

Rothesay Life Plc & Monument Life Insurance DAC

Summary Report of the Independent Expert on the proposed
Scheme to transfer certain long-term insurance business from
Rothesay Life Plc to Monument Life Insurance DAC

Prepared by **John Andrew Hoskin FIA**



Barnett Waddingham LLP

27 March 2020

Contents

| | | |
|---|--|----|
| 1 | The proposed transfer | 3 |
| 2 | The effect of the Scheme on the Transferring Policyholders | 6 |
| 3 | The effect of the Scheme on the Rothesay Non-Transferring Policyholders..... | 12 |
| 4 | The effect of the Scheme on the Monument Existing Policyholders | 13 |
| 5 | Other considerations | 15 |
| 6 | Conclusions | 16 |

1 The proposed transfer

1.1 The Independent Expert

1.1.1 I have been appointed as the Independent Expert for a proposed scheme (the Scheme) for the transfer of a portfolio of non-profit annuity policies¹ (the Transferring Policies, with each individual policy among the Transferring Policies being a Transferring Policy) from Rothesay Life Plc (Rothesay) to Laguna Life DAC, which is proposed to be renamed Monument Life Insurance DAC (Monument Life)².

1.1.2 I have been appointed jointly by Rothesay and Monument Life (the Companies) with the costs of my work being split equally between the Companies.

1.1.3 For the transfer to proceed, the Scheme must be approved by the High Court of Justice of England and Wales (the Court). My role as Independent Expert is to consider the likely impact of the Scheme on the policyholders of the Companies and to set out my conclusions in a report for the Court. This is a summary of my full report (my Report) which is available on the Companies' web sites:

www.rothesaylife.com/transfer-monument

www.monumentregroup.com/proposed-transfer-of-annuity-business-rothesay-life

1.1.4 My Report contains additional information and additional analysis on the aspects of the transfer discussed in this summary report. I will also prepare a supplementary report for the Court (my Supplementary Report), closer to the date of the Court hearing at which the Scheme will be considered. I will update my conclusions in my Supplementary Report, taking into account events that occur after the date of my Report.

1.1.5 I am a Fellow of the Institute and Faculty of Actuaries and I am a Partner in the Insurance Consulting practice of Barnett Waddingham LLP.

1.2 The companies involved in the transfer

1.2.1 Rothesay is a proprietary insurance company incorporated in the UK. As at 30 June 2019, Rothesay had in-force policies covering approximately 780,000 lives and Rothesay valued its liabilities in respect of these policies at approximately £30 billion. Rothesay continues to acquire new business through acquisitions from other insurers and pension schemes. Rothesay has a number of reinsurance arrangements, which transfer some of the risks arising from its business to other insurance companies.

1.2.2 Monument Life is a proprietary insurance company incorporated in the Republic of Ireland (Ireland), which is ultimately owned by Monument Re Limited (Monument Re). As at 30 June 2019, Monument Life had approximately 12,000 in-force policies and it valued its liabilities in respect of these policies at €415 million (approximately £370 million). Since its acquisition by Monument Re in 2017, Monument Life has followed, and continues to follow, a strategy of acquiring blocks of in-force business from other life insurance companies, either through acquisitions of companies or by means of legal transfers of business. Monument Life has a number of reinsurance arrangements, which transfer some of the risks

¹ An annuity policy is an insurance contract under which, from the date it becomes payable, a regular payment is paid to a beneficiary, usually until the death of the beneficiary.

² At the date of this report the transferee company is called Laguna Life DAC, but is expected to be renamed Monument Life Insurance DAC on 30 March 2020, in preparation for planned consolidation with other group companies. I refer to the transferee company as "Monument Life" in this report.

arising from its business to other insurance companies. It currently reinsures a large portion of its business to its ultimate parent, Monument Re.

