



KPMG
1 Harbourmaster Place
IFSC
Dublin 1
D01 F6F5
Ireland

Telephone +353 1 410 1000
Fax +353 1 412 1122
Internet www.kpmg.ie

Directors
c/o John Coggins
Chief Actuary
Zurich Life Assurance plc
Zurich House
Blackrock
Co Dublin

Directors
c/o Aidan Holton
Managing Director
Monument Insurance
Two Park Place
Upper Hatch Street
Dublin 2

4 November 2020

Dear Directors,

I refer to my Independent Actuary Report ("Report") of 4 June 2020 on the transfer of the portfolio of International Portfolio Bond ("IPB") policies ("the transfer" or "the IPB transfer") from Zurich Life Assurance plc ("ZLAP") to Monument Life Assurance DAC ("MLIDAC") ("the Companies"). I understand that the Companies are submitting final papers to the Court ahead of the final hearing (to be held on 17 November 2020) to receive formal sanction for the transfer to proceed. I note that this Supplementary Report ("Report") will be presented to the Court ahead of the final hearing on 17 November 2020.

As highlighted in Section 2.1.7 of my Report, the Companies have requested that I prepare and issue a Report close to the date of the final hearing. This Report contains an update on any developments that may have occurred in the period between 29 May 2020 and the date of this Report as well as those anticipated to occur prior to the Scheme date. It is on that basis that I have been asked to prepare this Report.

In preparing this Report, I have considered the following matters:

- Key assumptions identified in Section 2.1.4 of my Report: Whilst the majority of these remain valid and are appropriate, the external environment has continued to evolve since the date of my original Report and some additional considerations are necessary at this time. I have considered such items explicitly, below, as separate points

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- MLIDAC's internal restructuring and other transactions: As noted in my original Report, other transactions were scheduled to take place in advance of the transfer, with these seeing other portfolios of business migrated to MLIDAC. These included the transfer of business from Monument Re Group's other Irish entities, Monument Assurance DAC ("MADAC") and Monument Insurance DAC ("MIDAC"), and the transfer of a portfolio of annuities from Rothesay Life. These have completed successfully (with effective dates of 30 June and 7 September respectively) as discussed in my original Report. I also note that the transfer of the insurance portfolio of Inora Life DAC is due to take place after the IPB transfer has completed, with the final Court date scheduled for 15 December.
- MLIDAC's licence application to the Central Bank of Ireland ("CBI"): as noted in my original Report, to facilitate the transfer of the IPB policies, MLIDAC is applying to the CBI for a Class VI (Capital Redemption Operations) life insurance licence. As at the date of preparing this Report, this application has not been approved by the CBI and MLIDAC are continuing to engage with the CBI on this. The transfer cannot proceed whilst this approval is outstanding, hence, as in my Report, my opinion is contingent on this approval being received in advance of the final Court date.
- Investment manager rebates: I note that ZLAP has worked to document such arrangements insofar as possible, with formal agreements concluded with a number of investment managers. I note also that the investment managers have no obligation to continue to pay such rebates and that ZLAP has no obligation to pass these rebates on to policyholders. For the small number of funds where it has not been possible to establish formal arrangements, ZLAP has offered to pay three years' worth of rebates to MLIDAC as part of the transfer agreement, with MLIDAC using these funds to continue to pay rebates to the impacted policyholders until formal arrangements are established. MLIDAC has undertaken to continue to work to formalise these arrangements and if they are executed, it is hoped rebates might continue. This approach appears reasonable as it provides, for a defined period, a guarantee on rebate income which policyholders are not otherwise contractually entitled to.
- Zurich Portfolio Option: ZLAP's arrangement with Sterling ISA Managers Limited ("SIML") was extended until 1 November. An approach has been adopted whereby policyholders have been communicated with and asked to select alternative funds which are not on the SIML platform. In my original Report it was noted that some policyholders are invested in property funds which are currently suspended, with no divestments allowed. For such funds, it has been agreed that the assets will remain with SIML until such time as the funds can be liquidated; until this has been achieved, the agreement between ZLAP and SIML will novate to MLIDAC. Overall, I am comfortable that policyholders' best interests continue to be met with this arrangement.
- Citibank UK Limited ("Citibank") relationship: MLIDAC did not previously have a relationship with Citibank, one of the other platform providers for the ZLAP IPB products. MLIDAC have advised that the contract between MLIDAC and Citibank is now in final form and undergoing final review and my understanding is that this agreement will be signed and agreed in advance of the transfer. I expect that the status of this contract will be clarified to the High Court in the affidavit to be sworn on behalf of MLIDAC.
- Brexit: In my original Report, I had assumed that MLIDAC would obtain the necessary permissions to continue to operate and service the UK market post-Brexit, with the most likely approach adopted by MLIDAC to be an application to use the Temporary Permissions Regime ("TPR"). The implication of this approach was that it meant that the protection provided to the IPB policyholders under the UK Financial Services Compensation Scheme ("FSCS") would be maintained (which would not be the case if they remained with ZLAP, which is not seeking to establish a UK presence post-Brexit).
 - As Brexit negotiations have evolved, other legal approaches to maintain the ability to service UK-based business have presented themselves; whilst I understand that MLIDAC is still applying to use the TPR, post-Brexit, MLIDAC may seek to leverage one of these other approaches. This is ultimately a strategic decision for MLIDAC's Board and will be influenced by the outcome of ongoing Brexit negotiations and the exact structure of the financial services regulatory regimes adopted in the UK post-Brexit.
 - Based on the legal advice made available to me by MLIDAC, I understand that, regardless of the strategic decision taken by the MLIDAC Board, IPB policyholders will continue to benefit from

