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# The Report of the Independent Actuary

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

**Isle of Man Assurance Limited (“IOMA”)**

to

**RL360 Life Insurance Company Limited (“RL360 Services”)**

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## 1 INTRODUCTION

### Background<sup>1</sup>

- 1.1 Isle of Man Assurance Limited (“**IOMA**”) is an insurance company incorporated and authorised in the Isle of Man. It is a composite insurer writing life and non-life insurance, established in 1971. It is a wholly owned subsidiary of Financial Holdings Limited (“**FHL**”) which is a privately-owned company incorporated in the Isle of Man. FHL is IOMA’s ultimate parent undertaking.
- 1.2 RL360 Life Insurance Company Limited (“**RL360 Services**”) is an insurance company incorporated and authorised in the Isle of Man. RL360 Life Insurance Company Limited operates under the trading name of RL360 Services. International Financial Group Limited (“**IFGL**”), an Isle of Man based insurance company, is the ultimate controlling party of RL360 Services.
- 1.3 RL360 Services commenced operations in 1987 as CMI Insurance Company Limited and was acquired by IFGL in 2015 (and renamed to RL360 Services) following receipt of regulatory approval from the Isle of Man Financial Services Authority (“**IOMFSA**”).
- 1.4 Both IOMA and RL360 Services are authorised and regulated as insurance companies in the Isle of Man. The conduct of insurance business in the Isle of Man is regulated by the IOMFSA under the Insurance Act 2008 (“**the 2008 Act**”). The 2008 Act contains a mechanism for the Isle of Man Court to sanction a scheme to transfer long-term insurance business carried on by Isle of Man authorised insurers or permitholders in certain circumstances.
- 1.5 IFGL (via RL360 Services) intends to acquire certain policies underwritten by IOMA which will be transferred from IOMA to RL360 Services. The transaction solely covers IOMA’s long-term single premium unit-linked policies and does not include the acquisition of the company, nor the transfer of staff or IT systems to RL360 Services nor the following groups of policies which will remain in IOMA:
  - a long-term single premium unit-linked policy, the Property Wealth Manager (“**PWM**”) policy;
  - a book of life term assurance products (“**Compass**”), consisting of approximately 5,900 policies as at 24 September 2024; and
  - a book of general insurance products providing cover against a range of risks including income replacement, caravan, accident & health and miscellaneous financial loss (“**general insurance policies**”), consisting of approximately 5,300 policies as at end August 2024. These include products such as Frank Pickles Caravans, Chaufferplan, DriverGuard, the St. Christopher plan, and the Insured Windows Guaranteed plan.
- 1.6 In order to complete the acquisition, an Isle of Man Court-approved portfolio transfer is required (“**the Proposed Scheme**”). The Transferring Policies in question will be transferred to RL360 Services via the Proposed Scheme approved by the High Court of Justice of the Isle of Man (Civil Division) (the “**Court**”).

### The role of the Independent Actuary

- 1.7 Under section 21(1) of and Schedule 2 to the 2008 Act, any scheme which provides for the whole or part of the long-term business carried on by an insurer to be transferred to another insurer, requires the prior sanction of the Isle of Man Court. RL360 Services as an insurer accepting the transfer falls under the scope of the 2008 Act.
- 1.8 The Isle of Man Court will consider such a 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 (the “**Independent Actuary**”) approved by the IOMFSA. This report (the “**Independent Actuary’s Report**”, or “**Report**”) fulfils the requirements for the Independent Actuary in the petition process in the Isle of Man.

### Instructions

- 1.9 IOMA and RL360 Services (“**the Companies**”) have instructed me to act as the Independent Actuary who is required to report to the Court on the terms of the Proposed Scheme, pursuant to section 21(1) of and Schedule 2 to the 2008 Act.
- 1.10 I have been approved by the IOMFSA as Independent Actuary for this proposed transfer, as required under the 2008 Act.

<sup>1</sup> This report contains technical language and terminology, and abbreviations of certain terms and references and legal entities. A glossary of terms is included in Appendix C.

- 1.11 My Report has been prepared in accordance with the terms of the Milliman Limited statement of work dated 31 January 2024 and the terms of our engagement letter to which that statement of work refers.
- 1.12 The costs and expenses associated with my appointment as Independent Actuary and the production of this Report will be met by IOMA and RL360 Services jointly.
- 1.13 Throughout the remainder of this Independent Actuary's Report, the term "**the Proposed Scheme**" is used to cover all the proposals included in the scheme of transfer, including any documents referred to therein relating to the proposed implementation and operation of the scheme of transfer.
- 1.14 It is anticipated that the Proposed Scheme will be presented to the Isle of Man Court for sanction in late November 2024 pursuant to section 21(1) of and Schedule 2 to the 2008 Act, with a proposed effective date on or around 6 December 2024 (the "**Effective Date**").
- 1.15 I have interpreted my instructions as requiring me to consider the likely effects of the Proposed Scheme on the Companies' long-term policyholders including, but not limited to, the security of their benefits and their reasonable expectations.
- 1.16 In preparing the Independent Actuary's Report, I have had regard to the security of the benefits in each company both before and after the implementation of the Proposed Scheme, and the policyholders' reasonable expectations created by the past practices employed or statements made by each company. I have compared the status quo to the position that will apply after the completion of the proposed transfer. I also comment on the possible impacts of the Proposed Scheme not being approved by the Court. I expand further on these topics in Section 8 of this Report.
- 1.17 As far as I am aware, there are no matters that I have not taken into account in undertaking my assessment of the Proposed Scheme and in preparing the Independent Actuary's Report but which nonetheless should be drawn to the attention of the Court in its consideration of the terms of the Proposed Scheme.
- 1.18 I have also reviewed and considered the contents of the communication packs that will be made available to policyholders in relation to the Proposed Scheme.
- 1.19 I will prepare a Supplementary Report prior to the final Court hearing (expected in late November 2024) to provide an update for the Court on my conclusions in respect of the effect of the Proposed Scheme on the different groups of policyholders in light of any significant events, if any, subsequent to the date of the finalisation of this Report.

### Qualifications and disclosures

- 1.20 I am a Fellow Member of the Society of Actuaries in Ireland ("SAI") and have been so since 1998. I am a Principal of Milliman and am a consulting actuary based in the firm's Irish insurance practice at 7 Grand Canal Street Lower, Dublin 2, Ireland.
- 1.21 I have more than 30 years' experience in the insurance industry, including experience of acting as the Appointed Actuary and/or Head of Actuarial Function for a number of Irish life assurance companies and acting as the Independent Actuary in relation to a number of previous transfers of life assurance business in Ireland, the Isle of Man, Guernsey and Singapore.
- 1.22 I am not a policyholder of IOMA or RL360 Services, nor do I have any financial interests in the shares of IFGL.
- 1.23 I am not, and have not been, employed by either of the Companies as an employee, officer or director.
- 1.24 I have not been engaged in any material way for any previous projects or assignments for either of the Companies, and I have not discharged the role of Independent Actuary for either of the Companies in the past. However, as a consultant with Milliman since 2005, I have discharged various roles in my consulting responsibilities across a range of clients over time, including discharging the role of Independent Actuary for other schemes of transfer.
- 1.25 Other Milliman consultants in Ireland and elsewhere have, from time to time, provided various consulting services to entities within IFGL. Milliman currently provides actuarial reporting outsourcing services for Friends Provident International ("**FPIL**"), another IFGL insurance entity. Also, in 2021, Milliman's London and Isle of Man offices working jointly advised private equity firm Cinven on an M&A transaction which resulted in Cinven becoming IFGL's major shareholder.
- 1.26 Having checked within the Milliman organisation worldwide, I do not believe that any work undertaken by Milliman with either of the Companies, or with any other subsidiaries or affiliates of IFGL would create a conflict of interest for me in my role as Independent Actuary.
- 1.27 I do not consider that these assignments prevent me from acting independently in my assessment of the Proposed Scheme. I have also discussed this with senior management of IOMA and RL360 Services and they have confirmed

that they are of the same opinion. In addition, as noted above, I was approved by the IOMFSA as Independent Actuary for this proposed transfer in July 2024, as required under the 2008 Act.

- 1.28 Based on the foregoing I consider that I am in a position to act independently in my assessment of the Proposed Scheme.
- 1.29 I was assisted in preparing this Report by my colleague in Milliman, Rob Frize, Fellow Member of the Institute and Faculty of Actuaries in the UK. However, the Report is written in the first person and the opinions expressed are mine alone.

#### Parties for whom my Report has been prepared

- 1.30 The Independent Actuary's Report has been prepared for the benefit of the policyholders of IOMA and RL360 Services.
- 1.31 I also note that this Report could be of particular interest to the Court and will be used as part of the Petition to the Court in the Isle of Man to sanction the transfer.
- 1.32 This Report may also be of interest to the following parties:
- Members of IOMA and RL360 Services (noting the "Members" of these two companies are the shareholders)
  - The Directors and senior management of IOMA and RL360 Services and their parent companies
  - The IOMFSA or any other governmental department or agency having responsibility for the regulation of insurance companies in the Isle of Man.
  - The introducers, financial and investment advisors of IOMA policyholders impacted by the Scheme.
  - The professional advisers of any of the above with respect to the Proposed Scheme.
  - Anyone who believes they may be impacted by the Proposed Scheme and who are entitled to be heard in the Court's processes.

#### Reliances and limitations

- 1.33 In preparing the Independent Actuary's Report, I have had access to certain documentary evidence provided by IOMA and RL360 Services, the principal elements of which I list in Appendix A to this Report. In addition, I have had access to, and discussions with, the senior management and Appointed Actuaries of both IOMA and RL360 Services. My conclusions depend on the substantial accuracy of this information, and I have relied on this information without independent verification. There are no documents or other information that I have requested and that have not been provided.
- 1.34 I have relied on the work of the external auditors of IOMA and RL360 Services in gaining confidence in the financial information as at 30 September 2023 (for IOMA financial year end) and 31 December 2023 (for RL360 Services financial year-end) respectively, as summarised in this Report.
- 1.35 I have relied on the Companies' Appointed Actuaries in relation to the calculation of the technical provisions as at 30 September 2023 for IOMA and 31 December 2023 for RL360 Services, as submitted to the IOMFSA as part of the annual solvency reporting requirements of regulated insurers in the Isle of Man. I have provided each of the Appointed Actuaries of the Companies with a copy of this Report to ensure the actuarial information I have presented in this Report relating to IOMA and RL360 Services is consistent with their valuation reports. No issues were raised by either Appointed Actuary.
- 1.36 Neither I, nor any member of my team, is a qualified legal or tax expert. I have relied on the opinions and assurances of the Companies' internal and external legal and tax experts in these matters and I have not sought independent expert legal or tax advice.
- 1.37 The Independent Actuary's Report is based on the information available to me at, or prior to, 2 October 2024, and takes no account of developments after that date.
- 1.38 The Independent Actuary's Report, and any extract or summary thereof, has been prepared specifically and solely for the purposes of section 21(1) of and Schedule 2 to the 2008 Act.
- 1.39 Other than placing a copy on the Companies' websites, neither the Independent Actuary's Report, nor any extract from it, may be published without my specific written consent having first been given, save that copies of the Independent Actuary's Report may be made available for inspection at the head offices of both IOMA and RL360 Services, or the offices of their representatives, and copies may be provided to any person requesting the same in accordance with legal

requirements. In the event such consent is provided, the Independent Actuary's Report must be provided in its entirety. A copy of this Report will also be delivered to the IOMFSA (as required under the 2008 Act).

- 1.40 A summary of this Report may not be made without my written consent and, in particular, a summary of this Report may not be distributed to policyholders or Members without my prior approval.
- 1.41 The 2008 Act requires that, unless the Court otherwise directs, certain materials must be transmitted to each long-term policyholder and each Member of both IOMA and RL360 Services. These materials include a statement summarising the Proposed Scheme together with an abstract summarising the Independent Actuary's Report (together the "**Circular**"). I have prepared an abstract summarising this Report for inclusion in the Circular. A copy of the abstract summarising this Report will also be delivered to the IOMFSA as required under the 2008 Act.
- 1.42 The Independent Actuary's Report has been prepared within the context of the assessment of the terms of the Proposed Scheme. No liability will be accepted by Milliman, or me, for any application of the Independent Actuary's Report to a purpose for which it was not intended, nor for the results of any misunderstanding by any user of any aspect of the Independent Actuary's Report (or any summary thereof). Judgments as to the conclusions contained in the Independent Actuary's Report should be made only after studying the Report in its entirety. Furthermore, conclusions reached by the review of a section or sections on an isolated basis may be incorrect.
- 1.43 The Independent Actuary's Report should be read in conjunction with the other documents that pertain to the Proposed Scheme.

### Professional guidance

- 1.44 This Independent Actuary's Report has been prepared under the terms of the guidance set out in version 1.0 (effective 1 December 2022) of the Actuarial Standard of Practice ("ASP") INS-2 ("Transfer of an Insurance Portfolio – Role of the Independent Actuary") issued by the SAI.
- 1.45 In addition, version 1.2 (effective 1 March 2022) of ASP PA-2 ("General Actuarial Practice"), as issued by the SAI, requires members to consider whether their work requires an independent peer review. In my view, this Report requires peer review and, in accordance with Milliman quality assurance requirements, it has been peer reviewed by another Milliman Principal. I have complied with ASP-PA2 in the preparation of this Report.

### Terminology

- 1.46 My Report contains various technical terms which I need to use in assessing the Proposed Scheme. Those terms are not always highlighted in my Report (for ease of readability) but are listed in the glossary in Appendix C.

## 2 STRUCTURE OF THIS REPORT

### Introduction

- 2.1 Section 1 of this Report outlines the background to this Report and includes my reliances and limitations in preparing this Report as Independent Actuary.

### Summary of the Companies

- 2.2 Section 3 of this Report provides a summary of the business of IOMA.
- 2.3 Section 4 of this Report provides a summary of the business of RL360 Services.
- 2.4 I briefly describe IFGL as the ultimate parent of RL360 Services in Section 5 of this Report.

### Summary of the Proposed Scheme

- 2.5 Section 6 of this Report lists my key assumptions in assessing the Proposed Scheme.
- 2.6 I have summarised the main features of the Proposed Scheme in Section 7 of this Report.

### Summary of my assessment of the Proposed Scheme

- 2.7 In Sections 8 to 10 of this Report I have documented my assessment of the impact of the Proposed Scheme on long-term policyholders, and in particular my assessment of the financial security of benefits and the fair treatment and policyholder benefit expectations.
- 2.8 In my assessment I consider the impact on various categories of policyholders in RL360 Services and IOMA.
- 2.9 In my assessment I also comment on the communication plan to policyholders and interested parties and I also comment on who incurs the costs of the Proposed Scheme and the impact on policyholders.

### My conclusions and appendices

- 2.10 In Section 11 of this Report I confirm my conclusions from my assessment of the Proposed Scheme.
- 2.11 Appendix A of this Report lists the principal data sources I relied upon in carrying out my work.
- 2.12 Appendix B of this Report provides an overview of the regulatory and solvency regime in the Isle of Man.
- 2.13 A glossary of terms is provided in Appendix C of this Report.



### 3 BACKGROUND TO ISLE OF MAN ASSURANCE LIMITED

#### History and background

- 3.1 IOMA is a company incorporated in the Isle of Man under registered number 03792C whose registered office is at IOMA House, Hope Street, Douglas, Isle of Man, IM1 1AP. It is a wholly owned subsidiary of FHL which is a company incorporated in the Isle of Man and is IOMA Group's ultimate parent undertaking.
- 3.2 IOMA was established in 1971 as Isle of Man and General Life Assurance Company Limited. IOMA is authorised by the IOMFSA to carry on insurance business in Classes 1 (linked long-term), 2 (long-term excluding contracts within classes 1 to 9), 3 (marine, aviation and transport), 4 (property, excluding contracts within classes 3 or 5), 5 (motor), 6 (pecuniary loss), 7 (liability other than contracts within classes 3 or 5), 8 (credit and suretyship) and 9 (personal miscellaneous, including accident, health and disability) under the 2008 Act and the Insurance Regulations applicable to authorised insurance companies established in the Isle of Man.
- 3.3 FHL (as the ultimate parent of IOMA) incorporates a number of other companies regulated by the IOMFSA, which conduct activities related to pension scheme administration, captive insurance management and other financial services activities:
- Isle of Man Insurance Management Limited ("**IoMIM**")
  - IOMA Horizons Limited.
- 3.4 FHL has been seeking a purchaser for the entire issued share capital of its subsidiaries over recent years with none of the potential acquisitions progressing to completion. FHL's intention is to use the Proposed Scheme to reduce the operations of IOMA and to either run-off the remaining business in IOMA and/or seek a purchaser for the remaining book. If the Proposed Scheme is approved, and IOMA remains under FHL ownership, then IOMA then intends to surrender its insurance business licence in due course (which is likely to take many years to allow for the run-off of the business remaining in IOMA) subject to any requirements of the IOMFSA.

#### Nature of business written by IOMA

- 3.5 The insurance business of IOMA consists of (at the time of writing):
- Unit-linked long-term insurance contracts (known as the "**wealth book**") consisting of about 1,900 policies (exact count was 1,992 policies as at 27 September 2024). These will transfer to RL360 Services and are referred to as "**the Transferring Policies**" in this Report.
  - There is also one Property Wealth Manager ("**PWM**") policy which is also a unit-linked long-term insurance contract, but it is not included in the Transferring Policies and will remain in IOMA.
  - Compass long-term impaired life term assurance products (offering life cover, or critical illness cover), consisting of approximately 5,900 policies as at 24 September 2024.
  - General insurance (Property & Casualty) policies providing cover against a range of risks including income replacement, caravan, accident & health and miscellaneous financial loss, consisting of approximately 5,300 policies as at end August 2024. These include products such as Frank Pickles Caravans, Chauffeurplan, DriverGuard, the St. Christopher plan, and the Insured Windows Guaranteed plan.
- 3.6 The wealth book is all single premium unit-linked business, with the premiums invested in one or more unitised funds. These unitised funds are either internal or external funds or links to portfolios which may be managed by a third party.
- 3.7 The Compass term life and critical illness products were designed and developed by Compass Underwriting Limited (who are authorised by the Financial Conduct Authority ("**FCA**") in the UK), who in turn appointed IOMA to underwrite the policies. The IOMA policies are 5 year term covers with annual premium payments. There is an option to pay the annual premium in monthly instalments. The Compass products were marketed under various brands over recent years, namely
- Assura Protect
  - ESMI (Essential Supplementary Medical Insurance Ltd)
  - Hive
  - LifeShield

- Sure2Insure.

