Report of the Independent Actuary

Intesa Sanpaolo Life D.A.C. and Intesa Sanpaolo Vita S.p.A.

Final version

31 May 2023

KPMG

Contents

1 Introduction

1.1 Purpose of the Report

Intesa Sanpaolo Life Designated Activity Company ("ISPL") was incorporated in Ireland in 1998. ISPL is authorised in Ireland to transact cross border life assurance business in the European Union ("EU") in Classes I, III and IV as set out in Schedule 2 of the S.I. No. 485/2015 – European Union (Insurance and Reinsurance) Regulations 2015 ("2015 Regulations").

ISPL's core business line is unit linked life assurance products written in Italy. This represents over 99.0% of ISPL's total unit linked assets and numbers of customers. ISPL is authorised to write life insurance business in Spain and a small portion of the transferring policies was written there. ISPL is also authorised to write life insurance business in Slovakia, France, Hungary, Portugal, Slovenia and Luxembourg on a freedom of services basis, however none of the transferring polices were concluded in these jurisdictions. As at year-end 2022, ISPL had total assets under management of c. €35.0 billion.

Intesa Sanpaolo Vita S.p.A. ("IS Vita") is an Italian based life insurer regulated by the Istituto per la Vigilanza sulle Assicurazioni ("IVASS") in Italy. It was incorporated in 1986. It is authorised by IVASS to write life contracts across Classes I, II, III, IV, V and VI (Classes of Life Insurance as set out in Annex I of the Solvency II Directive) and in Classes I and II (Classes of Non-Life Insurances as set out in Annex I of the Solvency II Directive).

IS Vita is the Head of the Intesa Sanpaolo Vita Insurance Group ("IS Vita Group") and the parent company of ISPL; both ISPL and IS Vita are subsidiaries of Intesa Sanpaolo S.p.A. ("ISP"), Head of Intesa Sanpaolo Group ("IS Group"), a multi-national financial Group head-quartered in Turin, Italy

It has been proposed that ISPL will merge with IS Vita pursuant to the "merger by absorption" process. This will be coupled with an insurance portfolio transfer under Section 13 of the Assurance Companies Act 1909 (the "Portfolio Transfer"). The effective time for the cross-border Merger and the Portfolio Transfer will be the same and the two procedures will be run in parallel with each other. ISPL will merge into its Italian parent without going into liquidation with an immediate allocation of assets and liabilities to the established Dublin Branch of IS Vita ("Dublin Branch") as of the effective time of the related cross-border Merger/Portfolio Transfer. I refer to the proposed Portfolio Transfer as the proposed "Scheme". This Report is in respect of the proposed Scheme. ISPL and IS Vita are collectively referred to as the "Scheme Companies" throughout this Report. The terms covering the proposed Portfolio Transfer are set out in the Scheme that will be presented to the Irish High Court. It is anticipated that Directions will be sought from the High Court in relation to the Scheme in the week commencing 26 June 2023. It is proposed that the Sanctions Hearing for the Scheme will take place in October 2023, when approval of the Scheme will be sought. It is proposed that the effective date for both the Merger and the proposed Portfolio Transfer will be 1 December 2023.

This Report (the "Report") is a report prepared by the Independent Actuary in order to aid the High Court in its deliberations.

The Report describes the proposed Merger/ Portfolio Transfer and discusses its potential impact on the relevant policyholder groups within both ISPL and IS Vita, particularly in terms of security of benefits and levels of policyholder service. The Report is organised into 8 sections as follows:

- Section 1: Describes the purpose of the Report and the role of the Independent Actuary;
- Section 2: Executive Summary and Conclusions;
- Section 3: Provides relevant background information on IS Vita;
- Section 4: Provides relevant background information on ISPL;
- Section 5: Commentary on the proposed Scheme;
- Section 6: Describes the general considerations when reviewing the proposed Scheme;

- Section 7: An assessment of the proposed Scheme on the security for policyholders of ISPL and IS Vita; and
- Section 8: An assessment of the proposed Scheme on the fair treatment of policyholders of ISPL and IS Vita.