1.3 Reason for the proposed transfer

- 1.3.1 Rothesay has a portfolio of policies written in Ireland under the European Union (EU) “freedom of services” arrangements. As at 30 June 2019 there were 406 policies in-force and Rothesay valued its liabilities in respect of these policies at £121m.
- 1.3.2 Following the UK’s withdrawal from the EU, it is expected that Rothesay will be unable to lawfully service these policies from the UK over the long term (including the payment of benefits to policyholders). Rothesay will continue to be able to lawfully service these policies during the withdrawal transitional period, also known as the Implementation Period, which is expected to last until 31 December 2020 (unless extended) but will be unable to continue to do so indefinitely after the Implementation Period unless the UK and the EU agree a long-term trading arrangement that preserves freedom of services for insurance business. A secondary benefit of the proposed transfer is that it will simplify Rothesay’s operations, which will then be entirely within the UK.
- 1.3.3 Rothesay has chosen to resolve this issue by transferring the Transferring Policies to Monument Life, an Irish-regulated insurance company, under the Scheme. I consider this a reasonable action.
- 1.3.4 If the Scheme is approved by the Court, the effective date of the Scheme, the Transfer Date, is expected to be 7 September 2020. With effect from the Transfer Date, holders of the Transferring Policies will become policyholders of Monument Life, and Monument Life will be responsible for the administration of the Transferring Policies and payment of all benefits falling due under them after the Transfer Date.
- 1.3.5 In preparation for the sale and transfer of the Transferring Policies, Rothesay has entered into a reinsurance agreement with Monument Re that transferred the majority of the risks and rewards associated with the Transferring Policies to Monument Re. This reinsurance agreement will transfer to Monument Life under the Scheme, and will then be amended such that Monument Life transfers 90% of most of the risks on the Transferring Policies to Monument Re. Under the proposed arrangement Monument Life will retain more risk in respect of the Transferring Policies than Rothesay currently does.

1.4 My considerations with respect to the proposed transfer

- 1.4.1 In my Report I have considered the effects of the Scheme on the following three groups of policyholders:
- Transferring Policyholders: The holders of the Transferring Policies and any other individuals who are or may become entitled to receive benefits under these policies.
 - Rothesay Non-Transferring Policyholders: The holders of existing Rothesay policies as at the Transfer Date that will not transfer to Monument Life under the Scheme (the Rothesay Non-Transferring Policies) and any other individuals who are or may become entitled to receive benefits under these policies.
 - Monument Existing Policyholders: The holders of existing Monument Life policies as at the Transfer Date (the Monument Existing Policies) and any other individuals who are or may become entitled to receive benefits under these policies.
- 1.4.2 My key considerations in respect of each group of policyholders are the effects of the Scheme on:
- the security of policyholders’ benefits, which is primarily dependent on the relevant insurance company’s financial strength and the risks to which they are exposed

- the reasonable expectations of policyholders in respect of their benefit expectations, service standards, management and governance.

1.4.3 The test I have applied in considering this Scheme is whether the position of any group is, in the round, "materially adversely affected". The word "material" is not uniquely defined and so, where there are adverse changes, I have attempted to give some context as to their size or likelihood of occurring. If a potential effect is very unlikely to happen and does not have a large impact, or if it is likely to happen but has a very small impact, I do not consider it material.

1.5 Date of financial information

1.5.1 My analysis of the financial strength of the Companies is based on estimates of the pre- and post-Scheme financial position on a pro-forma basis as at 30 June 2019.

1.5.2 The economic position at the Transfer Date cannot be predicted with certainty. Financial market conditions and the Companies' financial positions have changed since the 30 June 2019 positions shown in my Report.

1.5.3 The Companies have provided me with estimates of their financial positions as at 20 March 2020, taking into account all events since 30 June 2019. The movements in the financial positions since 30 June 2019 do not change my opinions and conclusions.

1.5.4 I will continue to monitor the Companies' financial positions and will provide more up to date financial information in my Supplementary Report.

2 The effect of the Scheme on the Transferring Policyholders

2.1 Summary

2.1.1 I am satisfied that the Scheme will have no material adverse effect on the security of the benefits and reasonable expectations of the Transferring Policyholders.