- 3.8 ViVet Limited (who are authorised by the FCA in the UK) bought Compass in 2022. The rights and obligations of Compass Underwriting Limited were novated to ViVet Limited (“ViVet”) on 1 November 2022.
- 3.9 I have been informed that on 28 November 2023 90 days notice was given by IOMA to ViVet to close the Compass book to new business. The policies issued by IOMA are 5 year term policies, so it will take a further five years (i.e. until 27 February 2029) for covers to expire.
- 3.10 The Compass policies include a renewal option at the end of the five-year term. Notice, in accordance with the policy terms and conditions, has been given by IOMA to all policyholders to confirm that IOMA will not be offering renewal terms.
- 3.11 The Compass policy terms and conditions also include a provision allowing the full cancellation of all Compass policies at 90 days’ notice. This provision is, by its nature, subject to conduct of business and treating customers fairly considerations. IOMA has decided not to seek to exercise the full cancellation provision at this stage. ViVet (formerly Compass) as the Managing General Agent would have to contact the underlying Compass policyholders to exercise any cancellation clauses within the terms and conditions of the policies.
- 3.12 I have been informed that on 24 November 2023 notice was given to the broker introducing general insurance caravan covers, Frank Pickles (Insurance Brokers) Limited, that IOMA will not be issuing new policies nor renewal terms from 1 March 2024.
- 3.13 Since 31 December 2023 IOMA is no longer accepting other general insurance business and has issued advance notice to the remaining annually renewable in-force general insurance policies that terms for renewal are no longer being offered. This means the St Christopher, Chauffeur Plan and DriverGuard products have no renewals beyond 31 December 2023, and the Fred Pickles Caravans products have no renewals beyond February 2024. The inforce policies are all therefore scheduled to reach the end of their cover period by no later than February 2025. However claims may still be reported to IOMA beyond this date.
- 3.14 In the past IOMA wrote 10 year covers relating to window guarantee insurance (via Insured Window Guarantee Limited in the UK), but stopped accepting new business with effect from 1 February 2018. In addition, IOMA have advised that they transferred (in January 2018) covers for all window installations from 7 June 2014 onward to a Gibraltar insurance company (namely, Evolution Insurance). Therefore, cover provided by IOMA on these policies expired on 6 June 2024 (i.e. 10 years after the last policy issued by IOMA before the effective transfer date to Evolution Insurance). However, claims may still be reported to IOMA beyond this date (for claims occurring before 6 June 2024).
- 3.15 The table below summarises the Technical Provisions for the financial year ending 2022 and 2023. Note IOMA currently has a financial year end at 30 September. I have been informed that IOMA has obtained IOMFSA’s approval to change its financial year to 31 December with effect from 31 December 2024.
- 3.16 The Technical Provisions comprise the Best Estimate Liabilities (“BEL”) and Risk Margin and form part of the liability side of the Isle of Man Risk Based Capital (“RBC”) Framework balance sheet. To the extent that some business is externally reinsured, there are reinsurance recoverables on the asset side of the balance sheet as an offset to the BEL.

**IOMA – Summary of in-force business (£ millions)**

Technical Provisions	30-Sep-23	30-Sep-22
Unit Reserve	402.2	445.7
Non-Unit Reserve	(20.5)	(19.1)
Life Best Estimate Provisions	381.7	426.6
General Insurance Best Estimate Provisions	1.1	1.3
Risk Margin	4.8	4.4
<b>Technical Provisions</b>	<b>387.6</b>	<b>432.3</b>

Source: IOMA Valuation Report September 23

- 3.17 In summary, at 30 September 2023, the Technical Provisions of IOMA totalled £387.6 million. Further detail on the Transferring Policies are included from paragraph 3.52 below.

## External reinsurance

- 3.18 IOMA has a number of external reinsurance arrangements (listed below).
- Death benefits on single premium bonds and international variable life policies. The sums at risk for this business are fully reinsured to Hannover Life Reassurance Company of America.
  - Death benefits on the Conrad SF Life Assurance Policy. This is reinsured on a surplus basis to Hannover Life Reassurance Company of America.
  - Death benefits on single premium whole of life assurance policies. The sums at risk for this business are fully reinsured or reinsured on a surplus basis to Swiss Re Europe S.A.
  - The liability cover for the general insurance caravan policies is reinsured with Ascot Lloyd's syndicate 1414.
- 3.19 IOMA retains all the mortality and morbidity and insurance risk on the Compass business and does not purchase external reinsurance.

## Solvency position

### RECENT SOLVENCY POSITION

- 3.20 IOMA had an excess of eligible Own Funds over its regulatory capital requirement at end September<sup>2</sup> 2022 and 2023 as shown in the table below.

#### IOMA – Reported solvency position (£ millions)

	30-Sep-23	30-Sep-22
(1) Net Assets before deducting Technical Provisions	405.4	449.5
(2) Technical Provisions	387.6	432.3
<b>(3) Total eligible own funds ( = (1) – (2) )</b>	<b>17.8</b>	<b>17.2</b>
(4) Solvency Capital Requirement (SCR)	14.2	14.0
(5) Minimum Capital Requirement (MCR)	5.0	4.9
<b>(6) Relevant RBC Framework capital requirement ( = Higher of 4 &amp; 5 )</b>	<b>14.2</b>	<b>14.0</b>
(7) Solvency coverage ratio ( = (3) / (6) )	125%	123%
(8) Excess of eligible own funds over capital requirement ( = (3) – (6) )	3.6	3.2

Source: IOMA Valuation Report September 23

- 3.21 As at end September 2023 the company's Own Funds, i.e. its assets in excess of its liabilities were £17.8 million (Sep 2022: £17.2 million). The eligible Own Funds exceeded the relevant regulatory capital requirement by £3.6 million (Sep 2022: £3.2 million). This translated into a solvency coverage ratio of 125% at end September 2023 (Sep 2022: 123%).
- 3.22 The IOMA solvency ratio of 125% at September 2023 is below the IOMFSA's current guideline minimum limit of 150%, above which dividend payments may be made.
- 3.23 The above SCR calculation allows for the loss absorbency of technical provisions, taking into account future management actions. IOMA has a board-approved management action plan which allows for the increase in policy charges if administration expenses increase, in the event of a market crash or in the event of a mass lapse of policies. If the effect of these management actions is excluded from the SCR calculation the solvency coverage ratio reduces to 108% at end September 2023 (Sep 2022 105%).

<sup>2</sup> IOMA has a financial year end of September each year and submitted annual regulatory returns as required to the IOMFSA effective on these dates.

**IOMA – Reported solvency position – without management actions (£ millions)**

	30-Sep-23	30-Sep-22
(1) Total eligible own funds	17.8	17.2
<b>(2) Solvency Capital Requirement (SCR)</b>	<b>16.5</b>	<b>16.4</b>
(3) Solvency coverage ratio (= (1) / (2) )	108%	105%
(4) Excess of eligible own funds over capital requirement (= (1) – (2) )	1.3	0.8

Source: IOMA Valuation Report September 2023

**PROJECTED SOLVENCY POSITION**

- 3.24 The internal risk management system of a IOMFSA authorised insurance company must include an annual Own Risk and Solvency Assessment (“**ORSA**”). IOMA’s 2024 ORSA report was approved by the IOMA Board in July 2024 subject to any comments from IOMFSA, in particular on the plan to run-off the remaining business. The ORSA is not a public document.
- 3.25 The annual ORSA process includes forward looking solvency projections for internal use and capital planning. The projections are prepared by management and not audited.
- 3.26 The 2024 ORSA included a projection of the future solvency development assuming the proposed sale and transfer of IOMA policies to RL360 Services did not occur and that the general insurance book runs off from March 2024. This projection was based on a start date of March 2024. This is shown in the table below. The business plan assumes no dividends are paid to shareholders over the course of the projection period.

**IOMA – Projected future solvency development (£ millions) as at 30 September (financial year end)**

	2023 Reported	2023 ORSA	2024	2025	2026	2027	2028	2029
(1) Eligible Own Funds	17.8	17.5	17.7	18.5	18.9	18.7	18.3	17.8
(2) Solvency Capital Requirement (SCR)	14.2	13.9	12.6	12.3	12.0	11.6	11.3	10.9
(3) Solvency coverage ratio (= (1) / (2) )	125%	126%	141%	151%	158%	161%	162%	163%
(4) Excess of Eligible Own Funds over SCR	3.6	3.6	5.1	6.2	6.9	7.1	7.0	6.9
(5) Dividends assumed	0	0	0	0	0	0	0	0

Source: IOMA ORSA Report 2024 (internal report) and IOMA Valuation Report September 2023

- 3.27 The projection of the IOMA business (assuming the Proposed Scheme does not occur, but IOMA is closed to new business and is in run-off) shows a gradual increase in Eligible Own Funds over time reflecting the retention of profits from the inforce business (noting the inforce business includes the Transferring Policies on an assumption the Proposed Scheme does not occur). The solvency capital requirement is projected to decrease due to the run-off of the in-force policies, resulting in a short-term increase in the solvency coverage ratio in percentage terms.
- 3.28 This projection assumes expenses can be scaled downwards as the business runs-off, and that the inforce policies expire as assumed and the liabilities from any inforce business can be settled. However, some of the general insurance classes written by IOMA can give rise to claims that are only reported many years after the claim occurs (so called “long-tailed” liabilities). In addition, IOMA also writes life policies that are capable of remaining inforce for the lifetime of the policyholder (so called “whole of life” policies). This could mean IOMA must remain as an authorised insurer far beyond the 2029 time horizon shown in the table above, and the expenses could exceed the margins arising over the long term, with consequent reducing financial viability over the long term.
- 3.29 The ORSA report noted that the key risks to the projected solvency coverage over time are: key person risks given the small number of employees, uncertainty due to the Proposed Scheme, expenses and expense control in run-off, possible material adverse claims experience from the Compass products and any issues (including financial costs or penalties) arising from Common Reporting Standards requirements (“**CRS**”).
- 3.30 The 2024 ORSA report also investigated the projected solvency development on a range of adverse economic scenarios. A number of the stress scenarios lead to a fall in the solvency coverage over the projection period.

**Independent Actuary’s Report**

In respect of the Proposed Scheme to transfer certain insurance business of Isle of Man Assurance Limited to RL360 Life Insurance Company Limited

## INTRA-GROUP LOANS

- 3.31 At the end of September 2023, IOMA had outstanding intercompany loans totalling £1.8 million, of which a loan to its parent FHL of £1.1 million was the largest. This loan is supported by a commitment from the ultimate owner.
- 3.32 There was a further outstanding balance of an intercompany loan of £0.67 million to IoMIM. In recent years, the intercompany balance due to IOMA from IoMIM has been growing. Payments on account made by IOMA have exceeded the amounts due so IOMA has, in effect, been providing financing to IoMIM. FHL has a general expense allocation arrangement whereby group expenses incurred by IoMIM are shared and in connection with this arrangement IoMIM has, in turn, an intercompany due from IOMA Horizons Limited. I note the outstanding balance due from IoMIM is provided for in IOMA's 30 September 2023 financial statements.
- 3.33 The intercompany balances (as loans) are not documented in a formal written contract. They are unsecured, interest free and with no fixed date of repayment. The 2024 ORSA projections above makes an assumption that there is no further change in the level of the intercompany balances over the projection period.

### Risk profile

- 3.34 The range of risks to which IOMA is exposed includes market/financial risk, credit risk, counterparty risk, insurance risk, business/operational risk, regulatory compliance risk and fiscal risk. The company has in place a risk management framework to monitor and manage risks on an ongoing basis.
- 3.35 The composition of IOMA's solvency capital requirement for end September 2022 and 2023 is set out in the table below. The SCR is calculated on the basis described above and it seeks to measure the loss on Own Funds in an extreme stress over a 12-month time horizon, i.e. assuming a 1 in 200 year adverse event occurs.

#### IOMA – Reported Solvency Capital Requirement (£ millions)

Solvency Capital Requirement	30-Sep-23	30-Sep-22
Market risk	8.9	8.2
Counterparty default risk	0.9	1.9
Life underwriting risk	5.8	5.5
General insurance risk	4.2	4.3
Diversification	(6.6)	(6.9)
Operational Risk	1.0	1.0
<b>Solvency Capital Requirement</b>	<b>14.2</b>	<b>14.0</b>

Source: IOMA Valuation Report September 23

- 3.36 Each of the risk categories shown in the SCR table above is composed of a number of submodules within each risk heading. These submodules and the calibrations of each stress to be applied within each submodule are prescribed by the IOMFSA regulatory regime.
- 3.37 The largest contributors to IOMA's SCR are the capital requirements for (financial) market risk and life underwriting risk.
- 3.38 Life underwriting risks include mortality risk (including catastrophe risk), expense risk and lapse risk. Lapse risk is the single greatest contributor to IOMA's capital requirement for underwriting risk, followed by mortality risk.
- 3.39 Market risks include interest rate risk, equity market risk, property risk, spread risk and currency risk. The largest contributor to IOMA's reported capital requirement for market risk is equity market risk, followed by currency risk and spread risk.
- 3.40 In addition, IOMA is exposed to other risks including counterparty risk, operational risk and general insurance risk. The largest component of the general insurance risk is catastrophe risk.
- 3.41 Diversification refers to a situation where an insurer is exposed to a number of unrelated/unconnected risks, which means that they are less likely to be materially affected by the manifestation of any single risk. By contrast, an insurer with a small number of risks is more likely to be materially affected by the manifestation of a single risk, all other things being equal. The "diversification benefit" is an adjustment to allow for this issue.
- 3.42 The SCR increased over 2023 primarily due to a change of the mix of policyholder investments away from cash and towards equities. This was offset by a reduction in the counterparty risk due to the decrease in the intercompany loans.

### Risk management

- 3.43 The IOMA Board has adopted a risk management framework centred around three core components:
- i. IOMA’s risk appetite, aligned to the company’s business strategy;
  - ii. Risk governance, including risk policies and business standards; and
  - iii. Ongoing processes to identify, measure, monitor, manage and report risk.
- 3.44 The Board Risk & Compliance Committee has documented roles and responsibilities. It is supported by a management-level Risk Management Committee.
- 3.45 The Risk Management Committee reviews the risk register and performance indicators attaching to the identified risks on a monthly basis. On an annual basis, or sooner given material change, IOMA completes an Own Risk Solvency Assessment exercise to review pertinent risk scenarios and capital needs. The Board reviews the conclusions drawn from the ORSA and agrees actions to be taken.

### Capital management policy

- 3.46 The latest capital management policy was presented to the Board of IOMA on 25 March 2024 and I have been informed that the directors have indicated that it is agreeable in principle.
- 3.47 IOMA seeks to maintain appropriate available capital in excess of the SCR and the MCR. Available capital is determined as the value of the Own Funds determined in accordance with the Isle of Man (“IOM”) risk-based solvency regulations. The aim is to retain capital at or around a target level. Tolerance levels, around the target level, are used to determine whether action should be taken.
- 3.48 The target and tolerance levels of capital are reviewed no less frequently than annually by the Board, having regard for the advice of the Appointed Actuary. Each review considers an assessment of the risks to which IOMA is exposed and the suitability of the available assets. The continued appropriateness of the target level is also reviewed whenever a proposal is being made to distribute capital.
- 3.49 Capital requirements used to determine the target and tolerance levels allow for management actions and accordingly one risk exposure that the Board considers is the risk that any of the planned management actions cannot be applied in full.
- 3.50 IOMA’s target level of capital is a solvency ratio of 150% of the SCR. The target level is subject to a minimum level of Own Funds equal to the absolute floor of the MCR, currently £3m, plus a £1m buffer.

#### IOMA – Capital Management Trigger and Targets

Tolerance Level	Percentage of SCR	Amount of Own Funds (£m)
Upper	160%	1.2
Base	130%	0.6
Lower	115%	0.3

Source: Capital Management draft wording (dated 26 Mar 2024)

- 3.51 The following actions are determined if the percentage of SCR or amount of Own Funds breaches the following levels:
- Below Lower Tolerance: immediate action to improve the position to at least the lower tolerance level must be taken.
  - Between Lower and Base Tolerance: if the projected progression of the available capital is such that the base tolerance level will be reached within 12 months, then no action is required, otherwise, action is required sufficient for the base tolerance level to be reached within 12 months.
  - Between Base and Upper Tolerance: no action is required.
  - Above Upper Tolerance: no action is required. Subject to the discretion of the Board and to any other regulatory requirements, it is permitted to distribute surplus Own Funds by way of dividend, capital reduction or by augmenting loans to group companies to the extent that the available capital exceeds the upper tolerance level.

### The Transferring Policies

- 3.52 At end September 2023 IOMA had 2,064 in-force (live) policies included in the Proposed Scheme for transfer. These were all single premium unit-linked investment products. The number of Transferring Policies has reduced to 2,041 at end March 2024, and 1,992 as at 27 September 2024. It is expected to be approximately 1,900 on the Effective Date.
- 3.53 A breakdown of the in-force policies by product type (as at 27 September 2024) is shown in the table below. The breakdown on the Effective Date is expected to follow a similar distribution across the headings shown below - albeit with a reduction in the total number of policies to the actual inforce policies on the Effective Date which is expected to be approximately 1,900.

#### IOMA – Recent snapshot of in-force policies within scope of Proposed Scheme

Transferring Policies as at 27 September 2024	No. of Policies	Unit Value (£m)
Single Premium Bond for UK Resident Policyholders for Estate Planning	1,004	270
Single Premium Bond for UK Resident Policyholders	318	49
Single Premium Bond for International Policyholders	616	35
Single Premium Bond for Swedish Resident Policyholders	32	32
Single Premium Bond for US Expatriate Policyholders	22	26
<b>Total</b>	<b>1,992</b>	<b>412</b>

Source: IOMA internal management information

- 3.54 IOMA’s wealth book products are all single premium offshore portfolio bonds. There are over 30 different individual product types, but they all share similar characteristics:
- The products generally allow for a wide range of investments to be chosen, known as portfolio bonds. Many policyholders will hold assets in a managed account on a third-party platform and/or have assigned a Discretionary Fund Manager (“DFM”) to manage the assets under the policy. There are approximately 62 separate DFM or managed account arrangements (of which 20 are under Isle of Man law, and 42 are under the laws of other countries outside the Isle of Man).
  - A majority of the policies are designed to assist UK resident policyholders mitigate the impact of UK inheritance tax.
  - Typical charges paid to the company are an annual management charge as a percentage of the policy’s funds under administration. Some products also incur a fixed administration fee, accrued monthly and deducted quarterly, that is subject to annual review. There will be charges within pooled fund investments selected for a policy levied by the managers of those funds and within any managed account held for the policy levied by the account provider. All dealing and custody charges levied by any third party appointed to deal with the investments allocated to the policy will be charged to the policy.
  - The main benefits are the policy surrender and maturity values, although some products for estate planning may not have a surrender value. All products have an element of additional death benefit (in addition to the surrender value of the policy), but generally this additional death benefit is very low, even as low as £100. A small number of products have material death benefits and IOMA has significant reinsurance cover in place on these policies.
  - Products designed for sale in the UK will typically be split into identical “segments” which can be surrendered as individual policies to maximise UK income tax efficiency.

### UNI-TECH PRODUCTS

- 3.55 IOMA has an agreement with Uni-Tech Associates S.A. (“Uni-Tech”), a Swiss company, under which Uni-Tech developed certain products included within the Transferring Policies with beneficial UK tax effects for policyholders. In exchange for a licence to use the intellectual property in these products and underwrite them, IOMA pay Uni-Tech a share of the fees generated by those products as a series of ad valorem payments.
- 3.56 IOMA has provided Uni-Tech with notice to terminate the sale of these products. The ad valorem payments to Uni-Tech continue to be due under continuing provisions of the agreement and the Companies have agreed to novate the agreement from IOMA to RL360 Services.

