COMPANY**

- and -

**IN THE MATTER OF UTMOST PANEUROPE DESIGNATED ACTIVITY COMPANY  
(the "Parties")**

**NOTICE IS HEREBY GIVEN** that on Friday 23 September 2022 at 09:30am Quilter International Ireland Designated Activity Company ("**QII**") and Utmost PanEurope Designated Activity Company ("**UPE**") intend to apply to the Royal Court of Guernsey, pursuant to section 44 of the Insurance Law, for an Order sanctioning a scheme (the "**Guernsey Scheme**") for the transfer to UPE of certain long term insurance businesses carried on by QII in Guernsey (the "**Guernsey Business**") and for the making of ancillary provisions in connection with the implementation of the Guernsey Scheme under section 48 of the Insurance Law (the "**Application**").

The proposed transfer will result in the Guernsey Business which is currently carried on by QII being carried on by UPE. All payments in respect of the policies comprised within the Guernsey Business shall, upon the transfer becoming effective, be dealt with by UPE.

In addition to being available online, hard copies of the Application, the report on the terms of the Guernsey Scheme prepared by an Independent Expert in accordance with section 45(2)(a) of the Insurance Law (the "**Independent Expert's Report**") and the Summary of the Independent Expert's Report are available for inspection (and, in the case of the Independent Expert's Report and the Summary of the Independent Expert's Report, for collection) during office hours at the Parties' Guernsey Advocates at the address set out below.

These documents are also available at the following web address: [www.utmostinternational.com](http://www.utmostinternational.com). Requests for hard copy documents by post can be made by writing to the postal addresses set out below.

Any questions or concerns relating to the proposed transfer should be referred to QII or UPE using the following postal addresses and telephone numbers:

Quilter International Ireland dac  
PO Box 159  
King Edward Bay House  
King Edward Road  
Onchan  
Isle of Man, British Isles  
IM99 1NU  
Telephone: +44 (0) 1624 655555  
Ref: UWBusinessTfr

Utmost PanEurope dac  
Navan Business Park  
Athlumney, Navan  
Co. Meath  
Ireland C15  
CCW8  
Telephone: +353 (1) 469099700  
Ref: QIIBusinessTfr

The Application is due to be heard before the Royal Court of Guernsey, St Peter Port, Guernsey on **Friday, 23 September 2022 at 09:30am** and any person (including any policyholder of QII) who thinks that they would be adversely affected by the carrying out of the Guernsey Scheme may attend the hearing in person or by their Advocate. Any person intending to attend is requested to give notice of such intention as soon as possible and preferably before 16 September 2022, setting out their grounds of objection, either in writing to the postal address set out above or the Advocates named below.

Any person who objects to the Guernsey Scheme but does not intend to attend the hearing may also make representations about the Guernsey Scheme by giving notice of such representations as soon as possible and preferably before 16 September 2022, either in writing to the postal address set out above or the Advocates named below.

**Carey Olsen (Guernsey) LLP**  
**Carey House**  
**Les Banques**  
**St Peter Port**  
**Guernsey GY1 4BZ**

**Ref: NK/WL/1073631/0003**

A Copy of the Notice Advertising the Petition for the UW Scheme

**The Insurance Business (Bailiwick of Guernsey) Law, 2002  
(the "Insurance Law")**

**IN THE MATTER OF UTMOST WORLDWIDE LIMITED**

- and -

**IN THE MATTER OF UTMOST PANEUROPE DESIGNATED ACTIVITY COMPANY  
(the "Parties")**

**NOTICE IS HEREBY GIVEN** that on Friday 23 September 2022 at 09:30am Utmost Worldwide Limited ("**UW**") and Utmost PanEurope Designated Activity Company ("**UPE**") intend to apply to the Royal Court of Guernsey, pursuant to section 44 of the Insurance Law, for an Order sanctioning a scheme (the "**Guernsey Scheme**") for the transfer to UPE of certain long term insurance businesses carried on by UW in Guernsey (the "**Guernsey Business**") and for the making of ancillary provisions in connection with the implementation of the Guernsey Scheme under section 48 of the Insurance Law (the "**Application**").

The proposed transfer will result in the Guernsey Business which is currently carried on by UW being carried on by UPE. All payments in respect of the policies comprised within the Guernsey Business shall, upon the transfer becoming effective, be dealt with by UPE.

In addition to being available online, hard copies of the Application, the report on the terms of the Guernsey Scheme prepared by an Independent Expert in accordance with section 45(2)(a) of the Insurance Law (the "**Independent Expert's Report**") and the Summary of the Independent Expert's Report are available for inspection (and, in the case of the Independent Expert's Report and the Summary of the Independent Expert's Report, for collection) during office hours at the Parties' Guernsey Advocates at the address set out below.