protection under the FSCS for a term of at least 15 years (with longer term protection also a possibility). This is as a result of the provisions of the UK's Financial Services Contracts Regime ("FSCR"), established in advance of Brexit, which allows undertakings to wind-down their UK operations in an orderly fashion should they not avail of the TPR. At the time of writing my Report, this is protection that may also be provided to policyholders should they remain with ZLAP.

- I am comfortable that policyholders are therefore not disadvantaged by this aspect of the transfer as FSCS coverage is maintained for a period, notwithstanding the strategic flexibility available to MLIDAC, and policyholders will have the possibility of retaining this protection for a longer period.
- Provision of Administration Services: The administration of the IPB policies is currently undertaken for ZLAP by Capita plc ("Capita"). It remains MLIDAC's intention to maintain the administration services with Capita for 12 months after the Scheme completes, after which time MLIDAC will seek to migrate the administration services to another provider. In my original Report it was noted that MLIDAC intended to transfer the services to Equiniti Group ("Equiniti"), with whom MLIDAC have an existing relationship. I note that, following additional acquisitions in the broader Monument Re Group (i.e. within MLIDAC's overall parent group), administration capabilities now exist within MLIDAC's group directly. As a result, MLIDAC may seek to transfer the administration services to an intra-group counterparty rather than an external party such as Equiniti. I have been provided with both qualitative and quantitative analysis considering the different cost scenarios and their impacts on MLIDAC's solvency coverage and note that they have no impact on policyholder security. Regardless of the strategic decision made by MLIDAC's Board, the information provided to me indicates that MLIDAC's solvency coverage will still exceed both the regulatory minimum and its own internal targets, so the impact of the ultimate decision is not expected to impact on the security of policyholder benefits nor on the services provided.

I also note that some aspects of the services currently provided by ZLAP will not likely be maintained by MLIDAC post transfer. These specific issues are described below:

- At present, independent financial advisors ("IFAs") in the UK have the ability to log-on to a valuation portal to generate policy valuation reports. This functionality has only been employed by a limited number of IFAs previously (15 out of 300 or 5% of IFAs used in 2020) and MLIDAC do not intend to continue to provide this service post transfer. Policyholder impacts are limited as this was not a service provided directly to policyholders and IFAs will retain the functionality to assess policy values by other means e.g. by email, telephone, post etc.
- ZLAP provide access for IFAs to a varied fund centre which provides them with access to information on the funds on the IPB permitted asset list. This allows agents to search and filter on funds and perform comparisons between them. MLIDAC will continue to offer this service to IFAs but some of the enhanced functionality offered by ZLAP will not be maintained; some information (pertaining to fund ratings) which ZLAP had made available had been purchased by ZLAP and MLIDAC will not take ownership of this data as a result of the transfer. As above, policyholder impacts are limited as this was not a service offered directly to them and I note that IFAs will still have access to the overall fund centre.
- Range of funds: Certain funds offered by ZLAP will not be available to IPB policyholders post-transfer. Impacted policyholders have been allowed select alternative funds and switch to them free of charge in advance of the transfer, so that this does not cause issues for them at the transfer date. In addition, I understand that MLIDAC did not have a range of cash funds in place and are in the process of establishing an arrangement with Barclays Investment Solutions Limited to rectify this and no issues are anticipated. My understanding is that this arrangement will be in place in advance of the transfer. I expect that the status of this arrangement will be clarified to the High Court in the affidavit to be sworn on behalf of MLIDAC.
- Policyholder communications: I was provided with a copy of the policyholder communications as part of my Report and I have no new issues to note in respect of these communications. I have been informed of the correspondence that certain policyholders have had with ZLAP arising from the communications. I note that the queries raised by policyholders have been addressed by ZLAP.
- Business performance in the period: I have been provided with the financial information at 30 June 2020 for the Companies and note that the updated financial position is generally in line with that outlined in my Report with no material points arising since the date of my Report. The financial information includes initial impacts relating to the Covid-19 pandemic and the associated market