## DISTRIBUTION AND ADVICE ARRANGEMENTS

3.57 For some policies, ongoing fee or commission payments are made by IOMA to introducers, insurance intermediaries, financial and fund investment advisors (including DFMs) where policyholders are receiving ongoing advice relating to their IOMA policy. These advisory services may include ongoing financial advice or investment related advice. Some are written under Isle of Man law, and some are written under the law of countries outside the Isle of Man. There are two categories of these arrangements:

- Agency agreements that govern the payment of initial and ongoing commissions that are in place between IOMA and introducers.
- Policies may also have fund investment advisors (including DFMs) appointed to provide ongoing advice on the make-up of individual policy fund selections and portfolios. In these cases the policyholder has authorised and instructed IOMA to pay investment advisor fees from their policy to the fund investment advisors (“**DFM Agreements**”)

## INTERNAL FUNDS AND UNIT-LINKED STRUCTURES

3.58 IOMA maintains a number of notional internal funds for its unit-linked business (“**internal linked funds**”). This structure is a standard approach in the insurance industry for the administration of unit-linked business where the policyholder takes all investment risk on the underlying assets. Policyholder benefits are linked to these internal linked funds, which are typically valued daily. For External Funds (explained below), the policyholder benefits are linked to the value of the External Funds.

3.59 IOMA unit-linked policies are managed in three categories of internal linked funds:

- Internal Funds are IOMA unitised funds that invest directly in assets managed primarily by FIM Capital, an investment management company. The Internal Funds hold units on behalf of groups of policyholders based on policyholder instructions.
- External Funds are IOMA notional internal funds that invest directly in funds managed by external fund managers and fund providers. The investments are owned by IOMA, and are held in a managed account with a third party, or held external to IOMA on a third-party platform or with a DFM. Here individual policyholders each have individual policyholder-specific notional IOMA internal funds that hold these External Funds.
- A few products also provide the option to invest in directly-held securities. These include holding equities, bonds or shares in privately-held companies in individual policyholder-specific notional IOMA internal funds.

### IOMA – Breakdown of internal funds and unit-linked structures (at 27 September 2024)

Type of internal linked fund	Percentage	Unit Value (£m)
External Funds - managed accounts, DFM or platform holdings	78%	320
External Funds - directly invested with external fund managers	10%	43
IOMA Internal Funds (including cash internal funds)	4%	14
Other cash and deposit holdings	3%	14
Directly-held securities	5%	20
<b>Total</b>	<b>100%</b>	<b>412</b>

Source: IOMA internal management information

3.60 The liabilities on the unit-linked business are matched by assets owned by IOMA. These assets are maintained in identified portfolios which are matched exactly to a corresponding internal linked fund.

## DISCRETIONARY POWERS OF IOMA

3.61 In relation to the ability to exercise discretion in respect of aspects of the terms and conditions applicable to the Transferring Policies, IOMA has informed me that with the exception noted below, it has not exercised any discretionary powers on the Transferring Policies in the past in relation to aspects of their terms and conditions such as adjusting the level of product or fund charges levied.



- On 30 June 2020, IOMA increased the fund value related policy charges and amount-based product charges by 25% or 15% on certain unit-linked policies where, in the opinion of IOMA, increases are allowed by the terms and conditions.
- For certain products, amount-based product charges are reviewed annually and subject to inflation-based increases, with the most recent increase, in 2023, being by 7.5%.

3.62 The Flexible Inheritor Plan (“**FIP**”) includes a Guaranteed Minimum Sum Assured (“**GMSA**”). Under the FIP policy terms and conditions, IOMA requires at least 110% of the amount of the GMSA to be held within one of IOMA’s internal cash funds.

### Operational arrangements and current issues

- 3.63 IOMA outsources its insurance administration activities to IoMIM via an intra-group outsourcing arrangement. IoMIM is a registered insurance manager in the Isle of Man.
- 3.64 IOMA uses a proprietary server-based IT system called GL3 for the administration of the wealth book, as well as in-house software for additional features. Two unit linked products, one product with less than ten in-force policies and the one PWM policy, are maintained outside of GL3.
- 3.65 A cloud-based customer relationship management system is used to support the Compass and general insurance business, other than caravan business, underwritten by IOMA. Third parties with links to the product originators provide front end administration functions for caravan business and for Compass. ViVet provides outsourced administration services for the Compass policies including premium collection, initial claims underwriting and claims payment.
- 3.66 The IOMA IT infrastructure is managed internally with an outsourced maintenance and support arrangement operated by a local provider.
- 3.67 IOMA currently outsources a number of other key functions to external third parties, including the functions of internal audit, actuarial and claims underwriting support.

### Policyholder Compensation Scheme

- 3.68 As authorised insurers, IOMA (and also RL360 Services) are members of the Isle of Man Policyholders Compensation Scheme (“**PCS**”) governed by the Life Assurance (Compensation of Policyholders) Regulations 1991. The objective of the PCS is to provide a compensation scheme for policyholders should an authorised insurer be unable to satisfy its long term-insurance liabilities.
- 3.69 The PCS can be considered to be a fund of ‘last resort’, coming into effect only when the IOMFSA’s comprehensive framework of statutory protection measures has been unable to prevent the failure of an insurer. Because of this the likelihood of the PCS being invoked is considered remote.
- 3.70 The PCS does not provide protection against investment or other financial losses arising out of the investments which may be held within a long-term insurance contract. It is designed to deal only with the failure of a Participant Insurer to the PCS.
- 3.71 Compensation is payable by the PCS up to a maximum of 90% of the value of the protected contract, determined at the date of the failure of the Participant Insurer.
- 3.72 Money is not collected in advance to fund compensation payments. Compensation is paid out of contributions (as a levy) collected from the other Participant Insurers in the Isle of Man after any failure of an individual PCS Participant Insurer.
- 3.73 In the event of a levy being charged on PCS members, the members would be obliged to satisfy the liability arising at that time. The maximum levy payable under the PCS in respect of the insolvency of any Participant Insurers is 2% of their insurance and investment protected contract liabilities. No levy is currently payable by any PCS members.
- 3.74 Participant Insurers may decide to pass on the cost of any PCS funding levy to their own policyholders, where their terms and conditions allow. IOMA are of the view that the levy could be passed on in all cases for the wealth book business, except the single policy noted in paragraph 3.75 below.
- 3.75 The Transferring Policies includes one policy that was issued prior to the introduction of a voluntary precursor scheme to the PCS. This policy is not a protected contract under the terms of the PCS.

## 4 BACKGROUND TO RL360 LIFE INSURANCE COMPANY LIMITED

### History and background

- 4.1 RL360 Services is the trading name of a company incorporated in the Isle of Man under registered number 033520C whose registered office is at International House, Cooil Road, Douglas, Isle of Man IM2 2SP. It is a wholly owned subsidiary of IFGL which is a company incorporated in the Isle of Man and is RL360 Services' ultimate parent undertaking. RL360 Services also operates a branch in Hong Kong which is regulated by the Hong Kong Insurance Authority ("HKIA"). RL360 Services is also a Category A permit holder in Jersey.
- 4.2 On 23 January 2023, Cinven, an international private equity firm, acquired the majority shareholding of IFGL from another private equity firm. IFGL's management own a minority shareholding in IFGL.
- 4.3 RL360 Services is authorised by the IOMFSA to carry on insurance business in Classes 1 (linked long-term) and 2 (long-term, excluding contracts within classes 1 to 9) under the 2008 Act and the Insurance Regulations.
- 4.4 RL360 Services commenced operations in 1987 as CMI Insurance Company Limited and changed ownership in 2015 to become RL360 Life Insurance Company Limited.
- 4.5 RL360 Services closed to new business in 2015 and since then has been in the process of running-off its book of policies. A further block of policies was acquired by transfer to RL360 Services in 2017. IFGL operates as a consolidator of offshore life assurance companies on the Isle of Man and has acquired other subsidiary insurance and financial services companies (see paragraph 5.4 for further details).
- 4.6 IFGL's intention is to use RL360 Services as one of its vehicles for acquiring blocks of life insurance business in the future. The volume, nature and timing of any such future deals is difficult to predict. Any such deals that involve a transfer of business to RL360 Services under the provisions of the 2008 Act would currently be subject to the same oversight and approval process as apply to the Proposed Scheme in order to ensure that RL360 Services' policyholders are not materially adversely affected.

### Nature of business written by RL360 Services

- 4.7 As at 31 December 2023, the majority of RL360 Services' business consisted of unit-linked business, and a small amount of unitised with-profits business. RL360 Services is closed to new business, with additional contributions ("top-ups") accepted to some policies in accordance with policy conditions.
- 4.8 The table below summarises the Technical Provisions for 2022 and 2023. RL360 Services has a financial year end of 31 December.

#### RL360 Services – Summary of in-force business (£ millions)

	31-Dec-2023	31-Dec-2022
Unit Reserves	3,434.7	3,521.1
Non-Unit Reserves	(88.2)	(83.4)
<b>BEL</b>	<b>3,346.5</b>	<b>3,437.7</b>
Risk Margin	17.4	16.2
<b>Technical Provisions</b>	<b>3,363.8</b>	<b>3,453.9</b>

Source: 2023 Valuation Report RL360 Services

- 4.9 In summary, at end 2023 RL360 Services had approximately 12,800 policies in-force. Total Technical Provisions amounted to £3,364 million (2022: £3,454 million).

### Solvency position

#### RECENT SOLVENCY POSITION

- 4.10 RL360 Services had an excess of eligible Own Funds over its regulatory capital requirement at end 2022 and 2023, as shown in the table below.

**RL360 Services – Reported solvency position (£ millions)**

	31-Dec-23	31-Dec-22
(1) Net Assets before deducting Technical Provisions	3,540.5	3,624.1
(2) Technical Provisions	3,363.8	3,453.9
(3) Other adjustments to arrive at eligible own funds		-
<b>(4) Total eligible own funds (= (1) – (2) + (3) )</b>	<b>176.7</b>	<b>170.2</b>
(5) Solvency Capital Requirement (SCR)	69.5	65.5
(6) Minimum Capital Requirement (MCR)	24.3	22.9
<b>(7) Relevant RBC Framework capital requirement (= Higher of 5 &amp; 6 )</b>	<b>69.5</b>	<b>65.5</b>
(8) Solvency coverage ratio (= (4) / (7) )	254%	260%
(9) Excess of eligible own funds over capital requirement (= (4) – (7) )	107.2	104.7

Source: RL360 Services 2023 and 2023 Valuation Report RL360 Services

- 4.11 As at 31 December 2023, the company’s assets exceeded its liabilities by £176.7 million (2022: £170.2 million). The eligible Own Funds exceeded the regulatory capital requirement by £107.2 million (2022: £104.7 million). This translated into a solvency coverage ratio of 254% at 31 December 2023 (2022: 260%). Own Funds at 31 December 2023 includes an allowance for a foreseeable dividend of £9 million to be paid in May 2024 and the Own Funds at 31 December 2022 included an allowance for a foreseeable dividend of £17 million which was paid in April 2023.
- 4.12 The eligible Own Funds figure at end 2023 includes an asset of an uncollateralised loan made to its parent, IFGL valued at £84.1 million (the Upstream Loan “**USL**”). If no value is placed on this loan, the Own Funds would reduce to £92.6 million and the SCR to £56.5 million, resulting in a solvency coverage ratio of 164%.

**PROJECTED SOLVENCY POSITION**

- 4.13 In addition to looking at the recent solvency position, it is also useful to look at the possible future solvency development.
- 4.14 The 2024 IFGL ORSA (which is an internal confidential document) included financial projections on various assumptions. Baseline financial projections were prepared by RL360 Services and included assumptions on future market conditions, premium volumes, expenses and policyholder behaviour such as surrender rates and withdrawals. These projections do not include the transfer of the IOMA business to RL360 Services, i.e. they assume the Proposed Scheme does not occur.
- 4.15 The table below was extracted from the 2024 RL360 Services ORSA process which included projections of the future solvency position of RL360 Services for the period to 2028 assuming the Proposed Scheme does not occur.

**RL360 Services – Projected future solvency development (£ millions) as at 31 December**

	2023 Reported	2023 ORSA	2024	2025	2026	2027	2028
(1) Eligible own funds	177.0	186.0	189.0	166.0	166.0	167.0	168.0
(2) Solvency Capital Requirement (SCR)	70.0	70.0	68.0	66.0	64.0	63.0	61.0
(3) Solvency coverage ratio (= (1) / (2) )	254%	267%	277%	252%	258%	267%	275%
(4) Excess of eligible own funds over capital requirement	107.0	116.0	121.0	100.0	102.0	104.0	107.0
(5) Dividends assumed	n/a	25.0	9.0	33.0	10.0	9.0	9.0

Source: IFGL ORSA 2024 & 2023 Valuation Report RL360 Services

- 4.16 The table above shows the end 2023 position (as reported) and the 2023 projection from the ORSA. Dividends are assumed to be declared in future years as determined by RL360 Services’ available liquid assets and IFGL’s liquidity risk appetite, as set out in the company’s Capital Management Policy. The projected position shows an increase in the eligible own funds over 2024 (representing the expected favourable impact of new Isle of Man regulatory rules around risk margin), and then a gradual decrease in Own Funds and the SCR over subsequent years reflecting the run-off of the business and the dividends emerging in line with the capital plan.

**Independent Actuary’s Report**

In respect of the Proposed Scheme to transfer certain insurance business of Isle of Man Assurance Limited to RL360 Life Insurance Company Limited

- 4.17 The ORSA report notes that the “top-of-mind” risks to the projected solvency coverage and the company’s strategy over time are: technology strategy, cybersecurity and Artificial Intelligence technology risks, geopolitical instability, tax reforms, regulatory engagement and relationships, and operational resource challenges.
- 4.18 The ORSA report also investigates the projected solvency development on a range of adverse scenarios. Overall the stress and scenario testing results demonstrated that the capital position of RL360 Services is resilient to a range of adverse economic and non-economic scenarios.
- 4.19 I consider the projected solvency position of RL360 Services assuming the Proposed Scheme is approved in Section 8 of this Report.

**Risk profile**

- 4.20 The range of risks to which RL360 Services is exposed includes market/financial risk, credit risk, counterparty risk, insurance risk, business/operational risk, regulatory compliance risk and fiscal risk. As required under the RBC Framework, the company has in place a risk management framework to monitor and manage risk on an ongoing basis.
- 4.21 The table below sets out the composition of RL360 Services’ SCR at end 2022 and 2023. The SCR is calculated on a basis prescribed by the IOMFSA and it seeks to measure the loss of Own Funds in an extreme stress over a 12 month time horizon, i.e. assuming a stress equivalent to a 1 in 200 year event occurs.

**RL360 Services – Solvency Capital Requirement (£ millions)**

Solvency Capital Requirement	31-Dec-23	31-Dec-22
Market risk	42.6	39.8
Counterparty default risk	5.3	6.0
Life underwriting risk	41.2	38.8
Diversification	(22.3)	(21.5)
Operational risk	2.7	2.4
<b>Solvency Capital Requirement</b>	<b>69.5</b>	<b>65.5</b>

Source: 2023 Valuation Report RL360 Services

- 4.22 As can be seen from the table above, the largest contributors to RL360 Services’ SCR are the capital requirements for life underwriting risk and (financial) market risk. The results for end 2022 were relatively similar.
- 4.23 Life and health underwriting risks include mortality risk (including catastrophe risk), longevity risk, expense risk and lapse risk. Lapse risk is the single greatest contributor to RL360 Services’ capital requirement for underwriting risk, followed by expense risk.
- 4.24 Market risks include interest rate risk, equity market risk, property risk, spread risk, currency risk and concentration risk. The largest contributor to RL360 Services’ reported capital requirement for market risk was concentration risk, followed by equity risk. The concentration risk includes the exposure on the loan to IFGL.
- 4.25 Diversification refers to a situation where an insurer is exposed to a number of unrelated/unconnected risks, which means that they are less likely to be materially affected by the manifestation of any single risk. By contrast, an insurer with a small number of risks is more likely to be materially affected by the manifestation of a single risk, all other things being equal. The “diversification benefit” is an adjustment to allow for this issue.
- 4.26 In addition, RL360 Services is exposed to other risks including counterparty risk and operational risk.
- 4.27 The SCR increased over 2023 in part due to strong overseas equity market performance over the year along with the changes to RL360 Services’ 2023 demographic and asset assumptions set.

**UNIT-LINKED BUSINESS**

- 4.28 RL360 Services’ unit-linked business consists of a range of single and regular premium unit-linked policies, along with a small number of wholly reinsured annuities. Depending on the product, policies can be denominated in a number of currencies. The vast majority of the policy liabilities are denominated in sterling.
- 4.29 RL360 Services manages a range of unit-linked products, including as personal portfolio bonds and international life policies. Each personal portfolio bond policy is administered by RL360 Services as a unique internal fund linked to the individual policy. The policy includes an individual cash account (referred to as the General Transaction Account

("GTA") in this Report), and units reflecting the External Fund Assets selected by the policyholder, or its advisor as appropriate.

- 4.30 Unit-linked business passes all investment risk to the policyholder, but some operational risks remain with RL360 Services. In particular, errors in unit pricing, fund administration or policy administration can result in compensation payable to policyholders and can also result in additional resource needs, and heightened regulatory scrutiny.
- 4.31 The other main risk associated with unit-linked business is the potential volatility of the future net income stream for the company. This is particularly relevant for unit-linked products as revenues are largely dependent on the level of fund values whereas expenses may be largely independent of movements in financial markets.

#### UNITISED WITH-PROFITS BUSINESS

- 4.32 RL360 Services' business consists of a range of unitised with-profits funds which can be accessed by a small range of the company's single and regular premium products. The products can (and often do) hold a mixture of unit-linked and unitised with-profits funds and no longer accept additional new single contributions or increases in regular contributions into the with-profits funds.
- 4.33 All of the unitised with-profits funds are fully reinsured with Scottish Widows Limited.

#### ADDITIONAL FUTURE ACQUISITIONS

- 4.34 RL360 Services' stated strategy is to acquire run-off blocks of life insurance business as one of IFGL's strategies. This strategy should typically not result in the introduction of any material new types of risk, beyond those already discussed above in connection with life insurance business.
- 4.35 IFGL's strategy for RL360 Services is based on creating and maintaining a critical mass of in-force policies to give economies of scale in terms of operating expenses and shared services over the long-term.

#### Risk management

- 4.36 RL360 Services has adopted IFGL's risk management framework which includes the following components:
- risk strategy and appetite, aligned to the company's business strategy;
  - risk tolerances, limits and triggers; and
  - risk management policies and ongoing processes to identify, measure, monitor, manage and report risk.
- 4.37 The Risk Management Framework provides for the continuous and forward-looking identification and assessment of the company's risks. On an annual basis, IFGL performs a Group ORSA to assess whether it and its subsidiaries have sufficient capital to meet solvency capital requirements over the business planning period under specific risk scenarios or stressed business conditions, which are designed based on the company's risk profile. The RL360 Services Board reviews the conclusions drawn from the ORSA and agrees potential actions to be taken.
- 4.38 RL360 Services has a number of external reinsurance arrangements in place, with 100% reinsurance on a number of with-profits internal funds placed with Scottish Widows Limited, and protection benefits reinsured with Swiss Re Life and Health.