2.1.2 To arrive at my conclusion, I have considered:

- the impact of the Scheme on the security of the benefits of the Transferring Policyholders
- the impact of the Scheme on the reasonable expectations of the Transferring Policyholders, including benefit expectations, service standards, management and governance
- implications related to the UK's decision to leave the EU and, in particular, that the Scheme may, in certain limited circumstances, result in eligible Transferring Policyholders losing the protection of the UK Financial Services Compensation Scheme (FSCS).

2.2 Benefit security

2.2.1 It is important that the benefits under the Transferring Policies are paid as they fall due. The continuing ability of an insurer to pay benefits depends upon it holding:

- sufficient assets to pay the expected amount of future benefits and expenses as they fall due
- additional assets in case the actual amount it needs to pay is greater than expected.

2.2.2 I have investigated the security of the benefits under the Transferring Policies by comparing the sources of security and the profile of risks to which the Transferring Policyholders will be exposed pre- and post-Scheme.

2.2.3 I am satisfied that implementation of the Scheme will have no material adverse effect on the benefit security provided to the Transferring Policyholders.

2.2.4 I have formed this opinion taking into account, amongst other things, that:

- both Rothesay and Monument Life are subject to the same regulatory solvency regime, meaning that the minimum amount of capital (assets in excess of their liabilities) that they must hold offers a similar level of security
- both Rothesay and Monument Life have similar targets in respect of excess capital (capital above the regulatory minimum capital requirement) such that the probability of either company being unable to meet its obligations to its policyholders, including the Transferring Policyholders, is remote
- as at 30 June 2019 both Rothesay and Monument Life held capital in excess of these target levels, and this remains the case based on the most recent information available as at 20 March 2020
- although the absolute amount of excess capital in Monument Life is lower compared to that in Rothesay under their respective capital targets, this is not detrimental to benefit security as the absolute amounts reflect the size of the respective risks

- the range of management actions identified by Monument Life as being available to restore its capital position if it breaches its capital targets are, in my opinion, credible and comparable to those identified by Rothesay in similar circumstances, which I also consider to be credible
- Monument Life's risk management framework and, in particular, its liquidity risk management approach which aims to ensure that assets are available to pay benefits as they fall due, is appropriate and comparable to that of Rothesay
- Monument Life has an appropriate framework in place to manage the additional risk exposures that arise from being part of a group of insurance companies (which do not apply to Rothesay) and, in particular, Monument Life's exposure to Monument Re, its most significant intra-group counterparty, does not result in a material risk to benefit security.

2.3 Reasonable expectations and consumer protection

2.3.1 In my opinion, Transferring Policyholders' reasonable expectations are that:

- they receive their benefits as guaranteed under the policy, on the dates specified
- to the extent that benefits are discretionary, that such discretion is exercised fairly
- the administration, management and governance of the policies are in line with the contractual terms under the policy
- the standards of service received are at least as good as those they currently receive.

2.3.2 Transferring Policyholders may also expect an appropriate degree of consumer protection with regards to their fair treatment and the ability to escalate complaints to an independent body where they feel that they have been treated unfairly.

2.3.3 I have investigated these factors by looking separately at benefit expectations, policy administration and servicing, management and governance, and consumer protection.

Benefit expectations

2.3.4 I am satisfied that the Scheme will have no material adverse effect on the reasonable benefit expectations of Transferring Policyholders.

2.3.5 I have formed this opinion taking into account that:

- the majority of benefits are contractually defined and are not discretionary
- where discretion is applied:
 - the methodology used by Monument Life will be consistent with that currently used by Rothesay
 - the methodology and assumptions that Monument Life proposes to use to calculate discretionary benefits post-Scheme are, in my opinion, fair to Transferring Policyholders and are expected to be beneficial to Transferring Policyholders
 - any changes to the methodology will be subject to Monument Life's internal governance, and its requirement to meet the customer-focussed conduct rules of the Central Bank of Ireland (CBI), the Irish body that regulates financial services in Ireland
 - Monument Life's internal governance and regulatory conduct requirements are, in my opinion, comparable to Rothesay's internal governance and its requirement to meet applicable regulatory conduct rules

- Rothesay has received advice from its third-party tax advisor that the Scheme will not change the way in which Transferring Policyholders' benefits are taxed in the hands of the policyholder.