These documents are also available at the following web address: [www.utmostinternational.com](http://www.utmostinternational.com). Requests for hard copy documents by post can be made by writing to the postal addresses set out below.

Any questions or concerns relating to the proposed transfer should be referred to UW or UPE using the following postal addresses and telephone numbers:

Utmost Worldwide Limited  
Utmost House  
Hirzel Street  
St Peter Port  
Guernsey, Channel Islands  
GY1 4PA  
Telephone: +44 (0) 1481715400  
Ref: UWBusinessTfr

Utmost PanEurope dac  
Navan Business Park  
Athlumney, Navan  
Co. Meath  
Ireland CI5  
CCW8  
Telephone: +353 (1) 469099700  
Ref: QIIBusinessTfr

The Application is due to be heard before the Royal Court of Guernsey, St Peter Port, Guernsey on **Friday, 23 September 2022 at 09:30am** and any person (including any policyholder of UW) who thinks that they would be adversely affected by the carrying out of the Guernsey Scheme may attend the hearing in person or by their Advocate. Any person intending to attend is requested to give notice of such intention as soon as possible and preferably before 16 September 2022, setting out their grounds of objection, either in writing to the postal address set out above or the Advocates named below.

Any person who objects to the Guernsey Scheme but does not intend to attend the hearing may also make representations about the Guernsey Scheme by giving notice of such representations as soon as possible and preferably before 16 September 2022, either in writing to the postal address set out above or the Advocates named below.

**Carey Olsen (Guernsey)**  
**LLP Carey House**  
**Les**  
**Banques**  
**St Peter**  
**Port**  
**Guernsey GY1 4BZ**

**Ref: NK/WL/1073631/0003**

Guernsey Advocates to UW and UPE

## SECTION 6 - Contact Details

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### QII

Office address for physical inspection of transfer documents: Quilter International Ireland  
Registered Office address – Ashford House, 18-23 Tara Street, Dublin, Ireland, 2 D02 VX67.

Postal address for queries / enquiries by post: PO Box 159, King Edward Bay House, King Edward Road, Onchan, Isle of Man, IM99 1NU, British Isles. Ref: QIIBusinessTfr

Telephone number: +44(0) 1624 655 220

Email address: [iom.businessstfr.ie@utmostinternational.com](mailto:iom.businessstfr.ie@utmostinternational.com)

### UW

Office address for physical inspection of transfer documents: Utmost Worldwide Registered  
Office address – Utmost House, Hirzel Street, St Peter Port, Guernsey, Channel Islands, GY1 4PA

Postal address for queries / enquiries by post: Utmost House, Hirzel Street, St Peter Port, Guernsey, Channel Islands, GY1 4PA. Ref: UWBusinessTfr

Telephone number: +44(0) 1481715800

Email address: [UWCustomerService@utmostworldwide.com](mailto:UWCustomerService@utmostworldwide.com)

### UPE

Office address for physical inspection of transfer documents: Utmost PanEurope Registered  
Office address - Navan Business Park, Navan, Meath, Ireland, C15 CCW8.

Postal address for queries / enquiries by post: Utmost PanEurope dac, Navan Business Park, Athlumney, Navan, Co.Meath, C15 CCW8, Ireland. Ref: QIIBusinessTfr

Telephone numbers and Email addresses: please use your usual contact numbers and email addresses. The contact details you use depend on the policy that you have with us. If you are unsure please contact +353 (0) 469099700 or email [enquiries@utmost.ie](mailto:enquiries@utmost.ie)

	Telephone number	Email address
With Profit	+353 (0)46 909 9700	CCSfrontoffice@utmost.ie
UPE Portfolio Bond	+353 (0)46 909 9801	pbireland@utmost.ie
Apex - Company 55	+353 (0)46 909 9700	adminsupport@utmost.ie
Augura 150	+353 (0) 14790 066	augura@utmost.ie
Augura PSB	+353 (0) 14790 066	augura@utmost.ie
Bermuda	+353 (0) 1 525 2635	bermuda@utmost.ie

Aviva	+353 (0)46 909 9700	client.services@utmost.ie
HLA/CLACE/LGL	+353 1 5312 222	hla@utmost.ie
Athora	0845 6029 281	wm@utmost.ie
Axa	0845 602 9281	info@utmostwealthsolutions.ie

**Physical copies of the transfer documents can also be inspected at our solicitors' offices:**

**Matheson** Solicitors Office Address – 70 Sir John Rogerson's Quay, Dublin 2, Ireland, D02 R296.

**Carey Olsen** Guernsey Office Address: Carey House, Les Banques, St Peter Port, Guernsey, GY1 4BZ

**Contact Details post transfer**

Post transfer the postal, email and phone contact details for QII, UW and UPE remain the same as prior to the transfer.

The dedicated transfer email addresses and phone numbers will be closed and transfer documents will no longer be available for physical inspection at our offices after the sanctions hearing dates.

***End of circular***