#### Capital management policy

- 4.39 RL360 Services manages its capital so that it exceeds regulatory minimum capital requirements at all times. RL360 Services' Capital Management Policy which has been adopted by the RL360 Services Board defines the business risk appetite around the management of capital and specifies which metrics the business uses to assess whether it remains within the risk appetite. These metrics include:
- The minimum level of solvency cover which RL360 Services should maintain, and an upper level of cover which RL360 Services should maintain in order to ensure capital is being used as efficiently as possible,
  - Lower and upper levels of liquid assets RL360 Services should maintain, in order to ensure it has sufficient assets to pay liabilities as they fall due and to ensure it is investing surplus assets in an efficient manner, respectively.
  - A dividend policy, which confirms the parameters that determine whether RL360 Services is able to declare a dividend.

- 4.40 At a company (i.e. RL360 Services) level, the solvency position is determined on the IOMFSA Risk Based Capital basis. For internal risk management purposes, the IOMFSA RBC solvency is monitored both with and without the USL (upstream loan to parent).
- 4.41 The liquidity position is determined using the liquidity ratio; that is, the available liquid capital divided by the liquid capital requirement. The available liquid capital is the amount of liquid capital held at company level, less any amount of capital that is required to support the higher of the liquid capital requirement and solvency capital requirement in respect of the Hong Kong branch. The liquid capital requirement is the amount of maintenance expenses incurred over the previous 12 months, less the amount of maintenance expenses allocated to the branch for the purpose of determining the branch liquidity requirement.
- 4.42 The Capital Management Policy includes a range of financial metrics with a so called “Red Amber Green” or “RAG” status. The statuses are defined as follows:
- Green – No action is required.
  - Amber – The metric is to be monitored closely.
  - Red – Immediate action is required.
- 4.43 The current target and trigger points are shown in the table below.

**RL360 Services – Capital Management Trigger and Targets**

RAG status	Red	Amber	Green
Action	Immediate action required	Monitor closely	No action required
Solvency Ratio (including USLs)	< 125%	125% - 150%	> 150%
Solvency Ratio (excluding USLs)	< 110%	110% - 130%	> 130%
Liquidity ratio	< 130%	130% - 150%	> 150%

Source: RL360 Services Capital Management Policy 14 August 2024 v2.5

- 4.44 Subject to any other regulatory requirements, dividends can be declared if all metrics are above the midpoint of the lower and upper target.

**Operational arrangements**

- 4.45 RL360 Services outsources its insurance administration activities to two other IFGL subsidiaries called RL360 Services Limited and IFG Business Services Limited (for simplicity “**IFG Business Services**”), via an intra-group outsourcing arrangement governed by a Management Agreement. RL360 Services Limited and IFG Business Services Limited are registered insurance managers in the Isle of Man and provides insurance services to support the administration requirements of RL360 Services in respect of its business.
- 4.46 IFG Business Services uses a series of proprietary IT systems (including LifeFit, CLASS and InvestPro) for the administration of life insurance business, owned and managed by IFGL.
- 4.47 RL360 Services has identified that its operating model will not change (or require changes) following the Proposed Scheme.

## 5 INTERNATIONAL FINANCIAL GROUP LIMITED

- 5.1 RL360 Services is owned by IFGL, an Isle of Man company supervised as an insurance group by the IOMFSA which is either directly or through its subsidiaries an acquirer of cross-border insurers, often in run-off. IFGL is majority owned by private equity firm Cinven and members of the IFGL management team have a minority shareholding in IFGL.
- 5.2 Cinven Capital Management (SFF) General Partner Limited (“**Cinven**”), a Guernsey based company, is the ultimate controlling party of IFGL and subsidiaries.
- 5.3 IFGL operates regulated insurance companies in the Isle of Man and continues to pursue further opportunities in a number of countries.
- 5.4 A summary of IFGL’s material acquisitions since inception is set out below:

### IFGL – Acquisitions to date

Seller	Target	Country	Completion
Royal London	RL360 (previously Scottish Provident International and Scottish Life International)	Isle of Man	November 2013 (Formed RL360 Group, subsequently renamed IFGL).
Lloyds Banking Group	Clerical Medical International	Isle of Man	December 2015, renamed RL360 Services
Rowan Dartington	Ardan (investment platform)	Isle of Man	December 2016
Clerical Medical Investment Group	A portfolio of Clerical Medical policies known as the ILD Policies	Isle of Man	April 2017
AVIVA	Friends Provident International	Isle of Man	July 2020
Sovereign	Sovereign Pension Services (pension administration)	UK	March 2023, renamed IFGL Pensions

- 5.5 I have been provided with the most recent 2024 ORSA for IFGL. This report, which is a requirement of the IOMFSA for insurance groups, indicates that IFGL currently has a healthy solvency position.

## 6 KEY ASSUMPTIONS AND DEPENDENCIES IN ASSESSING THE PROPOSED SCHEME

### Transaction Agreement

- 6.1 In anticipation of the Proposed Scheme, RL360 Services and IOMA entered into a Transfer Agreement on 10 January 2024. This agreement (the “**Transfer Agreement**”) includes, inter alia:
- Details on the commercial aspects on the sale and purchase of the transferring business, including the consideration (price) payable to IOMA.
  - Agreement to support and facilitate the Court approved Scheme of Transfer of the business from IOMA to RL360 Services, subject to the approval of the Court for the Proposed Scheme.
  - Transfer of the agreed amount of assets from IOMA to RL360 Services in respect of the business on completion of the Proposed Scheme. The basis for the calculation of this amount is set out in the Transfer Agreement.
  - Most of the assets representing the policyholder liabilities will transfer in-specie or by reregistration of discretionary accounts (i.e. via a change of ownership) from IOMA to RL360 Services, however there is also a material amount of cash that will be paid from IOMA to RL360 Services representing some of the unit-linked liabilities linked to IOMA internal linked funds (more details in paragraph 7.23).
  - Novation from IOMA to RL360 Services of all agreements whereby Transferring Policies have risks reinsured.
  - Novation of the Uni-Tech agreement from IOMA to RL360 Services.
- 6.2 The Transfer Agreement includes an obligation on both parties to identify any services required by RL360 Services on an interim basis after the Effective Date (for example, to effect the transfer of data, records and relevant assets). If such services are identified, then both parties will agree a Transitional Services Agreement between RL360 Services and IOMA and sign it before the Effective Date of the Proposed Scheme. This agreement would oblige IOMA to continue to administer and manage the Transferred Policies on behalf of RL360 Services for a limited period (no more than 3 months) after the Effective Date until IFG Business Services, on behalf of RL360 Services, has tested the migration of the insurance data and has onboarded the administration processes from IOMA. At the time of preparing this Report the Companies have not sought to detail or enter into a Transitional Services Agreement.
- 6.3 Under the terms of the Transfer Agreement, commercial performance of the Transferring Policies transfers from IOMA to RL360 Services with effect from 1 July 2023. This is achieved by adjusting the consideration price payable from RL360 Services to IOMA on the Effective Date of the Scheme. The consideration is adjusted by the ‘surplus arising/profit emerging’ as defined in the Transfer Agreement attributable to the Transferring Policies for the period between 1 July 2023 and the Effective Date of the Scheme. ‘Surplus arising/profit emerging’ includes an allowance for, among other items, policy and management charges received, reinsurance premiums and recoveries, policy claims paid and policy servicing costs in the interim period.

### RL360 Services assumptions

- 6.4 In preparing this Report to assess the Proposed Scheme I have assumed the following topics have been addressed by RL360 Services in anticipation of the Proposed Scheme. I will comment on the status of these points again in my Supplementary Report to the Court, as explained in paragraph 1.19 of this Report.
- Confirmation of operational readiness by RL360 Services to novate (as necessary) and manage the various DFM agreements in place. This is summarised in paragraphs 3.54 and 7.11 of this Report.
  - Confirmation of operational readiness by RL360 Services to implement the proposed approach for the replacement of certain identified IOMAs internal linked funds within RL360 Services (where an in-specie transfer of underlying assets and the creation of new internal linked funds in RL360 Services is not feasible). This is discussed in paragraphs 7.23 to 7.37 of this Report.
  - Confirmation of operational readiness by RL360 Services to implement the proposed approach for the crediting (or debiting) of each individual policyholder General Transaction Accounts (“**GTAs**”) with sufficient cash balances that are equivalent to the cash balances held by the individual policyholders in IOMA via the IOMA use of cash accounts and units in the Cash IIFs. This is discussed in paragraphs 7.24 to 7.28 of this Report.
  - Whether a Transitional Services Agreement is agreed or not (as described in paragraph 6.2 above) to ensure RL360 Services can administer the Transferring Policies from the Effective Date.



### IOMA assumptions

- 6.5 In preparing this Report to assess the Proposed Scheme I have assumed the following topics have been addressed by IOMA in anticipation of the Proposed Scheme. I will comment on the status of these points again in my Supplementary Report to the Court, as explained in paragraph 1.19 of this Report.
- Evidence from IOMA that they have addressed any material concerns raised by IOMFSA in any response to the documented run-off plan submitted by IOMA for the policies remaining with IOMA, including applying the appropriate general principles of the fair treatment of policyholders, administration arrangements, capital management plan, revised risk appetite, etc, consistent with IOMFSA regulatory guidance.

### Proposed Scheme assumptions

- 6.6 The Proposed Scheme is defined by the petition presented to the Court and as approved (or amended) by the Court.
- 6.7 When considering the implications of the Proposed Scheme, I need to make certain assumptions about how the Companies will run their respective businesses. These assumptions are listed below.
- 6.8 If the Proposed Scheme is approved, the target ranges and trigger points for solvency and liquidity cover documented in RL360 Services' Capital Management Policy for managing the company's solvency position will continue to apply.
- 6.9 The assumptions I have made relating directly to the Proposed Scheme include:
- IFG Business Services will successfully on-board the business from IOMA.
  - Under the Proposed Scheme no employees will transfer from IOMA to RL360 Services.
- 6.10 The assumptions I have made following the Proposed Scheme include:
- IOMA will continue as an authorised insurer in run-off and continue to operate as documented in its run-off plan.
  - Any assets that cannot transfer at the Effective Date where reregistration is not immediately possible will be held by IOMA as trustees for RL360 Services under the Proposed Scheme until or if the reason for the inability to reregister the assets is lifted (see paragraph 7.19 below for context).
  - RL360 Services will follow the business strategy as articulated in its most recent ORSA.
  - The transferring policyholders that are covered by the Isle of Man Policyholders Compensation Scheme as IOMA policyholders will continue to be covered by the compensation scheme post-transfer.
- 6.11 My assumptions are based on my understanding of the issues in question and have been shared with the Companies' respective senior management teams and Appointed Actuaries for confirmation. I believe, therefore, that it is reasonable to make the assumptions I have made when assessing the implications of the Proposed Scheme. However, if any of these assumptions were to be invalid, then my assessment of and conclusions on the Proposed Scheme may need to be revised.

## 7 THE PROPOSED SCHEME

### Introduction

- 7.1 The Transferring Policies will be transferred from IOMA to RL360 Services via the mechanism of the Proposed Scheme, subject to the approval of the Court in the Isle of Man. I have been provided with a copy of the Proposed Scheme and, in this section, I summarise its principal features that are relevant to my assessment.

### Business rationale for the Proposed Scheme

- 7.2 I have been informed the ultimate owner of IOMA is seeking to realise their holdings in financial service operations and selling the Transferring Policies to another authorised life insurance company fits within that strategy.
- 7.3 IFGL's business strategy is in part to acquire and administer portfolios of insurance policies in run-off. To achieve this, IFGL rationalises acquired long-term insurance business by transferring the acquired business to a suitable IFGL subsidiary insurer. RL360 Services is the identified subsidiary within IFGL for this transaction.
- 7.4 RL360 Services is a closed book of single and regular premium life assurance policies, in run-off; which are similar in characteristics to the Transferring Policies. As a closed book, RL360 Services considers bolt-on acquisitions of other closed books to be its strategy.

### Effective date

- 7.5 It is envisaged that the Proposed Scheme will become effective and the transfer take place at 00:01 hours on 6 December, 2024, or such other date as may be agreed between IOMA and RL360 Services and if necessary consented to by the Court (the "**Effective Date**").

### Pre-conditions

- 7.6 The Proposed Scheme is conditional on a number of conditions being fulfilled, including:
- obtaining the non-objection of the IOMFSA
  - satisfying all relevant pre-transfer policyholder notification requirements (see paragraph 7.51 below)
  - the sanction of the Court in the Isle of Man (scheduled in late November 2024)
  - Completion of the steps set out in the Transfer Agreement between RL360 Services and IOMA, and in particular:
    - Novation of the IOMA outward reinsurance agreements from IOMA to RL360
    - Novation of the Uni-Tech agreement from IOMA to RL360.
- 7.7 If the Court does not approve the Proposed Scheme, the Proposed Scheme will not progress and no change will occur.

### Business to be transferred

- 7.8 The scope of the transfer is every unit-linked policy written by IOMA, except the PWM policy (as described in paragraph 1.5).
- 7.9 The Transferring Policies are listed by their internal IOMA reference policy number in Schedule 1 of the Proposed Scheme.
- 7.10 The Transferring Policies represent approximately 30 different product variants that have unit-linked benefits linked to IOMA Internal Funds and External Funds. The transfer will include the transfer of assets backing the Transferring Policies from IOMA to RL360 Services.
- 7.11 The Transferring Policies that are linked to External Funds will transfer the relevant External Funds by the reregistration of the External Funds from IOMA ownership to RL360 Services ownership. This will include the reregistration of various associated discretionary accounts and third party DFM agreements from IOMA to RL360 Services on behalf of the underlying policyholders.
- 7.12 The IOMA internal linked funds that have links to the Transferring Policies can be grouped into three categories (these IOMA internal linked funds are set out in Schedule 2 of the Proposed Scheme). These groups comprise of the Cash internal linked funds, Managed internal linked funds and Global internal linked funds. The various assets underlying all

of the IOMA internal linked funds will be liquidated by IOMA in or around the Effective Date and transferred as cash to RL360 Services.

- 7.13 RL360 Services will not establish or maintain internal unit-linked funds as internal unitised funds in the same way as IOMA. For the IOMA Internal Funds (described in paragraph 7.12 above) RL360 will establish and maintain separate internal linked funds for each policyholder that will hold relevant external fund assets via appropriate and equivalent External Funds. This preserves the unit-linked nature of the policies and benefits but with an amended but equivalent administration approach. This will be achieved as follows:
- The 5 IOMA “Cash” internal linked funds will be replaced by the RL360 Services General Transaction Accounts.
  - With 3 exceptions (noted immediately below for three GAP internal funds), 10 of the IOMA “Managed” internal linked funds will be replaced by a range of External Funds identified by RL360 Services as having a similar risk profile, investment mandate and investment outlook as the IOMA internal linked funds. Transferring Policyholders will be linked to the relevant replacement identified External Fund and allocated sufficient units in the External Fund to equal the value of their allocated units in the IOMA internal linked fund at the time of the transfer. The process for the replacement funds is explained in the Circular and on the IOMA website (<https://www.iomagroup.co.im/portfoliotransfer.html>).
  - 3 of the IOMA “Managed” internal linked funds (namely the GAP Select Managed Growth Fund, GAP Global Equity Fund, and the GAP Global Index Tracker (USD)) will be replaced by a range of External Funds (held by RL360 Services) that are the same as the External Funds that already held within the IOMA Global internal funds. This is equivalent to an “unbundling” of the IOMA Global internal linked funds and allocating the existing underlying asset to each transferring Policyholder in appropriate proportions, but with the additional step that the External Funds are sold by IOMA and repurchased in the market (on the same day for the same value) by RL360 Services for reasons of administration simplicity on the RL360 Services systems.
  - The IOMA GAP Managed Endowment Fund has one policyholder linked to the internal linked fund, and the amount of the investment is below an economic amount for an internal linked fund (it is below £20,000 in value). IOMA will close this internal fund before the Effective Date and redeem the units for market value. The policyholder will receive the market value of the units once cancelled and will be switched to cash. This policy will then be transferred to RL360 Services within the scope of the Proposed Scheme.
- 7.14 Both IOMA and RL360 Services will coordinate the selling (as IOMA) and the buying (as RL360 Services) of the relevant underlying assets that represent the three IOMA Internal Fund categories listed in paragraph 7.12 above that involved transfers as cash. This mechanism ensures the Transferring Policyholders remain “in the market” in terms of the market value of their internal fund units during the transfer. This is described further in paragraphs 7.22 to 7.37 below.
- 7.15 The Proposed Scheme will not transfer any assets of IOMA covering the solvency capital requirements relating to the Transferring Policies or any matching assets in relation to non-linked liabilities.
- 7.16 Subject to satisfying the necessary pre-conditions as set out in the Proposed Scheme, the Transferring Policies are scheduled to be transferred in their entirety on the Effective Date to RL360 Services, which will become the insurer of those contracts from the Effective Date of the Proposed Scheme.
- 7.17 Under the Proposed Scheme, any rights, benefits, powers, obligations and liabilities of IOMA under, or by virtue of, such policies will be transferred to RL360 Services.
- 7.18 All property and assets held by IOMA in respect of the Transferring Policies as defined in the Proposed Scheme will also be transferred to RL360 Services. These assets comprise the assets underlying the External Funds and assets underlying the IOMA Internal Funds described in paragraph 7.12 above, and also comprise of records, files and data relating to the business.
- 7.19 A small number of assets will not transfer at the Effective Date where reregistration is not immediately possible. If this occurs, those assets that cannot be immediately reregistered to RL360 Services on the Effective date will be held by IOMA as trustees for RL360 Services under the Proposed Scheme until or if the reason for the inability to reregister the assets is lifted.
- 7.20 The Proposed Scheme seeks to transfer from IOMA to RL360 Services the introducer, insurance intermediary, financial advisor, agency and fund investment adviser agreements that are associated with the Transferring Policies. The Agreements are described in paragraph 3.57 above.

- For introducers and advisers party to an Isle of Man law Agreement which relates to Transferring Policies only, their current Agreements with IOMA will be transferred to RL360 Services as part of the Proposed Scheme and approved by the Court.
- Agreements not governed by Isle of Man law are not capable of being transferred by the Proposed Scheme. In these cases, the Companies will seek to agree a novation of such Agreements from IOMA to RL360 Services.

7.21 The IOMA reinsurance contracts relating to the Transferring Policies will be novated from IOMA to RL360 Services at the Effective Date and are outside the Proposed Scheme. However the implementation of the Proposed Scheme is contingent on the novation of the reinsurance contracts taking place. I will comment on the status of the novations in my Supplementary Report to the Court, as explained in paragraph 1.19 of this Report.