Policy administration and servicing

2.3.6 In my opinion, the Scheme will have no material adverse effect on the policy administration and service standards experienced by the Transferring Policyholders.

2.3.7 I have formed this opinion taking into account that:

- Rothesay, Monument Life and their respective outsourcing partners have developed, and shared with me, a policy data and administration migration plan to facilitate the transfer of the Transferring Policies from Rothesay to Monument Life
- I consider the migration plan (which may be amended to reflect changing circumstances) to be reasonable, comprehensive and robust
- the Companies will only proceed with the Scheme if they are confident, in advance of the Transfer Date, that the policy data and administration migration will be successful
- the proposed service standards are, in my opinion, not materially different from those that are currently applied by Rothesay
- Monument Life has chosen to outsource administration of the Transferring Business to Paymaster (1836) Limited (trading as Equiniti Paymaster), an established provider of such services which has:
 - a strong market reputation
 - demonstrated its ability to work to appropriate service standards on Monument Life's existing business.

2.3.8 As at the date of my Report, the migration plan is being implemented. The migration plan contains activities that have completed, activities that are work in progress and activities that are planned to be carried out between the date of my Report and the Transfer Date. While this is not an uncommon position in a transfer of insurance business such as this, it is important that the migration is completed successfully to ensure that the Transferring Policies can be administered appropriately following the proposed transfer. The Scheme should not proceed until the Companies are confident that the migration will be successful. This is recognised by the Companies and the Scheme will only proceed when they are both satisfied that the migration can be completed successfully.

2.3.9 At the date of my Report, work on the migration is progressing to plan and I have no reason to believe that the activities will not be completed successfully.

2.3.10 However, I do recognise that the potential consequences of the Covid-19 pandemic pose a risk to the migration if personnel involved in the migration are unavailable or unable to work. The Companies and their administration partners have implemented their business continuity plans with the intention of maintaining operations and service levels. At this stage, it is too early for me to assess whether or not the Covid-19 pandemic will have a detrimental impact on the migration.

2.3.11 I have asked the Companies to keep me informed of progress against the migration plan and I will provide an update in my Supplementary Report.

Management and governance

2.3.12 In my opinion, the Scheme will have no material adverse effect on the management and governance of the Transferring Policies.

2.3.13 I have formed this opinion taking into account that:

- Monument Life's governance structure is comparable to that of Rothesay's and is appropriate
- Monument Life has recruited additional staff to provide capacity for it to oversee the acquisitions and proposed transfers of insurance business planned over the short term.

2.3.14 In line with its commercial strategy, Monument Life's business is increasing and it expects to undertake a number of transactions over the course of 2020. In addition to the proposed transfer under the Scheme, I am aware of four other potential transactions that will involve business transferring into Monument Life. In anticipation of these transactions, Monument Life has recruited additional staff to provide appropriate capacity.

2.3.15 I have asked Monument Life to keep me informed of staff levels and potential transactions and I will consider carefully whether any developments after the date of my Report change my opinion. I will comment further on this in my Supplementary Report.

Consumer protection

2.3.16 I am satisfied that the Scheme will have no material adverse effect on Transferring Policyholders with respect to consumer protection and the escalation of complaints to an independent body. I have formed this opinion taking into account that the Transferring Policyholders will be:

- protected by the CBI's conduct regulations which, in my opinion, offer a similar level of protection to the conduct regulations in the UK
- protected by Monument Life's undertaking that it will comply with the UK regulations in respect of complaints handling and resolution, insofar as these requirements applied to the Transferring Policies prior to the Transfer Date
- able to escalate complaints to the Financial Services and Pensions Ombudsman (FSPO) in Ireland.

2.4 Potential loss of FSCS protection

2.4.1 The UK FSCS provides compensation to eligible customers in the event of insolvency of financial services companies, including insurance companies, that are "Relevant Persons" for the purposes of the FSCS rules. An insurance company is a Relevant Person if it is authorised by the Prudential Regulatory Authority to carry out business in the UK. There is no comparable compensation scheme for life insurance business in Ireland.