1.2 Independent Actuary

I, Brian Morrissey, am a Partner in KPMG Ireland ("KPMG") specialising in life insurance actuarial services. I am a Fellow of the Society of Actuaries in Ireland ("SAI") having qualified as an actuary in 1999. My summary curriculum vitae is included in Appendix 3.

I have been appointed by ISPL to act as the Independent Actuary in connection with the Scheme. The Central Bank have been informed of my appointment and I understand they have not raised any objections to my appointment. The terms on which I was formally appointed are set out in an engagement letter dated 24 January 2023 and an extract of my scope is included in Appendix 2.

In terms of direct and indirect interests, I can confirm that I have no direct nor indirect interests with ISPL nor IS Vita. I consider myself able to act as an Independent Actuary on this transaction.

I have also considered the position of KPMG. I can confirm that I have carried out appropriate internal checks in line with KPMG's internal risk management procedures with no issues being raised.

Neither I, nor any member of my team, is a qualified lawyer or tax expert. I have not considered it necessary to seek my own specific legal or tax advice on any element of the Scheme. The costs and expenses associated with my appointment as Independent Actuary and the production of the Report will be met by the shareholders of ISPL.

This Report has been subject to internal KPMG risk management processes and peer review in line with those professional requirements. The peer review was performed by a senior actuary in KPMG's actuarial practice.

1.3 Scope of Report

I owe an overriding duty to the Court and to give the Court an independent actuarial assessment of the proposed Merger/ Portfolio Transfer.

This Report has been prepared in accordance with:

- S.I. No. 485/2015 – European Union (Insurance and Reinsurance) Regulations 2015, which contains the applicable Irish provisions on transfers of portfolios. Regulation 41 of the 2015 Regulations makes express reference to Section 13 of the Assurance Companies Act 1909 and Section 36 of the Insurance Act 1989. Both sections concern the sanction of transfers by the Court.
- The Actuarial Standard of Practice ("ASP") issued by the Society of Actuaries in Ireland, ASP INS-2, "Transfer of an Insurance Portfolio – Role of the Independent Actuary".
- The ASP issued by the Society of Actuaries in Ireland, ASP PA-2, "General Actuarial Practice".

This Report is prepared primarily to assess the likely impact that the Scheme will have on the transferring policyholders of ISPL and the existing policyholders of IS Vita if the Scheme proceeds. It is limited in its scope to the assessment of this Scheme alone and not to any other possible scheme. It is intended that this Report be submitted, in full, as evidence to the Court when it considers whether or not to sanction the Scheme.

The term "Effective Date", as used in this Report, refers to the date at which, if the Scheme proceeds, ISPL's unit linked policies will be transferred to IS Vita. The proposed Effective Date is 1 December 2023.

1.4 Assurances

Whilst I have been assisted by my team, the Report is written in the first person singular, and the opinions expressed are my own.

I believe that the content of this Report is accurate and complete. I have considered all matters that I regard as relevant to the opinions I have expressed, and I have considered all matters that I believe may be relevant to the policyholders of ISPL and IS Vita in their consideration of the Scheme. All the matters on which I have expressed an opinion lie within my field of experience.

I have received assurances as follows:

- I have circulated this Report to the management of ISPL and IS Vita respectively to ask for commentary on the detail within the Report including confirming all material information has been provided to me and how the Scheme of Transfer will be effected in practice. No issues were noted with the commentary and detail presented in this final version of my Report by either set of management. I have also been given full access to ISPL and IS Vita staff as necessary.
- I have provided the Head of Actuarial Function ("HoAF") of ISPL (Elaine Spillane) and the HoAF of IS Vita (Daria Cigliana) with my Report to ensure they are aware of comments I have made in this Report in relation to actuarial and risk information and their roles as HoAF of the respective companies. I understand they have shared my reporting with other colleagues in the companies to solicit their views. No issues have been noted as a result of their review of this final version of my Report.