#### Maintenance and operation of internal funds

7.22 The assets appropriated to IOMA internal unit-linked funds in respect of certain policies are individual, typically discretionary, managed portfolios of assets. These portfolios are managed by a range of investment managers approved by IOMA and the portfolios are legally owned by IOMA.

7.23 The assets appropriated to each IOMA internal linked fund immediately prior to the Effective Date will be appropriated on the Effective Date to an equivalent and suitable alternative structure within RL360 Services (as described in paragraphs 7.13 and 7.14 above). This will be achieved by transferring sufficient cash from IOMA to RL360 Services, and by RL360 Services putting in place the necessary equivalent fund management agreements with external fund managers, fund administrators and custodians.

#### CASH IIFS

7.24 As at 27 September 2024, 1,063 of the Transferring Policies are linked to five IOMA internal linked funds (described in the Proposed Scheme as Cash IIFs) which invest in cash and short-term deposits (with c.£12m of assets). These IOMA internal funds are typically used to service trades and settlement in other external funds linked to those policies, for collection of fees and charges, and as the required internal cash fund for the FIP policies (see paragraph 3.61). These 1,063 Transferring Policies may also have links to other IOMA internal linked funds.

7.25 RL360 Services intends to replace these internal linked funds (where the underlying assets are cash at bank and deposits) with General Transaction Accounts (“GTAs”) within each Transferring Policy which serve the same purpose and which RL360 Services use for their existing personalised policies.

7.26 Before the Effective Date, IOMA intends to close the IOMA internal linked cash funds and redeem the holdings for each Transferring Policy into cash balances which, on the Effective Date will be transferred to RL360 Services who in turn will allocate the appropriate balance to each individual GTA of each Transferring Policy.

7.27 Under the terms and conditions of the Transferring Policies, as amended by the Proposed Scheme (see paragraph 10.15), RL360 Services will credit or debit these GTAs with interest, determined by the positive or negative balance on the GTA and the interest rate that RL360 Services publish. The interest rates will be calculated by RL360 Services from the date that IOMA convert the holdings into cash balances in order that the Transferring Policyholders suffer no adverse impact from different interest rates due to the transfer.

7.28 All of the Transferring Policies also have an IOMA cash account to facilitate trades and fee collection. These IOMA policy cash accounts will be transferred on the Effective Date to RL360 Services and replicated into each individual GTA of each Transferring Policy.

#### MANAGED IIFS

7.29 As at 27 September 2024, 13 of the Transferring Policies are linked to 13 IOMA internal linked funds (described in the Proposed Scheme as Managed IIFs) which have various investment mandates, comprising c.£2m of assets. 10 of these internal linked funds are managed by two investment managers, namely FIM and Global Strategic Inc. A further 3 of these internal linked funds (namely the GAP Select Managed Growth Fund, GAP Global Equity Fund, and the GAP Global Index Tracker (USD)) are invested in specific External Funds in line with the stated investment mandate of each fund. Before the Effective Date, in order to facilitate how RL360 Services plans to operate these Transferring Policies, IOMA intends to close these IOMA funds and redeem the holdings of the underlying assets in the funds for cash.

7.30 RL360 Services and IOMA have worked closely together to propose suitable replacement External Funds with comparable asset class allocations, sector and regional exposures, market capitalisation, investment style, risk profile and no material increase in cost for policyholders.

- 7.31 Immediately following the Directions Hearing, and at the same time as issuing the Circular, IOMA will write to all impacted policyholders (13 policyholders in total) with policies linked to Managed IIFs, and they will be given the (default) option to either have the cash invested in the proposed replacement External Funds identified by RL360 Services, or the policyholders can opt to apply and link to alternative replacement External Funds, subject to the alternative replacement External Funds meeting RL360 Services' investment criteria.
- 7.32 On the same day as the Managed IIFs are closed and redeemed for cash by IOMA, RL360 Services will acquire interests using its own cash balances in the proposed or alternative replacement External Funds with a total value equal to the redeemed cash balances. On the Effective Date, the cash balances will transfer to RL360 Services and RL360 Services will reimburse itself from the cash balances for its acquisition of the interests in the replacement External Funds, and the relevant interests in the replacement External Funds will be linked to the relevant policies. This is in order to ensure that the Transferring Policyholders suffer no loss in investment market exposure during the transfer.

#### GLOBAL IIFS

- 7.33 1 Transferring Policy is linked to one IOMA internal linked fund, namely IOMA GAP Managed Endowment Fund (described in the Proposed Scheme as Global IIF). This GAP internal fund is linked to External Funds which are owned by IOMA.
- 7.34 The IOMA GAP Managed Endowment Fund will be closed by IOMA before the Effective Date and the internal fund units for the one linked policy holding units in the IOMA GAP Managed Endowment Fund will be switched to cash.

#### OTHER INTERNAL LINKED FUND ISSUES

- 7.35 15 potentially Transferring Policies are linked to an internal "Side Pocket" fund in IOMA – the IOMA Model Portfolio Fund (Progressive) Side Pocket. This internal fund currently has no readily realisable value as the underlying assets are suspended or in liquidation, and IOMA is in the process of closing this internal fund. The 15 policies linked to this fund also have individual cash accounts with some positive balances, so some of these policies have a positive surrender value. The Companies have agreed to transfer the policies to RL360 Services under the Scheme, and the underlying assets that cannot be immediately transferred from IOMA to RL360 Services will be held by IOMA as trustees for RL360 Services (as described in paragraph 7.19 above).
- 7.36 There is currently one internal fund, namely the IOMA Global Hedge internal linked fund, that is in the process of being closed by IOMA as the one policyholder holding units in the fund has instructed IOMA to liquidate the unit holding. One asset held by the fund cannot be liquidated immediately, so will be held on the policy pending settlement. As this outstanding transaction cannot be transferred to RL360 Services, it will be held by IOMA as trustees for RL360 Services under the Proposed Scheme with the settlement proceeds transferred once received.
- 7.37 Certain Transferring Policies are linked to illiquid assets such as shares in privately-held companies. In order to deduct its administration fees due from these policies, each policy needs a sufficient policyholder cash balance to provide liquidity (i.e. cash) to debit the fees due. Some of these policies no longer have sufficient cash balances within the policyholder cash account. IOMA in the past has received a cash loan from the privately-held company under a duly executed loan agreement on behalf of the underlying policyholder. No interest is payable on these loans. The amount of the loans is equal to the amount of the uncollected administration fees due to IOMA. There are loan agreements with 9 privately-held companies with a series of such loan transactions currently in-force. IOMA's intention is that the loans will, on surrender of the policy, either be cancelled at nil value by the lender (in recognition of the administration fees due) or repaid by the life company from the proceeds of the sale of the underlying assets (which is greater than the surrender value of the policy). I have been informed that RL360 Services will continue to operate the current loans in the future to facilitate the deduction of future administration fees as described in this paragraph.

#### MANAGEMENT OF INTERNAL LINKED FUNDS

- 7.38 The rules of operation, including the valuation of fund units used in calculating policyholder benefits, of the unit-linked business following the Effective Date will comply with the following principles:
- RL360 Services may exercise any discretion formerly available to IOMA under the terms and conditions of any policy, but will do so in accordance with any applicable regulatory principles and having regard, as appropriate, to such considerations as are from time to time in use in relation to such business in RL360 Services.
  - RL360 Services may modify the terms and conditions of any policy to the same extent as IOMA formerly could, but will do so in accordance with any applicable regulatory principles and having regard, as appropriate, to such considerations as are from time to time in use in relation to such business in RL360 Services.

Subject in every case to the provisions of the applicable policy conditions and, where relevant, to the opinion of RL360 Services' Appointed Actuary and the RL360 Services Board.

- 7.39 The product and policyholder fund annual management charges will be no greater under the Proposed Scheme and all the existing internal linked funds in IOMA will be replaced in RL360 Services as described in paragraph 7.23 above.
- 7.40 Neither IOMA nor RL360 Services operate any "ring-fenced funds", as defined under the Isle of Man RBC Framework; all asset and liabilities of IOMA relating to the Transferring Policies will transfer to RL360 Services' ownership, without any allocation or ring-fencing to any particular fund.

#### Policyholder loans

- 7.41 The terms and conditions of some of the Transferring Policies have allowed policyholders to borrow from IOMA against the value of their policy ("**policy loans**") at IOMA's absolute discretion. IOMA have allowed some loans in the past but there are now no policy loan balances outstanding. These policyholder loans are separate to and different in nature to the loans described in paragraph 7.37 above.

#### Payment of premiums

- 7.42 There are no ongoing or regular premiums payable in respect of Transferring Policies.
- 7.43 IOMA have accepted additional premiums ("**top-ups**") into the Transferring Policies in the past. The volume of top-ups received in the recent past has been negligible, i.e. 42 top-ups (across approximately 2,000 policies) were accepted over the past 5 years.
- 7.44 Certain of the policy terms and conditions are being amended by the Proposed Scheme to include a clause whereby policyholders may apply to pay additional premiums. The policyholder circular confirms that RL360 Services will not accept further applications for additional premiums.

#### Exercise of options and operational arrangements

- 7.45 Any policy options that currently exist under IOMA policies will continue to exist (noting the comment on the option to pay additional premiums as "top-ups" in paragraphs 7.43 and 7.44 above).
- 7.46 The Proposed Scheme includes the arrangements necessary for the transfer of insurance administration from IOMA systems to IFG Business Services systems. The full migration and transfer of services will not conclude until after the Effective Date of the Proposed Scheme. This will include a migration of existing client information and data from the IOMA administration platform to the IFG Business Services administration platform. The functionality detail of the IFG Business Services systems differs slightly from those of IOMA, which may result in some minor changes in the way the Transferring Policies will be administered within RL360 Services. I consider these changes in paragraph 10.27 below.

#### Costs of the Proposed Scheme

- 7.47 Each of the Companies will bear its own direct costs incurred in connection with the preparation and carrying into effect of the Proposed Scheme, other than certain agreed shared costs relating to the implementation of the Proposed Scheme which shall be shared equally by IOMA and RL360 Services.
- 7.48 No costs or expenses relating to the Proposed Scheme will be borne by policyholders of either of the Companies.

#### Modification or additions

- 7.49 The Proposed Scheme sets out how modifications and additions to the Proposed Scheme, or further conditions to the Proposed Scheme, may be imposed.
- 7.50 IOMA and RL360 Services may jointly consent to any modification or addition to the Proposed Scheme or to any further condition or provision which the Court may where necessary approve whether before or after the Effective Date.

#### Policyholder communications

- 7.51 The 2008 Act requires that, unless the Isle of Man Court otherwise direct, certain materials must be transmitted to each long-term business policyholder of both IOMA and RL360 Services. These materials include a statement summarising the Proposed Scheme together with an abstract summarising the Independent Actuary's Report (together the "**Circular**").

- 7.52 I understand, however, that the Companies intend to petition the Court for a direction to dispense with the requirement to send the Circular out to policyholders, except at the request of an individual policyholder (or their agent). It is proposed that IOMA will instead send a letter or email to all its existing long-term business policyholders indicating where they may find the full text of the Circular on IOMA's website. There are two website referral letters – one to be sent to the Transferring Policyholders, and one to be sent to the policyholders remaining in IOMA. Similarly, Circulares have been prepared for the Transferring Policyholders and the policyholders remaining in IOMA.
- 7.53 The Companies intend to petition the Court for a direction to dispense with the requirement to send the website referral letters to the following categories of policyholders:
- Existing policyholders in RL360 Services (“**Existing RL360 Services Policyholders**”).
  - Long-term business policyholders in IOMA for whom a current address is not known as at a date as close as practicable to the mailing date (such date being shortly after the Directions Court Hearing scheduled for 11 October 2024) (“**Gone Away Policyholders**”).
  - Long-term business policyholders in IOMA for whom a notice of policyholder death has been received with no personal representative appointed (“**Deceased Policyholders**”).
- 7.54 The Existing RL360 Services Policyholders (approximately 12,800) will represent the majority of RL360 Services' policyholders after the transfer (including approximately 1,900 Transferring Policies). Instead of sending the Circular or a website referral letter to the Existing RL360 Services Policyholders, RL360 Services proposes to make a version of the Circular prepared for the Existing RL360 Services Policyholders available on its website. The Companies' principal arguments for this approach are that:
- There will be no changes to the terms and conditions for the Existing RL360 Services Policyholders as a result of the Proposed Scheme.
  - The Existing RL360 Services Policyholders will continue to have their policies administered in the same way following the implementation of the Proposed Scheme.
  - RL360 policyholders will not be materially impacted by the Proposed Scheme and it is therefore unnecessary and disproportionate to send to them by way of bulk printing information that will be published by way of the Notice and will be available on RL360's website.
  - RL360's solvency ratio will be similar post implementation of the Proposed Scheme and meets the target solvency coverage ratio of most Isle of Man Insurers.
  - It avoids bulk printing and mailing to policyholders whose policies are not transferring under the Proposed Scheme, which comes at considerable expense, including significant environmental cost.
- 7.55 The 2008 Act requires notification to “long-term” policyholders. The Companies are satisfied that there is no requirement for notification of the Proposed Scheme to the existing general insurance policyholders in IOMA. Additionally, I have been informed all of the general insurance policyholders have been notified that IOMA will not be offering terms at their next policy renewal date, and on this basis all these policies should terminate cover by February 2025, albeit some claims are possible beyond this date.
- 7.56 I have been informed the number of IOMA Gone Away Policyholders and Deceased Policyholders as at 27 September 2024 is 44. The Companies are putting extra effort into contacting the relevant distributors and intermediaries where they exist to reestablish contact details for these policies.
- 7.57 I further understand that the Companies will publish notices of the proposed transfer of business in two newspapers in the Isle of Man. A legal notice will also be published in a UK daily newspaper and the international edition of the Financial Times.
- 7.58 In addition, the materials will be available on behalf of both RL360 Services and IOMA on the IFGL website ([www.rl360services.com/transfer](http://www.rl360services.com/transfer)) and the IOMA website (<https://www.iomagroup.co.im/portfoliotransfer.html>) and at the Isle of Man offices of Appleby (Isle of Man) LLC and Cains Advocates Limited as representatives of RL360 Services and IOMA, respectively. Materials will also be available directly from IOMA's and RL360 Services Isle of Man offices.
- 7.59 The proposed communication plan, as summarised above, is subject to any amendment directed by the Court.

## 8 ASSESSMENT OF THE PROPOSED SCHEME – OVERVIEW

### Context of assessment

- 8.1 My assessment is conducted within the context of the Proposed Scheme, and only the Proposed Scheme, and considers its likely effects on the policyholders of IOMA and RL360 Services.
- 8.2 My assessment will also be of interest to other parties, including regulators, the introducers, insurance intermediaries, agencies, financial advisors and investment advisors connected to the Transferring Policyholders. However, my primary assessment is on the impacts on the various categories of policyholders alone.
- 8.3 My assessment considers the position immediately before and immediately after the Proposed Scheme, and in particular where RL360 Services is a subsidiary of IFGL.
- 8.4 It is not within my remit to consider possible alternative schemes of transfer or to form a view as to whether this is the best possible scheme.
- 8.5 My assessment of the impact arising from the implementation of the Proposed Scheme on the various affected policyholders is ultimately a matter of expert judgement regarding the likelihood and impact of future possible events. Given the inherent uncertainty of the outcome of such future events and that the effects may differ across different groups of policies, it is not possible to be certain of the effect on the policies.
- 8.6 A scheme of transfer may have both positive and negative effects on a group of policies and the existence of detrimental effects should not necessarily imply that the Court should reject a scheme as the positive effects may outweigh the negative effects or the negative effects may be very small.
- 8.7 In order to acknowledge this inherent uncertainty, and to be consistent with normal practice in these matters, the conclusions of the Independent Actuary in relation to transfers of long-term insurance business are usually framed using a materiality threshold. If the potential impact under consideration is very unlikely to happen and does not have a significant impact, or is likely to happen but has a very small impact, then it is not considered to have a material effect on the policies.
- 8.8 The assessment of materiality will also take into account the nature of the potential impact so that, for example, the materiality threshold for a change that could have a direct financial impact on policyholders' benefits is likely to be lower than the materiality threshold for a change that does not have a direct financial impact.

### Principles of assessment

- 8.9 The conditions to be met by the Proposed Scheme are:
- that the security of policyholders' benefits will not be materially adversely affected; and
  - that the Proposed Scheme treats policyholders fairly and will not materially adversely affect their reasonable benefit expectations and standards of service.
- 8.10 In the following sections I assess the Proposed Scheme in the context of security of policyholders' benefits, and the fair treatment of policyholders' including their reasonable benefit expectations. In addition, I have considered the impact of other miscellaneous aspects of the Proposed Scheme as set out below. I do not believe that there are any other matters that I have not taken into account that might be relevant to my assessment of the Proposed Scheme.
- 8.11 I consider the implications of the Proposed Scheme separately for the following groups of policyholders:
- Policyholders of IOMA who will transfer to RL360 Services;
  - Long-term policyholders of IOMA who will remain with IOMA;
  - General Insurance policyholders of IOMA who will remain with IOMA; and
  - Existing (before the Effective Date) policyholders of RL360 Services.
- 8.12 I also consider the implications of the Proposed Scheme for the introducers and advisers party to an Agreement which will be transferred to RL360 Services under the Proposed Scheme.



### Consequences if the Proposed Scheme is not approved

- 8.13 The Court of the Isle of Man has to approve the Proposed Scheme for it to occur. If for any reason the Proposed Scheme is not approved, then no transfer of business can occur and both RL360 Services and IOMA will continue to operate as they operate now. The Transferring Policies will not transfer and will remain in IOMA.
- 8.14 If the Proposed Scheme is not approved and does not occur, the financial security for policyholders remains unchanged as it stands now – RL360 Services and IOMA are both authorised and regulated in the Isle of Man and both have existing business in-force.
- 8.15 If the Proposed Scheme does not occur, then IOMA will remain in its current form and has informed me it would remain closed to new business and would continue to seek other parties prepared to accept, by way of transfer, part or all of the in-force business of IOMA.
- 8.16 If the Proposed Scheme does not occur, then RL360 Services will continue to operate as currently set out in its business strategy.
- 8.17 The Transfer Agreement between RL360 Services and IOMA allows the Companies to extend the target deadline to transfer the business until 31 December 2024 and states both companies will use best endeavours to successfully obtain approval for the Proposed Scheme.
- 8.18 If the Proposed Scheme is not approved (and in any case) the shared costs incurred by the Companies on the transfer of business project will be paid jointly by IOMA and RL360 Services and not the policyholders.

### Overview of the Regulatory Regimes

- 8.19 IOMA and RL360 Services are life assurance companies incorporated, authorised and regulated in the Isle of Man.
- 8.20 RL360 Services operates a branch in Hong Kong. I have been informed the Hong Kong Insurance Authority has been notified of the Proposed Scheme (as required under Hong Kong regulatory requirements). I have been informed no formal notification was required for RL360 Services' permit in Jersey (see paragraph 4.1).
- 8.21 The regulation and supervision of conduct of business risk depends on the territory where the insurer has written the business. For the business being transferred this will not change.
- 8.22 I have attached a high-level summary of the regulatory regime for Isle of Man insurance companies in Appendix B.