2.4.2 As Rothesay is a Relevant Person for the purposes of the FSCS rules, in the very unlikely event that Rothesay were to become insolvent and unable to pay policyholder benefits, Rothesay's eligible policyholders (including Transferring Policyholders) would be entitled to claim full compensation from the FSCS.

2.4.3 The Companies have each received legal advice as to whether, and in what circumstances, the Transferring Policyholders will remain protected by the FSCS following the implementation of the Scheme. That legal advice, which I have relied upon, but which is consistent with my own understanding of the relevant regulations, forms the basis of the following discussion.

2.4.4 Monument Life was also a Relevant Person for the purposes of the FSCS rules while the UK was a member of the EU and, under the terms of the withdrawal agreement between the UK and the EU, it will continue to be a Relevant Person during the Implementation Period. This means that rights of compensation from the FSCS currently exist for Monument Life's policyholders who are eligible to claim.

Under the current FSCS rules, Monument Life policyholders who are eligible to claim under the FSCS (including the Transferring Policyholders after the Transfer Date) will remain eligible for FSCS protection so long as Monument Life remains a Relevant Person.

- 2.4.5 Monument Life has applied to enter the UK's Temporary Permissions Regime, which will begin following the end of the Implementation Period. The Temporary Permissions Regime will allow non-UK European Economic Area (EEA) insurers to continue to operate in the UK over a further transitional period of up to three years starting from the end of the Implementation Period while they seek a permanent solution. Monument Life's status as a Relevant Person for the purposes of the FSCS rules will continue while it remains in the Temporary Permissions Regime.
- 2.4.6 Monument Life has indicated to me that it intends to submit an application to allow it to establish what is known as a "third country branch" in the UK within the transitional period covered by the Temporary Permissions Regime. If such a third country branch were established, Monument Life would remain a Relevant Person and the Transferring Policyholders would continue to benefit from rights of compensation under the current FSCS rules. I note though that it cannot be completely assured that Monument Life will be able to establish a third country branch in the UK as the action requires authorisation from the UK regulatory bodies.
- 2.4.7 There is a further UK transitional regime, which applies from the end of the Implementation Period to allow EEA insurers operating in the UK to run off policies that are already in force, the Financial Services Contracts Regime. This applies to a firm which does not enter the Temporary Permissions Regime or which does enter the Temporary Permissions Regime, but leaves that regime without obtaining a UK authorisation for a third country branch. If Monument Life is not successful in establishing a third country branch, it will fall within the Financial Services Contracts Regime and will be a Relevant Person for as long as it continues to do so. Transferring Policyholders would continue to benefit from FSCS cover while Monument Life is within the Financial Services Contracts Regime.
- 2.4.8 The Financial Services Contracts Regime is currently expected to apply to an insurance firm in these circumstances for 15 years from the end of the Implementation Period if the firm does not enter the Temporary Permissions Regime or for 15 years from the date on which the firm leaves the Temporary Permissions Regime without UK authorisation for a third country branch. The regulations allow the duration of the Financial Services Contracts Regime to be extended if HM Treasury, a department of the UK government, considers it necessary. After the expiry of the Financial Services Contracts Regime period, the policyholders eligible for FSCS protection transferring to Monument Life would lose that protection unless Monument Life has successfully established a third country branch in the UK.
- 2.4.9 I also note that the FSCS rules may change in the future. Such changes, which cannot be foreseen, may result in the Transferring Policyholders losing FSCS protection even if Monument Life does successfully establish a third country branch.
- 2.4.10 In summary, I expect that the Transferring Policyholders will continue to benefit from FSCS protection. Under current legislation, this protection will be available for at least 15 years from the date on which Monument Life leaves the Temporary Permissions Regime. However, the continuation of this protection beyond the Financial Services Contracts Regime period is not guaranteed as it depends upon Monument Life being successful in establishing a third country branch in the UK following the end of the Implementation Period and before the expiry of the Financial Services Contracts Regime period. It also depends upon there being no future changes to the FSCS rules that cannot be foreseen. It is therefore important that I consider the possible, but not expected, loss of FSCS protection.