turbulence noted since mid-March though markets have stabilised materially over the past number of months. I have had sight of the solvency position of both firms as at 30 June 2020, as well as pro-forma results for MLIDAC post-transfer (prepared as at that date). This updated information is included below. Reporting for Q3 2020 (prepared as at 30 September 2020) is underway and the preliminary results provided to me by MLIDAC do not indicate any emerging issues with regard to their solvency coverage. I note that for Q3 reporting, I have focused on MLIDAC only as the transfer, as noted in my original Report, has an immaterial impact on ZLAP's balance sheet.

- Update on intra-group reinsurance arrangement post transfer: MLIDAC's intra-group reinsurance has been expanded so that the IPB business will be covered post-transfer. This update to the treaty was executed on 15th October. Overall, the arrangement has had a positive impact on MLIDAC's expected solvency coverage post-transfer and it is appropriate to incorporate the impact into my financial strength analysis given that it has been signed and will be effective at the transfer date.
- Progress on the ORSA: I have been provided with an "out of cycle" ORSA prepared by MLIDAC (i.e. one prepared outside of MLIDAC's normal ORSA reporting cycle) for the CBI, as a support for the Class VI licence application. In addition, I was also provided with a pro-forma analysis memo prepared for the CBI by MLIDAC. Further comment on this is included below. Production of ZLAP's 2020 ORSA is still underway and whilst I have not had sight of a draft report, I have had sight of the stress and scenario test results. Given the relative immateriality of the IPB portfolio for ZLAP's overall balance sheet, I have not replicated these results in this Report.

I have had discussions with the Companies on all of these matters and have reviewed updated information in relation to them. Noting my commentary above, I have no new issues or concerns to note in terms of the assumptions that I made in relation to these matters, how they have developed or indeed have been resolved.

| MLIDAC and ZLAP Solvency Position (€m) – Q2 2020 | | | | |
|---|---|---|--|----------------------|
| | MLIDAC Pre-transfer 30 June 2020* | MLIDAC Post-transfer 30 June 2020** | | ZLAP 30 June 2020 |
| Own Funds | 28.2 | 30.3 | | 770 |
| Solvency Capital Requirement | 15.6 | 16.6 | | 623 |
| Excess of Own Funds over Solvency Capital Requirement | 12.6 | 13.7 | | 147 |
| Solvency Coverage Ratio | 180.4% | 182.3% | | 123.6% |

**This is a pro-forma position reflecting the reported Q2 2020 results (which included the MIDAC and MADAC transfers) and adjustments to allow for the transfer of the Rothesay Life portfolio of annuities (which took place on 7th September) and the impact of a small number of policies relating to an earlier transfer, which are expected to migrate later this year (impact on solvency coverage is approximately 0.1%).*

***This is the pro-forma position as at 30 June 2020 after allowing for the IPB transfer and after allowing for the internal reinsurance arrangement.*

Overall, my findings remain unchanged based on this updated financial information. Detailed commentary is contained in my Report.

The out of cycle ORSA provided to the CBI indicates that, post transfer, MLIDAC will maintain a positive solvency coverage ratio even under adverse scenarios. There were no new findings arising from this ORSA process that were not highlighted in prior period ORSA reports. This continues to give comfort over the robustness and financial stability of MLIDAC and I have no material issues to note.

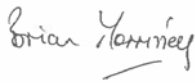
There are no new policyholder tax issues to note at this stage. The initial tax view was that there should be no extra UK tax payment or tax compliance issues for policyholders as a result of the portfolio transfer from ZLAP to another Irish company. This remains the view.

In conclusion, I note that the conclusions set down in my Report remain valid i.e. that having considered the impact of the Scheme on both the transferring policyholders of ZLAP and the existing policyholders of MLIDAC, it is my opinion that:

- The risk to policyholder security remains remote. Therefore, in my view, policyholders will not be materially adversely affected by the proposed Scheme; and
- The Scheme will not have a material adverse effect on the reasonable benefit expectations of any of the policyholders involved.

I understand that this Report will be provided to the Court ahead of the final hearing and that it will be placed on the websites of the Companies as part of the overall communication process for the portfolio transfer.

Yours faithfully,



Brian Morrissey, FSAI

Independent Actuary

KPMG in Ireland

4 November 2020

Date