### High level comparison between IOMA and RL360 Services

- 8.23 At a high level, the two Companies share some similarities. Those points of similarity include:
- Both are based in the Isle of Man and subject to the same regulations and the same supervisory regime (noting the application of the details of the Isle of Man supervisory regime is proportionate based on the size of the authorised entity).
  - In terms of the economic value of the companies, both currently have mostly unit-linked long-term business.
  - Both have reasonably similar overall risk profiles.
  - Both have similar regulatory capital management policies, as Isle of Man authorised insurers.
- 8.24 There are also some differences, however, which are of particular importance to the Transferring Policyholders. These include, but are not limited to:
- RL360 Services is materially larger than IOMA in terms of total size of balance sheet and total funds under management.
  - IOMA is a composite insurer (i.e. writing both life and non-life business) with a portfolio of general insurance business.
  - The two Companies have different strategic plans, in particular the Proposed Scheme is part of IOMA's plans for the eventual winding-up of the business.
  - The two Companies have different parents, i.e. are part of different groups in different ownership.
  - The two Companies use different insurance administration platforms and processes.

## 9 ASSESSMENT OF THE PROPOSED SCHEME – SECURITY OF POLICYHOLDERS' BENEFITS

### Introduction

- 9.1 In assessing the implications of the Proposed Scheme on the security of benefits for the various groups of policyholders, I have considered a number of factors including the risk profiles of the two Companies and the outlook for their respective future solvency development, including consideration of their strategic plans.
- 9.2 The security of policyholders' benefits is provided by the amount by which an insurer's assets exceed its liabilities. In addition, the regulatory regime for the Isle of Man insurers requires that this excess of assets over liabilities must in turn exceed a prescribed minimum level called the Solvency Capital Requirement – which is calculated taking account of the risks to which the insurer is exposed, thus providing a minimum level of security. I have outlined the regulatory regime in Appendix B.
- 9.3 The principal issue with regard to security of benefits for Transferring Policies and existing RL360 Services policies therefore is whether or not RL360 Services will have adequate financial resources following the completion of the Proposed Scheme and whether this is likely to remain the case over time.
- 9.4 This assessment must also have regard to the corresponding situation which would pertain should the Proposed Scheme not be proceeded with and the Transferring Policies remain in IOMA.
- 9.5 In my view, the relevant factors to be considered are the outlook for the two Companies' respective solvency positions, their respective risk profiles and their future capital management plans.

### Solvency assessment

- 9.6 I note that, as at the Companies respective 2023 financial year-ends, both Companies had available capital resources in excess of the regulatory minimum of 100% of SCR. IOMA's solvency coverage ratio of 125%, (allowing for management actions as set out in 3.23 above), was lower than its base target level as per its internal capital management policy. RL360 Services' solvency capital ratio at 31 December 2023 of 254% is in excess of its target levels as per its internal capital management policy.
- 9.7 Financial projections carried out by both Companies in the context of their ORSAs, on the assumption the Proposed Scheme is approved, indicate that the two Companies are expected to maintain adequate solvency levels in excess of the target levels specified in their capital management policies over the projection period.
- 9.8 IOMA, in particular, shows a material improvement in solvency cover if the Proposed Scheme is approved (on the assumption the purchase price as defined in the Transfer Agreement is paid to IOMA, and on the assumption IOMA follows its documented run-off plan).
- 9.9 The solvency outlook assuming the Proposed Scheme does not occur is discussed in Sections 3 and 4 for IOMA and RL360 Services respectively.

### IOMA – PROJECTED SOLVENCY POSITION POST-TRANSFER

- 9.10 The Transferring Policies are a large proportion of the total balance sheet of IOMA. Therefore the expected impact of the Proposed Scheme is material for the ongoing financial position of IOMA.
- 9.11 The 2024 IOMA ORSA Report included projections of the future solvency position of IOMA from 2024 to 2029. Both the Compass book and the general insurance book are now closed to new business and they are in run-off. This exercise made a number of key assumptions, including the following:
- The ORSA projections include the impact of the Proposed Scheme which for the purposes of the ORSA was assumed to complete at 31 December 2024.
  - The projections assume that IOMA extends its financial period to 15 months this financial year, ending then on 31st December 2024.
  - The projections also assume that IOMA's expenses step down at the Effective Date and then transition to a state over 2025 where materially lower retained/outsourced remote services are used to support the business until the residual policy liabilities have run off.
  - Finally, the projections assumed that the net purchase amount for the Transferring Policies is assumed to be held within IOMA for the duration of the projections with no dividends being paid.

**IOMA – Projected future solvency development (£ millions) – assuming Schemed approved**

IOMA Pro-forma balance sheet	31 Mar 2024	2024 Post transfer	2025	2026	2027	2028	2029
(1) Eligible own funds	18.8	5.6	5.5	5.7	5.7	5.7	5.8
(2) Solvency Capital Requirement (SCR)	14.4	1.9	0.8	0.7	0.6	0.5	0.5
(3) Minimum Capital Requirement (MCR)	5.0	3.0	3.0	3.0	3.0	3.0	3.0
(3) Solvency coverage ratio ( = (1) / [greater of (2) and (3) )	131%	185%	185%	191%	191%	192%	192%
(4) Excess of eligible own funds over solvency capital requirement or minimum capital requirement	4.4	2.6	2.5	2.7	2.7	2.7	2.8

Source: IOMA ORSA Report 2024 (internal report)

- 9.12 The projection in the table above shows the solvency coverage ratio increases significantly at December 2024, i.e. assuming the Proposed Scheme is approved, as the net proceeds are kept within IOMA and all other business is in run-off. Thereafter, the coverage increases slightly year on year, as IOMA's largely fixed expenses (in the short-term at least and based on the run-off plan) are below the assumed return earned on its assets.
- 9.13 If the Proposed Scheme is approved, IOMA's remaining business will be the general insurance policies which will run off until March 2025, i.e. on an assumed 12 months from the 1 March 2024 decision on moving into run-off and accepting no new business or renewals, but excepting the liability cover associated with the caravan insurance which is written on an "occurrence" basis. There is also the possible claim emergence over 2025 and beyond on the other general insurance business (namely Chaufferplan, DriverGuard, and the St. Christopher plan).
- 9.14 The business remaining in IOMA will include the term assurance Compass policies which will run off until March 2029, i.e. an assumed 5 years from the 1 March 2024 decision on moving into run-off and accepting no new business or renewals. And it will include the Property Wealth Management Bond (PWM) policy which is written as a whole of life policy linked to the life of one individual. It is difficult to predict how long this policy will remain in force as it will continue as long as the insured individual remains alive.
- 9.15 I have been informed, if the Proposed Scheme is approved, IOMA will seek to either sell or transfer the Compass policies to other insurers or in the event that no parties can be found, run off the policies (which would likely extend beyond 2029 as described in paragraph 3.28). Once all cover on all of its policies has been exhausted, IOMA would then ultimately seek to surrender its insurance licence to the IOMFSA and cease to be an insurance company.

**RL360 SERVICES – PROJECTED SOLVENCY POSITION POST-TRANSFER**

- 9.16 The Proposed Scheme will increase the overall size of RL360 Services in terms of policyholders and funds under management. However, as the increase in size will only be 10-15% depending on the metric chosen, the impact of the Proposed Scheme on the solvency position for RL360 Services is minimal, as measured by the solvency coverage ratio.
- 9.17 I have estimated the projected solvency position of RL360 Services assuming the Proposed Scheme takes place, based on combining the 31 December 2023 year-end position from RL360 Services and 31 December 2023 quarter-end data from IOMA. These projections assume the net purchase amount for the transferring business is paid from RL360 Services to IOMA and an estimate of future RL360 Services dividends paid in accordance with its capital management policy. These projections have been reviewed by the Appointed Actuary of RL360 Services.
- 9.18 The RL360 Services projections assumed the Proposed Scheme occurred on 31 December 2023. This Effective Date was chosen for simplicity and I note it is a different date to the 31 December 2024 date assumed in the IOMA assessment above. The likely Effective Date of the Proposed Scheme is planned by the Companies to be in or around 6 December 2024. However the relative impacts for RL360 Services should be materially similar to the assessment presented here at end 2023, and 2024 by IOMA, and I am satisfied that the RL360 Services assessment is sufficient for my assessment as Independent Actuary.

**RL360 Services – Projected future solvency development assuming IOMA transfer approved (£ millions) as at 31 December**

RL360 Services Pro-forma balance sheet	2023 Reported	2023 Assuming Scheme approved	2024	2025	2026	2027	2028
(1) Eligible own funds	177	196	200	185	183	184	184
(2) Solvency Capital Requirement (SCR)	70	83	81	78	76	73	71
(3) Solvency coverage ratio ( = (1) / (2) )	254%	236%	247%	235%	242%	250%	258%
(4) Excess of eligible own funds over capital requirement	107	113	119	107	107	111	113
(5) Dividends assumed	n/a	9	27	12	10	11	10

Source: RL360 Services Valuation Report 2023 & RL360 Services and IOMA data

- 9.19 This table shows a solvency coverage ratio of 236% at end 2023 including the impact of the Proposed Scheme. The increase in Eligible Own Funds at end 2023 from the reported amount of £177m to the pro-forma amount of £196m reflects the increase in Own Funds due to the planned addition of the Transferring Policies and the reduction in Own Funds due to the payment of the consideration to IOMA from RL360 Services<sup>3</sup>.
- 9.20 The change in the SCR from £70m to £83m reflects an increase in the SCR following the addition of the Transferring Policies. Note that the change in SCR is slightly different to the SCR held by IOMA for the Transferring Policies as it reflects RL360 Services' mix of business and the impact of diversification of risks within the larger RL360 Services.
- 9.21 The projection from end 2023 onwards assuming the Proposed Scheme goes ahead, and based on assumed future dividend payments by RL360 Services, shows a satisfactory level of solvency coverage ratio from end 2023 onwards. The assumed future dividend payments are based on RL360 Services' capital management policy and take into account solvency cover on the IOMFSA basis and the projected liquidity of RL360 Services.
- 9.22 Assuming the Proposed Scheme did not occur, the projected solvency coverage ratio for RL360 Services at end 2028 (see table in paragraph 4.15) was 275%. If the Proposed Scheme is approved, the projected solvency coverage ratio for RL360 Services at end 2028 is estimated to be 258%. On both sets of projections, the solvency coverage is significantly above the target levels set by the RL360 Services Board as explained in paragraph 4.39 above.

**Risk profiles and risk management assessment**

- 9.23 In my view, any consideration of the respective future solvency positions needs to include an assessment of the extent to which the projected future development of the Companies' solvency positions could vary as a result of differences in the Companies' risk profiles and approach to risk management. Comparison of the Companies' respective risk profiles is also an important consideration when examining the impact on the Transferring Policyholders of moving from a company with one particular risk profile to a company with a different risk profile.
- 9.24 The makeup of each company's solvency capital requirement provides a good indication of the risks to which the Companies are exposed, and the extent of their exposure. In Sections 3 and 4 of this Report I summarised the key risks for both IOMA and RL360 Services, based on the composition of the SCR and commentary from the ORSA reports. In summary, the two Companies are exposed to broadly similar types of insurance risk.
- 9.25 However, in terms of economies of scale and operational resilience, RL360 Services is a significantly larger company than IOMA, and is part of an even larger insurance group, IFGL. paragraph 3.29 also notes a number of specific additional and difficult to quantify future risks to IOMA.
- 9.26 In terms of risk management, both Companies are required to adopt similar approaches in terms of risk management policies, frameworks, oversight and governance, as is to be expected as they are both subject to broadly similar regulatory and supervisory regimes in this regard.
- 9.27 In terms of risk mitigants, both Companies make use of external life reinsurance.
- 9.28 Having reviewed the relevant documentation provided to me, and based on my experience of insurance risk management, I am satisfied that both Companies' risk management frameworks, while different, are fit for purpose in assessing the impacts of the Proposed Scheme.

<sup>3</sup> the Transaction Agreement defines the consideration paid as a function of the date of payment and an adjustment from a reference calculation date of 1 July-2023.

### Regulatory Regime and Policyholder Protection Scheme assessment

- 9.29 As the Transferring Policies are moving from one Isle of Man-regulated insurer to another, there is no change to their solvency regime as set by regulation in terms of asset and liability valuation rules, and the calculation of solvency capital requirements.
- 9.30 The Isle of Man Policyholders Compensation Scheme is governed by the Life Assurance (Compensation of Policyholders) Regulations 1991. The objective of the PCS is to provide a compensation scheme for policyholders should an Isle of Man authorised insurer be unable to satisfy its long term-insurance liabilities.
- 9.31 Policyholders (with one exception as noted in paragraph 10.42) in respect of the IOMA policies are and will continue to be covered by the PCS if the Proposed Scheme takes place. Current RL360 Services policyholders, where applicable, will also continue to be covered by the Isle of Man PCS.

### Capital management plans assessment

- 9.32 In my view, the Companies' capital management policies are a very important aspect of the assessment of financial strength and security as ultimately any excess capital resources above the level specified in the capital management policy may be transferred out of the Company, for example as dividends. That specified level of coverage can be used, in my view, to form the basis for assessing the Companies' financial strength.
- 9.33 The two Companies' capital management policies are summarised in Sections 3 and 4. They are both reasonably similar in terms of the percentage target level of excess capital resources the Companies seek to typically hold in excess of the regulatory minimum requirement of 100% of the SCR. This is not surprising as the IOMFSA has publicly stated it expects insurers to ensure solvency cover should be above 150% after the payment of any dividends, and hence this 150% solvency coverage level is used more widely as a target solvency level by Isle of Man insurers. In practice, RL360 Services has historically held, and is projected to hold, a significantly greater level of excess capital resources due to the impact of its own liquidity targets. Historically IOMA has held a sufficient, but lower, level of capital resources, but not excessively so.
- 9.34 As the SCR is intended to represent the amount required to ensure that an insurer's assets continue to exceed its liabilities over a one-year time frame with a probability of 99.5%, by maintaining capital resources at significantly higher level than 100% of SCR, the Companies are both reducing the probability of having insufficient assets to meet liabilities to less than 0.5% over that timeframe. However due to the higher capital buffer in place, in practice, RL360 Services' capital buffer has been, and is projected to be, proportionately much greater than IOMA's.
- 9.35 Having examined the two Companies' respective capital management policies, particularly with the Transferring Policyholders in mind, while they differ, I am satisfied that RL360 Services' capital management policy is not materially weaker than IOMA's in terms of the protection that it affords to policyholders. I am satisfied the addition of the IOMA Transferring Policies to RL360 Services can be absorbed within RL360 Services' capital management policy without an adverse material impact on RL360 Service's existing policyholders. I am also satisfied the remaining policyholders in IOMA can be supported within IOMA's capital management policy if the Proposed Scheme is approved.

### Business model sustainability assessment

- 9.36 In assessing the security of policyholders' benefits, I believe it is also necessary to give some consideration to the sustainability of the Companies' business models.
- 9.37 IOMA's business model is the management of its current book of life insurance with an intention to sell or run-off the business and wind up the company in the foreseeable future. With its current size, there are cost inefficiencies of running a declining book on a relatively fixed cost base which are increasing over time. The transfer of the IOMA business to RL360 Services is in line with its current strategy.
- 9.38 RL360 Services' business model has been to manage its current book of life insurance in run-off. In addition, IFGL's business model, as the parent of RL360 Services, is to support its subsidiaries in acquiring portfolios of international insurance business and create efficiencies of scale within the group.
- 9.39 The proposed transfer is in line with IFGL's strategy of seeking critical mass in its subsidiary run-off entities. On that basis I do not see the proposed transfer resulting in any materially adverse implications for policyholders in that regard.

### Parental support assessment

- 9.40 Both IOMA and RL360 Services are capitalised and managed to be self-sufficient on a standalone basis, without needing recourse to their parent, except potentially in RL360 Services' case to fund any material future acquisitions or

other similar transactions. I also note IOMA has lent money to other FHL group companies (as outlined in paragraphs 3.31 to 3.33).

- 9.41 Nevertheless, both companies benefit from the support of their parent, in terms of potential access to capital if required, noting that such capital support may or may not be forthcoming depending on the circumstances. This makes parental support an additional factor to consider when evaluating the impact of the Proposed Scheme. Note a parent is not legally obliged to provide new capital to a subsidiary.
- 9.42 From information provided to me, I note that IFGL reported a healthy financial position as at 31 December 2023, indicating it has substantial available financial resources but also noting, however, that it has other potential calls on those resources.
- 9.43 I believe IOMA's parent, FHL, wishes to realise its holdings in financial service operations and therefore significant financial support for IOMA is unlikely to be forthcoming if required in the short-term. However, if the Proposed Scheme is approved, IOMA's capital position will benefit both from receiving the consideration (purchase price) and the reduction in SCR both in relation to the Transferring Policies and to the closure and run-off of its remaining policies.
- 9.44 In my view, the proposed transfer will not change the material nature or character of parental support provided to policyholders in RL360 Services. The remaining policyholders in IOMA will be less reliant on parental support due to the improved capital position described in 9.43 above.

### Consideration of different groups of policyholders

- 9.45 It is necessary to consider the position separately for relevant groups of policyholders. In the following paragraphs I set out my analysis of the implications of the Proposed Scheme for:
- Policyholders of IOMA, who will transfer to RL360 Services, i.e. the Transferring Policyholders.
  - Long-term Policyholders of IOMA who will remain with IOMA, i.e. the Compass policies and a single PWM policy.
  - Non long-term policyholders of IOMA who will remain with IOMA, i.e. the general insurance policies.
  - Existing (before the Effective Date) policyholders of RL360 Services.
- 9.46 Based on my assessment of the outlook for the solvency position of the two Companies, together with my assessment of the Companies' respective risk profiles and capital management plans, the implications of the transfer for the security of benefits of each of the four identified categories of policyholders are considered further below in paragraphs 9.48 to 9.78.
- 9.47 My assessment below considers the position immediately before and immediately after the Proposed Scheme.

### Transferring Policyholders from IOMA

#### SOLVENCY

- 9.48 I discussed the relative solvency position of IOMA and RL360 Services in paragraphs 9.6 to 9.22 above.
- 9.49 Based on the information provided, I am satisfied that RL360 Services has a healthy solvency position such that the security of benefits for Transferring Policyholders will not be materially adversely impacted as a result of the Proposed Scheme.

#### RISK PROFILE

- 9.50 The Transferring Policyholders will be moving from a company whose main risks are currently expense risk, financial market risk, lapse (persistence) risk and general insurance catastrophe risk, to one with broadly similar exposures to those risks, except that RL360 Services is not exposed to any general insurance risk and has materially lower expense risk due to its economies of scale as a larger entity.
- 9.51 If the Proposed Scheme is not approved, IOMA will continue to see the cost inefficiencies in running a declining book of insurance business with a relatively fixed cost base.
- 9.52 However, (if the Proposed Scheme is approved), the Transferring Policies will represent approximately 15% of the total policies in-force within RL360 Services, and approximately 10% of the policyholder liabilities, measured as funds under management. Being part of a larger business gives the opportunity for better cost efficiency.