2.4.11 In my opinion, the value of this possible lost protection to Transferring Policyholders is very small, as my analysis of the benefit security of Transferring Policyholders leads me to conclude that the likelihood of Monument Life becoming insolvent and therefore unable to pay benefits in full is very remote. In particular:

- Monument Life is required to comply with regulatory solvency requirements, which require it to hold sufficient capital to withstand an adverse event that is expected to occur only once in every 200 years.
- Monument Life's capital management policy means that it aims to hold capital in excess of the regulatory minimum meaning that Monument Life should be able to withstand adverse experience that is more remote than a 1 in 200 year event.
- The Monument Re group of companies is currently financially strong and is backed by a number of shareholders including three significant financial services companies. While it cannot be guaranteed, I consider it probable that, in the unlikely event that Monument Life does get into financial difficulty, Monument Re or its shareholders would support it in order to protect the value of their investment and given the reputational risk associated with failure of an investment. In particular, the Monument Re Group can currently call on approximately €80m of additional capital by way of its shareholders and a loan facility.

2.4.12 I consider that the value lost by Transferring Policyholders from any possible loss of FSCS protection after the Financial Services Contracts Regime period is outweighed by the benefit of having certainty that the insurer responsible for paying benefits to policyholders is lawfully able to do so regardless of the outcome of negotiations concerning the longer-term trading relationship between the UK and the EU. The potential loss of EU freedom of services rights following the end of the Implementation Period represents a material risk to the ongoing servicing and benefit payments on the Transferring Policies and so it is necessary and appropriate for Rothesay to take action. I have reviewed the alternative solutions that were considered by Rothesay to ensure continuity of service and benefit payment and I am satisfied that a transfer to an Irish insurer is an appropriate solution in light of the available options. The possible loss of FSCS protection after the Financial Services Contracts Regime period is an unavoidable risk of transferring to an Irish insurer in circumstances where that Irish insurer's future status under the FSCS rules after the Financial Services Contracts Regime period depends on it obtaining authorisation from the UK regulatory bodies and where that authorisation cannot be certain.

3 The effect of the Scheme on the Rothesay Non-Transferring Policyholders

3.1 Summary

3.1.1 I am satisfied that the Scheme will have no material adverse effect on the security of the benefits and reasonable expectations of the Rothesay Non-Transferring Policyholders.

3.1.2 To arrive at my conclusion, I have considered the impact of the Scheme on the:

- security of the benefits of the Rothesay Non-Transferring Policyholders
- reasonable expectations of the Rothesay Non-Transferring Policyholders, including benefit expectations, service standards, management and governance.

3.1.3 I have formed this opinion taking into account, amongst other things, that:

- the Transferring Policies represent a very small proportion of Rothesay's business such that the impact of the Scheme on Rothesay's financial position is not material
- the Scheme will not result in any changes to the benefits that the Rothesay Non-Transferring Policyholders will receive under their policies
- there will be no changes to Rothesay's administration, management or governance arrangements as a result of the Scheme.

3.1.4 The impact of the Scheme is so trivial to Rothesay Non-Transferring Policyholders that I include no further analysis of the impact in this summary report.

4 The effect of the Scheme on the Monument Existing Policyholders

4.1 Summary

4.1.1 I am satisfied that the Scheme will have no material adverse effect on the security of the benefits and reasonable expectations of the Monument Existing Policyholders.

4.1.2 To arrive at my conclusion, I have considered the impact of the Scheme on the:

- security of the benefits of the Monument Existing Policyholders
- reasonable expectations of the Monument Existing Policyholders, including benefit expectations, service standards, management and governance.

4.2 Benefit security

4.2.1 I am satisfied that implementation of the Scheme will have no material adverse effect on the security of benefits for the Monument Existing Policyholders.

4.2.2 I have formed this opinion taking into account, amongst other things, that:

- the Scheme will have only a modest impact on Monument Life's financial position and Monument Life will remain financially strong immediately following the Scheme
- although the Transferring Policies bring additional risk to Monument Life:
 - much of the additional risk introduced will be reinsured to Monument Re
 - the additional risk to Monument Existing Policyholders' security of benefits from the increase in Monument Life's exposure to Monument Re is not material
 - the revised risk profile will be appropriately reflected in Monument Life's regulatory capital requirement.