### RISK MANAGEMENT

- 9.53 RL360 Services has similar risk management policies, frameworks, oversight and governance to IOMA. Both Companies are based in the Isle of Man and are required to comply with the same regulatory and solvency regime in the Isle of Man.
- 9.54 As noted above, both Companies make use of reinsurance to third-party reinsurers. This acts as a risk mitigant for RL360 Services and IOMA, but increases the reliance on the reinsurance providers. This won't change if the Proposed Scheme is approved.
- 9.55 Overall I am satisfied that transferring to RL360 Services would not lead to any material adverse implications in this regard for the Transferring Policyholders.

### CAPITAL MANAGEMENT POLICY

- 9.56 I assess RL360 Services' capital management policy as not materially weaker than IOMA's. I am therefore satisfied that the change in capital management policy does not weaken the security of benefits for the Transferring Policyholders.

### BUSINESS MODEL SUSTAINABILITY

- 9.57 The Proposed Scheme is in line with the business model of both Companies. I am satisfied that transferring to RL360 Services would not lead to any material adverse implications in this regard for the Transferring Policyholders.

### PARENTAL SUPPORT

- 9.58 I am satisfied that the proposed transfer will not result in any material adverse change to the nature or character of parental support provided to the Transferring Policyholders.

### Policyholders remaining in IOMA – long-term and general insurance

- 9.59 The Transferring Policyholders represent most of the assets and liabilities of IOMA although there are more individual remaining long-term Compass policyholders (approximately 5,900) and non long-term general insurance policyholders (approximately 5,300), than Transferring Policies (approximately 1,900). This is because the Transferring Policies are savings and investment life policies with associated funds under management (i.e. the linked assets).
- 9.60 As mentioned in paragraph 3.9, the Compass life and critical covers business is now in run-off and all liabilities are expected to be exhausted soon after March 2029, allowing for notification of any final claims. This assumes the Compass policies are maintained until the end of their cover term of five years.
- 9.61 The Property Wealth Management Bond policy is written as a whole of life policy linked to the life of one individual. It is difficult to predict how long this policy will remain in force (as it will depend when the individual dies).
- 9.62 The IOMA general insurance business is also in run-off as mentioned in paragraph 3.12 and most (but not all) of the liabilities are expected to be exhausted by March 2025. Some liability cover under the caravan policies is written on an "occurrence" basis, i.e. it provides lifetime coverage for incidents that take place during the policy period, regardless of when the claim is reported, so the liability will extend beyond March 2025 until all relevant claims are reported and settled.
- 9.63 The projected solvency coverage ratio for IOMA at 31 December 2024 as if the transfer had taken place (185%) is calculated as being greater than IOMA's coverage ratio at 31 September 2024 as if the transfer does not take place (141%).
- 9.64 If the Proposed Scheme is approved, IOMA will become a materially smaller and simplified insurance company. The administration of the remaining business will mainly focus on claims underwriting and settlement (on the general insurance and Compass policies), as IOMA will not be accepting new business or renewals of cover. The PWM policy is not complex to administer but has a possibility of remaining in force for many years. The risk profile of IOMA will include expense risk and key-person risk based on the key reliance on the retained services of senior people. However the market and lapse risk associated with the Transferring Policies will not remain in IOMA.
- 9.65 I am satisfied that the ongoing IOMA approach and situation for solvency, risk profile, risk management, capital management policy, business model sustainability and parental support are not adversely impacted by the Proposed Scheme.
- 9.66 I am satisfied that the Proposed Scheme will not lead to any material adverse implications to the security of benefits (measured as solvency cover) for the remaining policyholders in IOMA relative to the current position within IOMA.

## RL360 Services' policyholders

### SOLVENCY

- 9.67 The solvency coverage ratio for RL360 Services (pro forma at 31 December 2023) as if the transfer had taken place on that date) is calculated as being 236%, whereas RL360 Services' position at 31 December 2023 assuming the transfer had not occurred is calculated as being 267%. Both ratios are in excess of the targets set by the Board under the company's capital management policy. In addition, the monetary amount of the available assets in excess of the required capital (pro forma at 31 December 2023) would have increased (on the assumptions used for the transfer in this assessment) from £107m immediately before the transfer to £113m assuming the transfer takes place. This is discussed in paragraphs 9.16 to 9.22 in this Report.
- 9.68 Based on the RL360 Services projections prepared by my team in Milliman and reviewed by RL360 Services, the projected solvency development over the coming years on the assumption that the transfer takes place is expected to remain satisfactory, and higher than the level required under the company's capital management policy assuming dividends paid in accordance with RL360 Services' capital management policy.
- 9.69 Based on the information provided, I am satisfied that RL360 Services has a satisfactory solvency position such that the security of benefits to existing RL360 Services policyholders will not be materially adversely impacted as a result of the Proposed Scheme.

### RISK PROFILE

- 9.70 The Transferring Policies are similar in nature as the current products and risks managed by RL360 Services and their addition to RL360 Services will not significantly increase the size of the company.
- 9.71 The risk profile of RL360 Services currently includes material exposures to reinsurers. This will continue should the Proposed Scheme be approved.
- 9.72 Overall I am satisfied the risk profile for RL360 Services is not materially changing due to the Proposed Scheme and existing RL360 Services policyholders will not be materially adversely impacted as a result of the Proposed Scheme.

### RISK MANAGEMENT

- 9.73 RL360 Services' current risk management policies, frameworks, oversight and governance are designed for RL360 Services' business model as a run-off insurance specialist based in the Isle of Man. The addition of the Transferring Policies does not change this business model.
- 9.74 Overall I am satisfied that the current approach to risk management in RL360 Services is fit for purpose when considering the addition of the Transferring Policyholders.

### CAPITAL MANAGEMENT POLICY

- 9.75 The RL360 Services Capital Management Policy includes a statement on the "ladder of intervention" should solvency coverage fall below certain set limits. These limits are approved by the Board of RL360 Services and include a percentage cover of SCR on the IOMFSA basis plus an additional limit based on RL360 Services' liquidity.
- 9.76 Overall I am satisfied that the current approach to capital management in RL360 Services is fit for purpose when considering the addition of the Transferring Policyholders.

### BUSINESS MODEL SUSTAINABILITY

- 9.77 The proposed transfer is in line with the business model of RL360 Services and IFGL. I am satisfied that the Proposed Scheme would not lead to any material adverse implications in this regard for the existing policyholders in RL360 Services.

### PARENTAL SUPPORT

- 9.78 I am satisfied that the proposed transfer will not result in any material adverse change to the nature or character of parental support provided to the existing policyholders in RL360 Services.

## Consideration of transfer of Agreements

- 9.79 As an Independent Actuary I have focused my assessment on the impact of the Proposed Scheme for policyholders.



- 9.80 However the Proposed Scheme also includes the transfer of various individual distribution agency and fund investment adviser agreements with individual introducers, insurance intermediaries and advisors. These so called "Agreements" (as defined in the Scheme) will transfer from IOMA to RL360 Services. I described the proposed transfer in paragraphs 3.52 to 3.62 of this Report.
- 9.81 For Agreements, the ongoing payments to introducers are only made if the associated insurance policy remains in-force. Within the insurance company, the funding of ongoing commission payments is from the charges applied by the insurance company to the policies, or the premiums contributed to them. Therefore the likelihood of a deficit between policyholder charges from the policy and the outward payments of commission payments due to the introducers is extremely low.
- 9.82 Notwithstanding the above, the introducers are exposed to and reliant on the insurance company alone in getting paid the ongoing commission payments due. My assessment of security of benefits presented in this Report includes, inter alia, an assessment of the future outlook for financial security and strength of IOMA and RL360 Services within the context of the proposed transfer of business. This assessment, based on information provided by both companies, shows RL360 Services' projected financial position relative to IOMA and both sets of projections show sufficient future resources to remain solvent over the projection period.
- 9.83 For fund investment advisor agreements, the ongoing fee payments to the investment advisors are based on standing instructions by the policyholder to IOMA to pay the agreed fees to the investment advisor – either encashing sufficient units or debiting cash balances, and processed as a partial withdrawal from the policyholder's policy value.
- 9.84 These standing instructions, as agreed in the fund investment advisor agreements, are part of the insurance policy that will transfer from IOMA to RL360 Services under the Proposed Scheme. Therefore the ongoing fee payments to the investment advisors will operate in the same way if the Proposed Scheme is approved.
- 9.85 Note I have assumed the Agreements will operate as in the past. I am not a legal expert and I have not assessed or sought external legal advice on the contracts themselves and the possibility of any contract amendments or options that may be exercised in the future.
- 9.86 However I confirm I believe that the impact of the Proposed Scheme on the introducers and advisers under the transferred Agreements should not be materially adverse. The payment amounts are not expected to change and the financial security provided by an authorised and regulated insurance company in the Isle of Man to introducers and financial advisors is similar but not identical for IOMA and RL360 Services.

#### **Matters not considered**

- 9.87 I do not believe that there are any material relevant issues concerning security that have not been considered in this Report.

#### **Summary & Conclusions – Security**

- 9.88 I have considered the impact of the Proposed Scheme on the security of benefits for policyholders by considering them in four categories:
- Policyholders of IOMA, who will transfer to RL360 Services
  - Long-term Policyholders of IOMA who will remain with IOMA
  - Non long-term policyholders of IOMA who will remain with IOMA.
  - Existing (before the Effective Date) policyholders of RL360 Services
- 9.89 Overall I believe the security of benefits for IOMA and RL360 Services policyholders are not adversely materially impacted by the Proposed Scheme. The ongoing financial position of IOMA is heavily dependent on how long IOMA must remain operational in run-off as the expenses of the ongoing running of the business are assumed to reduce materially in 2026 and reduce to nil in 2029.

## 10 ASSESSMENT OF THE PROPOSED SCHEME – FAIR TREATMENT AND POLICYHOLDER BENEFIT EXPECTATIONS

### Introduction

- 10.1 I must also consider whether the Proposed Scheme treats policyholders fairly and consider the effect of the Proposed Scheme on policyholders' reasonable benefit expectations.
- 10.2 In the case of the Proposed Scheme, this involves consideration of:
- Contractual obligations to policyholders;
  - Any changes that would be caused to the tax treatment of policyholder premiums and/or benefits;
  - Any other areas where the Companies are required to exercise discretion in relation to the fulfilment of their contracts with their policyholders. Such areas of discretionary powers may include: in respect of internal linked funds, the investment criteria, unit-pricing rules and the level of charges applicable to those funds; the ability to vary the level of non-guaranteed charges; and the ability to vary premiums on policies with reviewable premiums, amongst others; and
  - The levels of customer service to policyholders.
- 10.3 The arrangement with regard to the costs of the Proposed Scheme and the proposed approach to policyholder communications are also relevant factors to be considered.
- 10.4 In the following paragraphs, I set out my views on the impact of the Proposed Scheme on the fair treatment and reasonable benefit expectations of the identified categories of policyholders.

### General comments for all groups of policyholders

#### COSTS OF THE PROPOSED SCHEME AND PRODUCT CHARGES

- 10.5 The arrangement with regard to the costs of the Proposed Scheme are set out in paragraphs 7.47 and 7.48 of this Report. No costs or expenses will be borne by policyholders of either of the Companies. I confirm that I am satisfied that the proposals are fair to all the categories of policyholders in both IOMA and RL360 Services.
- 10.6 The current product charges, fund charges, and annual management fees for policies and funds of both RL360 Services and IOMA policyholders are materially unaffected by the Proposed Scheme. As explained in paragraphs 7.24 to 7.37, the internal funds of IOMA will be replaced within RL360 Services with similar structures whereby the policies are linked to equivalent External Funds. The RL360 Services External Funds proposed to replace the IOMA internal funds typically have lower fund management and associated charges.
- 10.7 No ongoing charges or fees applicable to the Transferring Policyholders will increase<sup>4</sup> as part of the migration to the IFG Business Services administration platforms.

#### POLICYHOLDER COMMUNICATIONS

- 10.8 The proposed communications plan is summarised in paragraphs 7.51 to 7.59 of this Report.
- 10.9 I am satisfied that the proposed approach of sending notification of the Proposed Scheme to all long-term policyholders of IOMA, with that notification directing policyholders to the IOMA website where the Circulars and all relevant documents are made available and confirming whether a policyholder is a transferring policyholder or a non-transferring policyholder, is reasonable.
- 10.10 I note the 2008 Act does not require notification of the Proposed Scheme to IOMA general insurance policyholders.
- 10.11 I am satisfied that the proposed approach of not sending notification of the Proposed Scheme to the RL360 Services policyholders is reasonable.
- 10.12 I agree that sending notification of the Proposed Scheme to the large number of RL360 Services policyholders may cause undue concern as the Proposed Scheme will not materially impact on them, and in any case any interested

<sup>4</sup> For practical purposes arising from the different administration platforms, it is possible that some charges may be rounded up or down by £0.01 (a penny) or similar rounding in other currencies. For clarity, any charges that are deducted as a percentage of fund value will continue at the same percentage rate – noting the monetary amount of the charge or fee may change in line with any fluctuations in the underlying fund value over time.

party can get a copy of the Circular on request (to RL360 Services, IOMA or legal representatives of the Companies) or access it online on the Companies' websites.

- 10.13 I am satisfied that the Companies have endeavoured to minimise the issue of a small number of "Gone Away" policies where the Companies are unable to confirm current contact details for policyholders. I note that IOMA has a limited number of deceased policyholders for whom IOMA has not been notified that a personal representative has been appointed.
- 10.14 I am also satisfied that the other components of the communication plan, including notification of the proposed transfer of business in newspapers and on the Companies' websites, are reasonable.

### Transferring Policyholders from IOMA

#### CONTRACTUAL OBLIGATIONS

- 10.15 There are no changes in the cover and benefits provided on the Transferring Policies.
- 10.16 A number of changes will be made to Transferring Policyholders' contractual terms and conditions as part of the Proposed Scheme. These changes are intended to give effect to changes in how RL360 Services intends to administer the policies and are detailed below.
- (a) IOMA currently both accrue and apply credit or debit interest to cash accounts on a number of different frequencies, whereas RL360 Services will accrue interest daily but apply it monthly to the individual GTAs for all policies. IOMA only accrue credit interest to some policies, whereas RL360 Services will accrue both credit and debit interest on all policies.
  - (b) IOMA have accepted additional premiums to existing policies in the past, whereas RL360 Services will have discretion to accept such premiums and have informed me that they do not intend to accept them in the future.
  - (c) IOMA only allows certain of the Transferring Policies to link to IOMA Internal Funds, whereas RL360 Services will allow these policies to link to their wide range of External Funds. The terms and conditions of these policies will be amended to facilitate the operation of the policies in linking to External Funds.
  - (d) RL360 Services will reserve the right to determine the acceptability of investments that policyholders request to be included as External Funds and, to refuse a request to (i) buy any investment RL360 Services deems unacceptable or (ii) sell any investment which RL360 Services considers is not readily realisable.
  - (e) IOMA deducts charges from policies on a variety of frequencies, whereas RL360 Services will deduct equivalent charges pro rata from policies on each quarterly anniversary of the policies' commencement date. This is a matter of timing on when the charges appear on policyholder transaction accounts.
  - (f) IOMA currently sends a hardcopy valuation to policyholders annually. Except on request, which will incur a charge to be paid by the policyholder, RL360 Services will not send hardcopy valuations but will make quarterly valuations available from RL360 Services' online customer portal.
  - (g) For certain of the Transferring Policies in respect of which no Investment Adviser has been appointed, IOMA currently accepts the role of Investment Adviser by default, whereas RL360 Services will not accept this role. This means these policies will be "execution only", and policyholders may request fund or asset switches.
- 10.17 For management of cash balances within the Transferring Policies, RL360 Services will change the approach used to align with their current practice of using GTAs, as described in paragraphs 7.27 and 7.28.
- 10.18 RL360 Services have performed an analysis that shows that their approach would have provided better returns to the Transferring Policyholders on the GTAs than the returns on the IOMA internal cash funds and IOMA cash accounts over 2023. In addition, the GTA provides other administrative benefits to the policyholders, e.g. better liquidity, flexibility and a greater range of available currencies than the IOMA Cash Funds approach.
- 10.19 I am satisfied that these changes are not likely to lead to any material detriment to the Transferring Policyholders.

#### TAX TREATMENT OF PREMIUMS AND BENEFITS

- 10.20 IOMA and RL360 Services have retained external tax experts to review the Proposed Scheme from the perspective of the VAT, corporate tax and policyholder/product tax implications (if any) on the Companies.
- 10.21 The transfer of the business is not expected to change the tax obligations or impacts of the life insurance policies for policyholders. The Companies have sought external tax advice on this point. I have been provided with the tax advice

provided. I do not consider it necessary to seek additional independent tax advice in my role as Independent Actuary in assessing the Proposed Scheme.

### EXERCISE OF DISCRETION

- 10.22 RL360 Services may exercise any discretion formerly available to IOMA under the terms and conditions of any policy, but will do so in accordance with any applicable regulatory principles and having regard, as appropriate, to such considerations as are from time to time in use in relation to such business in RL360 Services.
- 10.23 In relation to the ability to exercise discretion in respect of aspects of the terms and conditions applicable to the Transferring Policies, IOMA has informed me that it has exercised discretionary powers on the Transferring Policies in the past as set out in paragraph 3.61.
- 10.24 As noted in paragraph 7.41, no IOMA policyholder loans are outstanding. In terms of loans against policies by policyholders, I have been informed that IOMA would now use its discretion not to grant loans if any were requested (should the Proposed Scheme not be approved), and I have also been informed that RL360 Services would also use its discretion to not grant any policy loans requested (should the Proposed Scheme be approved).

### CUSTOMER SERVICE

- 10.25 IOMA outsources some client administration services to IoMIM via an intra-group outsourcing arrangement.
- 10.26 RL360 Services will consolidate, in time, all necessary insurance administration activities relating to the transferring business in IFG Business Services in the Isle of Man.
- 10.27 In this regard, I note the following:
- No employees will transfer from IOMA to RL360 Services. Therefore, there is a risk the “corporate memory” of operational details of IOMA may be lost. However, the staff of the Companies have worked together on the migration plans over recent months.
  - RL360 Services’ business model is to outsource administration of its various portfolios to IFG Business Services, in the Isle of Man. Together RL360 Services and IFG Business Services have identified all activities required for the ongoing administration and servicing of the transferring business and will be in a position to commence services shortly after the Effective Date of the Proposed Scheme.
  - IOMA can (if mutually agreed) continue to provide insurance administration support to RL360 Services under a Transitional Services Agreement for a period of up to 90 days following the Effective Date of the Proposed Scheme. This would give time to RL360 Services - via IFG Business Services - to finalise the development of its administration capacity and onboard and manage the IOMA business. However, this must be mutually agreed by the Companies in advance of the Effective Date.
  - The transfer of insurance administration to IFG Business Services includes a migration of existing client information and data from the IOMA administration platform to the IFG Business Services administration platforms. The functionality on these platforms covers all necessary life insurance activities and policyholder requirements on the transferring business.
- 10.28 Some of the precise administration approaches for certain individual transactions or instructions differ between the two platforms. These changes can be summarised as follows:
- (a) Individual policyholder GTA balances will be maintained by RL360 Services in the currency of each asset transaction, rather than in the underlying policy currency alone.
  - (b) When policyholders wish to sell assets in order to purchase other assets, the purchase leg of the transaction will not be executed by RL360 Services until cleared funds from the sale leg of the transaction are received.
  - (c) RL360 Services will not accept instructions on policies by fax, instead it will accept them by email or through the RL360 Services online customer portal.
  - (d) IOMA currently provide policyholders with advance notice of policy maturity three times prior to the maturity date. RL360 Services intends to only provide one advance notice of maturity.
  - (e) Certain of the policy numbers assigned to the Transferring Policies will change, either because of duplication with existing RL360 Services policy numbers or because the current policy number is incompatible with RL360 Services’ systems. Affected policyholders will be notified of the change to their policy number by letter.

- 10.29 From my review of the migration plan I am satisfied that changes in the approach are within the normal ranges of approaches used in life insurance.
- 10.30 IFGL's business model (RL360 Services' parent) is to acquire and integrate run-off portfolios of business and it has a successful track record of doing so to date.
- 10.31 The Transferring Policies of approximately 2,000 policies represents approximately 15% of the RL360 Services policy count of 12,880 (as at December 2023). In terms of policyholder assets, the IOMA wealth book, of approximately £400 million, represents about 12% of the RL360 Services policyholder assets of approximately £3.4 billion. This will not cause any material impact or undue strain on RL360 Services policy servicing capability. The increase in policy count will give economies of scale for the operation of RL360 Services.
- 10.32 In order to provide appropriate customer service in a cost-effective manner to the block of remaining policyholders in run-off after the transfer, IOMA intend to reorganise their administrative arrangements as follows:
- (a) Most of the administration of the Compass policies is already outsourced to ViVet (see paragraph 3.65). I understand IOMA plans to streamline these processes such that ViVet will generate the financial and other data required for IOMA's management of the business.
  - (b) IOMA will retain its claims manager (on a retained services basis rather than as a direct employee) to approve final claims acceptance for both the Compass business and the general insurance business.
  - (c) IOMA will employ a Managing Director/Financial Controller to maintain financial controls and prepare financial accounts.
  - (d) IOMA will engage with external suppliers to provide the other outsourced services required by the business, i.e. internal audit, actuarial, compliance & risk and IT.
- 10.33 Having considered the relevant facts, as set out above, I am satisfied that there is no reason to believe that the service standards experienced by the Transferring Policies will be materially adversely affected by the Proposed Scheme.

#### **RL360 Services' Policyholders**

- 10.34 There will be no change arising from the Proposed Scheme to the terms and conditions of the policies of RL360 Services' existing policyholders, nor will there be any changes to the way in which RL360 Services will exercise its discretionary powers. There will be no change to the administration and customer service arrangements arising directly from the Proposed Scheme for RL360 Services' existing policyholders.
- 10.35 I am satisfied that the Proposed Scheme has no material adverse impact on the fair treatment and reasonable benefit expectations of the current policyholders in RL360 Services.

#### **Policyholders remaining in IOMA**

- 10.36 IOMA has given notice it is closing to new business and will not accept any future renewals on policies outside the Transferring Policies. This covers all the general insurance business, the Compass business and the individual PWM policy.
- 10.37 There will be no change arising from the Proposed Scheme to the terms and conditions of the policies of IOMA's existing (remaining) policyholders, nor will there be any changes to the way in which IOMA will exercise its discretionary powers. IOMA will rationalise and streamline its administration and customer service arrangements for IOMA's existing policyholders after the transfer, to reflect the nature, scale and complexity of the remaining policies.
- 10.38 I am satisfied that the Proposed Scheme has no direct material adverse impact on the fair treatment and reasonable benefit expectations of the policyholders remaining in IOMA.

#### **Policyholder Complaints Process and Policyholder Protection Schemes**

- 10.39 If the Proposed Scheme is approved, the Transferring Policyholders will have the rights and access to complaints procedures for Isle of Man authorised and regulated insurers, including access to the Isle of Man Financial Services

Ombudsman<sup>5</sup> Scheme. Policyholders have the same rights under both insurers and there are no differences in rights of complainants between the two regulatory regimes.

- 10.40 It has been confirmed to me the transferring business within RL360 Services will continue to have the same protections available within IOMA as provided by the Isle of Man PCS governed by the Life Assurance (Compensation of Policyholders) Regulations 1991. Note the protections are limited in scope but it has been confirmed to me that the scope is unchanged on transferring from IOMA to RL360 Services.
- 10.41 Policyholders in respect of the Transferring Policies issued on or after 4th April 1988, the effective date of the PCS for IOMA, will be covered by the Isle of Man PCS as these policies were effected by a “participant insurer” as defined in the PCS regulations. As a consequence of this, RL360 Services would (should the need arise in the future) be required to pay any levies relating to the IOMA protected policies to the Isle of Man PCS.
- 10.42 The Transferring Policies includes one policy that was issued prior to the introduction of a voluntary precursor scheme to the PCS. This policy is not a protected contract under the terms of the PCS.
- 10.43 Current RL360 Services policyholders (where applicable) will continue to be covered by the Isle of Man PCS.

#### **Matters not considered**

- 10.44 I do not believe that there are any material relevant issues concerning benefits that have not been considered in this Report.

#### **Summary & Conclusions – Fair treatment**

- 10.45 In my opinion, for the reasons set out above, I am satisfied that the fair treatment and reasonable benefit expectations of all identified groups of policyholders will not be materially adversely affected by the Proposed Scheme.
- 10.46 I confirm that I am satisfied that the arrangement with regard to the costs of the Proposed Scheme are fair to all the categories of policyholders in both IOMA and RL360 Services.
- 10.47 I am also satisfied with the proposed approach to policyholder communications in respect of the Proposed Scheme.

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<sup>5</sup> The Ombudsman Scheme is a free, independent dispute resolution service for customers with a complaint against an Isle of Man financial firm such as a bank, insurance company or financial adviser which the firm has been unable to resolve. The role and powers of the Ombudsman Scheme are established in Schedule 4 of the Financial Services Act 2008.

## 11 CONCLUSIONS ON THE PROPOSED SCHEME

### Conclusions

- 11.1 I confirm that I have considered the effects of the Proposed Scheme on the following groups of policyholders:
- Policyholders of IOMA, who will transfer to RL360 Services;
  - Long-term Policyholders of IOMA who will remain with IOMA;
  - General insurance policyholders of IOMA who will remain with IOMA; and
  - Existing (before the Effective Date) policyholders of RL360 Services
- 11.2 I further confirm that I do not consider further subdivisions to be necessary.
- 11.3 In summary, I am satisfied that the implementation of the Proposed Scheme would not have a material adverse effect for the policyholders of IOMA and RL360 Services on:
- the security of their benefits;
  - the profile of risks to which they are exposed;
  - the protection offered by the regulatory regime that would apply to them;
  - the reasonable expectations of the policyholders with respect to their benefits; and
  - the standards of administration, service, management and governance that apply to them.
- 11.4 I confirm that I am satisfied that the arrangement with regard to the costs of the Proposed Scheme are fair to all the categories of policyholders in both IOMA and RL360 Services.
- 11.5 I am also satisfied with the proposed approach to policyholder communications in respect of the Proposed Scheme.
- 11.6 I will prepare a Supplementary Report prior to the final Court hearing (Sanction Hearing) expected in late November 2024 to provide an update for the Court on my conclusions in respect of the effect of the Proposed Scheme on the different groups of policyholders in light of any significant events subsequent to the date of the finalisation of this Report.



**Michael Claffey**  
Fellow of the Society of Actuaries in Ireland

**2 October 2024**

## APPENDIX A – LIST OF PRINCIPAL DATA SOURCES

In carrying out my work and producing this Report, reliance has been placed upon, but not limited to, the following information. All items have been provided directly to me by either IOMA or RL360 Services unless otherwise noted.

### Legal documents

- Constitution of IOMA
- Constitution of RL360 Services
- The scheme of transfer under the provisions of the Insurance Act 2008 and other related legal documents (Isle of Man Scheme)
- The Transfer Agreement between IOMA and RL360 Services dated 10 January 2024.
- The draft Circulars and associated communications and announcements to be provided to the identified categories of policyholders

### Reports from the Appointed Actuaries

- Valuation Reports from the Appointed Actuary to the Board of IOMA in respect of the year ended 30 September 2023
- Valuation Reports from the Appointed Actuary to the Boards of RL360 Services and IFGL in respect of the year ended 31 December 2023

### Own Risk & Solvency Assessment (ORSA) Reports

- ORSA Report for IOMA dated June 2024
- ORSA Report for IFGL dated June 2024.

### Directors' Reports and Financial Statements

- Directors' Report and Financial Statements for IOMA for the financial year ended 30 September 2023
- Directors' Report and Financial Statements for RL360 Services for the financial year ended 31 December 2023

### Product documentation

- Sample policy documents for the Transferring Policies

### Other documents

- Reinsurance arrangements for IOMA
- Risk management documents for IOMA
- Risk management documents for RL360 Services
- Capital Management Policy and Investment Policy for IOMA
- Capital Management Policy for RL360 Services
- Recent complaints litigation from IOMA
- Regulatory correspondence logs from IOMA
- Regulatory correspondence logs from RL360 Services

### Correspondence

- E-mail correspondence and management calls with IOMA in relation to the Proposed Scheme
- E-mail correspondence and management calls with RL360 Services in relation to the Proposed Scheme



## APPENDIX B: THE REGULATORY REGIME

### Isle of Man Risk Based Capital (“RBC”) Framework for insurance companies

The RBC Framework uses a total balance sheet approach in the valuation of assets and liabilities for solvency purposes. This recognises the interdependence between assets, liabilities, regulatory capital requirements and capital resources to ensure that risks are properly recognised and that the determination of available and required capital is based on consistent assumptions.

#### VALUATION BASIS

Assets and liabilities are valued on an economic basis such that an insurer’s financial position is not obscured by hidden or inherent conservatism or optimism in the valuation. An economic value reflects the prospective valuation of the future cash flows of the asset or liability allowing for the inherent risk of those cash flows and the time value of money.

#### TECHNICAL PROVISIONS

Technical provisions are assets or liabilities that represent the economic value of the insurer fulfilling its insurance obligations to policyholders and other beneficiaries arising over the lifetime of the insurer’s portfolio of insurance policies. This includes a margin (Risk Margin) to cover the inherent uncertainty of those obligations.

#### RISK MARGIN

The Risk Margin is calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the insurance and reinsurance obligations over the lifetime thereof. The rate used in the determination of the cost of providing that amount of eligible own funds is called the Cost-of-Capital rate.

#### REGULATORY CAPITAL

A fundamental aspect of the framework is a fully articulated, risk-based capital and solvency regime which require insurers to calculate regulatory capital using a risk-reflective solvency and capital model. This is accompanied by governance provisions in respect of enterprise risk management for capital adequacy purposes, including own risk and solvency assessments.

In relation to the regulatory capital and solvency requirements, the framework uses a standard capital and solvency model which address the main risks to which insurers may be exposed.

Under the framework, all insurers are required to comply with two levels of solvency: a minimum capital requirement (“MCR”), below which no insurer is regarded as viable to operate effectively, and a solvency capital requirement (“SCR”) above which, on a routine basis, supervisory intervention in relation to solvency requirements is not expected. The MCR and SCR are both mandatory regulatory intervention thresholds/triggers.

The capital requirements will address all relevant and material categories of risk – including underwriting risk, credit risk, market risk, operational risk and liquidity risk. This will include any significant risk concentrations, for example, to economic risk factors, market sectors or individual counterparties, taking into account both direct and indirect exposures and the potential for exposures in related areas to become more correlated under stressed circumstances.

#### CAPITAL RESOURCES

The framework defines the approach to determining the capital resources eligible to meet regulatory capital requirements and their value, consistent with a total balance sheet approach for solvency assessment and having regard to the quality and suitability of capital elements.

## APPENDIX C: GLOSSARY OF TERMS

A glossary of terms and abbreviations used throughout the Report is provided below.

Term	Definition
2008 Act, The	The Insurance Act 2008, as amended (Isle of Man)
Agreements	All written contracts or other legal agreements relating exclusively to the Transferring Business to which IOMA is a party, specifically including agreements with distributors, investment advisers and DFMs.
Appointed Actuary	The person, as nominated by the company's board of directors and approved by the IOMFSA, with overall responsibility for the tasks called out for the actuarial function under the relevant regulatory regime in the Isle of Man.
ASP	Actuarial Standard of Practice
BEL	Best Estimate Liability. One of the components of the Technical Provisions under the RBC Framework. The BEL is calculated by projecting the expected future obligations of the insurer over the lifetime of the insurance contracts using the most up-to-date financial information and best-estimate actuarial assumptions. The BEL represents the present value of those projected cash-flows
Cash IIFs	The 5 IOMA internal linked funds listed in Schedule 2, Part A of the Scheme. The assets underlying the internal linked funds are cash and near-cash assets (such as money market funds) and bank deposits.
Cinven	Cinven Capital Management (SFF) General Partner Limited
Circular, The	A statement summarising the Proposed Scheme together with an abstract summarising the Independent Actuary's Report
Companies, The	IOMA and RL360 Services, collectively
Court	The Isle of Man Court
CRS	Common Reporting Standards. This was developed by the Organisation for Economic Co-operation and Development to put in place a global model of automatic exchange of financial information between different jurisdictions from financial institutions.
DFM	Discretionary Fund Manager, a third party investment adviser that manages a portfolio of assets under a policy.
Effective Date, The	00:01 hours on 6 December 2024, or such other date as may be agreed by the Companies after the date of the order of the Isle of Man Court sanctioning the Proposed Scheme
FHL	Financial Holdings Limited
FSAI	Fellow of the Society of Actuaries in Ireland
GAAP	Generally Accepted Accounting Principles
General Transaction Accounts (GTA)	A component of an individual life policy within RL360 Services administration approach for the Transferring Policies. The GTA is a cash balance within an individual policy that may be positive or negative from time to time. It is designed to process policyholder transactions on the policy (including receiving the proceeds from the sale of any External Funds, or for the funding of any purchase of External Funds). It is also designed to have a sufficient positive cash balance to allow the withdrawal of product and administration charges and fees. The cash balance also funds any policyholder withdrawals from the policy and payment on ultimate surrender.
Global IIFs	The 1 IOMA internal linked funds listed in Schedule 2, Part C of the Scheme. This internal fund is available under the Global Asset Portfolio product range.
IFGL	International Financial Group Limited
Independent Actuary	Mr Michael Claffey, a Fellow of the Society of Actuaries in Ireland and a Principal with Milliman Limited
Independent Actuary's Report	This Report

### Independent Actuary's Report

In respect of the Proposed Scheme to transfer certain insurance business of Isle of Man Assurance Limited to RL360 Life Insurance Company Limited

Insurance Regulations, The	The Insurance Regulations 2021 of the Isle of Man (effective from 30 June 2022)
IOM	The Isle of Man
IOMA	Isle of Man Assurance Limited
IOMFSA	The Isle of Man Financial Services Authority, which is the supervisory authority with responsibility for the prudential supervision of the Companies
Isle of Man Court, The	The High Court of Justice of the Isle of Man (Civil Division)
Managed IIFs	The 13 IOMA internal linked funds listed in Schedule 2, Part B of the Scheme. They hold a range of assets depending on the published IOMA fund mandate and objectives. The assets underlying the internal linked funds are a range of collective investment vehicles and fund structures. Three of these internal funds are available under the Global Asset Portfolio product range.
MCR	Minimum Capital Requirement. One of the regulatory capital requirements under the RBC Framework. Usually lower than the SCR. The MCR defines the point of intensive regulatory intervention.
Members	Members of IOMA and RL360 Services are the shareholders of each company.
Milliman	Milliman Limited, Consultants & Actuaries, 6th Floor Victory House, Prospect Hill, Douglas, Isle of Man IM1 1EQ
Non-linked business	A type of life assurance business, written under Class 2 of the Insurance Regulations, which is not Unit-linked Business
ORSA	Own Risk and Solvency Assessment. The ORSA is a risk management tool, which is required under the RBC Framework, and is not a public document. Its purpose is to assess the overall solvency needs of the firm over time taking into account the firm's own assessment of its particular risk profile. This includes financial projection of the possible future solvency development of the company across a range of possible future scenarios.
Own Funds	Broadly speaking, the excess of an insurer's assets over its liabilities on an RBC Framework basis. Also called "eligible own funds".
Proposed Scheme, The	The legal scheme of transfer by which it is proposed that the Transferring Policies and their associated assets and liabilities be transferred from IOMA to RL360 Services. Under the relevant provisions of the 2008 Act, the Proposed Scheme requires the approval of the Isle of Man Court.
RBC Framework, The	The Isle of Man's risk-based capital regulatory framework for insurance business.
RERs	Regulatory Electronic Reporting templates. These are specific forms which insurers must complete on a regular basis under the RBC Framework. Some RERs are required to be produced quarterly and more are required to be produced annually.
Risk Margin	The risk margin is an amount, in addition to the BEL, designed to bring the Technical Provisions up to the amount that another insurer (or reinsurer) would be expected to require in order to take over and discharge the insurance liabilities in an arm's length transaction
RL360 Services	RL360 Life Insurance Company Limited
Run-off	A line of insurance business, or an insurance company, that no longer accepts new business but continues to provide coverage for claims arising on policies still in-force and that makes payments for claims that have occurred on policies that have expired
SCR	Solvency Capital Requirement. One of the regulatory capital requirements under the RBC Framework. Intended to represent the amount required to ensure that an insurer's assets continue to exceed its liabilities over a one year time frame with a probability of 99.5%
Standard Formula	A standardised calculation method for determining the SCR. Insurers are required to calculate their SCR using the Standard Formula
Supplementary Report, The	A further report to be prepared by the Independent Actuary prior to the Isle of Man Court hearing to sanction the Proposed Scheme. The purpose of the supplementary report is to provide an update for the Court on the Independent Actuary's conclusions in light of any significant events subsequent to the date of the finalisation of this Report

**Independent Actuary's Report**

In respect of the Proposed Scheme to transfer certain insurance business of Isle of Man Assurance Limited to RL360 Life Insurance Company Limited

2 October 2024

Technical Provisions	The value of the insurance liabilities of an insurer, as determined for regulatory purposes. Under the RBC Framework, the Technical Provisions comprise the BEL and the Risk Margin
Transfer Agreement	An agreement between IOMA and RL360 Services dated 10 January 2024 setting out the commercial and operational terms of the transfer of long-term business from IOMA to RL360 Services
Transferring Policies	The policies that are proposed to be transferred from IOMA to RL360 Services under the Proposed Scheme
Unit-linked Business	A type of life assurance business, written under Class 1 of the Insurance Regulations, where the benefits payable are linked to the performance of investment funds
Upstream Loan	A non-collateralised loan made by RL360 Services to its parent IFGL.
Valuation and Solvency Regulations, The	The Insurance (Long-Term Business Valuation and Solvency) Regulations 2024 of the Isle of Man (effective from 30 June 2024)