4.3 Reasonable expectations

4.3.1 In my opinion, the reasonable expectations of the Monument Existing Policyholders are principally that:

- they receive their benefits as guaranteed under the policy on the dates specified
- to the extent that benefits or charges are discretionary, that such discretion is exercised fairly
- where different investment options are offered on savings contracts, that the investment options remain available or are changed only for good reason
- the administration, management and governance of the policies are in line with the contractual terms under the policy
- the standards of service received are at least as good as those they currently receive.

4.3.2 I am satisfied that implementation of the Scheme will have no material adverse effect on the reasonable expectations of the Monument Existing Policyholders. I have formed this opinion taking into account that, if the Scheme is implemented, there will be no changes to:

- any policy terms and conditions

- the discretion exercised by Monument Life
- investment options available to the Monument Existing Policyholders
- the administration and servicing arrangements for the Monument Existing Policies
- the management and governance of the Monument Existing Policies.

5 Other considerations

5.1 Communication of the Scheme to policyholders

- 5.1.1 The regulations governing transfers of insurance business in the UK set out certain requirements for the Companies to communicate with their policyholders and other affected parties about the proposed transfer.
- 5.1.2 These communications are an important part of the protections for policyholders, as they allow policyholders to raise any concerns they may have with their insurance company and consider whether they wish to exercise their right to object to the Court. The Court will consider any such objections in making its decision.
- 5.1.3 Rothesay will send a letter and a booklet (which includes this summary of my Report) to each holder of a Transferring Policy, except in certain cases where Rothesay will seek a dispensation from the Court (for example, where Rothesay does not have the policyholder's current address and attempts to trace the policyholder have failed). I have reviewed the letters and booklet and I consider that they appropriately explain the Scheme and the impact on Transferring Policyholders.
- 5.1.4 Rothesay proposes not to write to the Rothesay Non-Transferring Policyholders and Monument Life proposes not to write to the Monument Existing Policyholders. The rationale for this is that the Scheme has little effect on these policyholders, as there will be no changes to these policyholders' terms and conditions, the way their policies are administered or how their benefits are determined. Rothesay and Monument Life will place information about the Scheme on their websites and will place advertisements in national newspapers in the UK and Ireland. I consider that this is a reasonable and proportionate way to notify these policyholders of the Scheme.

5.2 Tax

- 5.2.1 Rothesay has informed me that it has sought advice from its third-party tax adviser on the tax impacts of the Scheme. This advice confirms that there should be no impact on tax paid by any group of policyholders and, in particular, that the Scheme will not change the way in which benefits are taxed in the hands of the policyholder. As the transferring business is not complex, I consider it unnecessary to seek additional independent advice on this topic.

5.3 Cost of the Scheme

- 5.3.1 Certain costs of the transfer process, including my fees in the role of Independent Expert, will be shared equally between Rothesay and Monument Life. Other costs will be borne by the party incurring the costs. None of the costs will be borne by any group of policyholders, either directly or indirectly through an increase in policy charges or a reduction in benefits.

6 Conclusions

- 6.1.1 I am satisfied that the implementation of the Scheme will not have a material adverse effect on:
- the security of the benefits of the policyholders of Rothesay and Monument Life, including the Transferring Policyholders
 - the reasonable expectations of the policyholders of Rothesay and Monument Life in respect of their benefit expectations, service standards, management and governance, including the Transferring Policyholders.
- 6.1.2 Based on the analysis above, and the more detailed information in my Report, I am satisfied that the Scheme is equitable to all classes and generations of Rothesay and Monument Life policyholders.
- 6.1.3 The Scheme is beneficial to the Transferring Policyholders in that it gives certainty that their benefits can lawfully be paid by their insurer regardless of the outcome of negotiations concerning the UK's future relationship with the EU.
- 6.1.4 I am satisfied that the proposed communications plan is appropriate and that the policyholder communication packs that I have seen are appropriate.
- 6.1.5 My Supplementary Report will provide an update on my conclusions in light of any significant events subsequent to the date of my Report.