In the course of carrying out my work and preparing this Report I have considered various documents provided to me by ISPL, IS Vita, Matheson (who are the legal advisers in relation to the proposed Scheme for ISPL and IS Vita on Irish law matters) and ISPL internal legal advisors on Italian law matters. A summary list of the main documents I have considered is set out in Appendix 1.

All the data and information which I have requested has been provided to me by ISPL, IS Vita and their advisers as appropriate. I have relied upon the accuracy and completeness of this data and information, which has been provided to me both in written and oral form by ISPL, IS Vita and their advisers. I have not sought independent verification of data and information provided to me by the Scheme Companies, nor does my work constitute an audit of the financial and other information provided to me. I have, where possible, reviewed the information provided for reasonableness. Where critical information has been initially provided orally, I have requested and obtained written confirmation.

I have conducted conference calls with representatives of the Scheme Companies to discuss the information provided to me and specific matters arising out of the analysis conducted.

I have been made aware of relevant discussions between ISPL, IS Vita, the Central Bank and IVASS, and specifically inquired of them whether there were specific issues I should be aware of.

1.5 Qualifications and Limitations

This Report must be read in its entirety. Reading individual sections in isolation may be misleading.

A copy of the Report and a summary version of the Report (the "Summary Report") will be made available to the Court, the Central Bank, and the Boards of Directors of ISPL. It will also be made available to policyholders free of charge from the following:

- The registered office of ISPL – 1st Floor International House, 3 Harbourmaster Place, Dublin 1, Dublin, D01K8F1, Ireland;
- The ISPL website – www.intesasanpaololife.ie;
- The registered office of IS Vita – Corso Inghilterra, 3, 10138 Torino, Italy;
- The IS Vita website – www.intesasanpaolovita.it;
- The Summary Report covers all the material points and issues raised in this full Report and will be sent to each transferring policyholder.

This Report is prepared solely in connection with, and for the purposes of, informing the Court and relevant potentially affected policyholders of my findings in respect of the impact of the Scheme on the security and expectations of these policyholders and may only be relied on for this purpose.

This Report is subject to the terms and limitations, including limitation of liability, set out in my firm's engagement letter dated 24 January 2023. An extract from this contract describing the scope of my work is contained in Appendix 2.

This Report should not be regarded as suitable to be used or relied upon by any party wishing to acquire any right to bring action against KPMG in connection with any other use or reliance. To the fullest extent permitted by law, KPMG will accept no responsibility or liability in respect of this Report to any other party.

In my role as Independent Actuary, I have in the normal course of conducting this role, been provided with a significant and appropriate amount of information and data about the Scheme Companies' activities and performance. When forming my view as set out in this Report, these disclosures and information have formed a necessary and vital contribution.

This Report is based on information made available to me at or prior to 31 May 2023 and takes no account of developments after that date. However, my understanding is that the Scheme Companies intend to request that I prepare and issue a Supplementary Report closer to the date of the final hearing at which the High Court will be asked to consider and sanction the proposed Scheme. This is discussed in further detail later in the document.

1.6 Limits of Liabilities and Legal Jurisdiction

This Report is subject to the terms and conditions, including limitation of liability and legal jurisdiction, set out in the Engagement Letter.

1.7 Terminology

In my discussion of the effects of the proposed Scheme on the policyholders concerned, I use various technical terms. The definitions of these terms as used in this Report are contained in the Glossary in Appendix 6.

1.8 Currency

I have clearly identified the currency of figures presented throughout the Report. All figures are presented in Euro (€) unless otherwise stated.

2 Executive Summary and Conclusions

2.1 Executive Summary

2.1.1 Overview

An agreement has been reached between ISPL and IS Vita for the transfer of ISPL's insurance book to IS Vita by means of the Portfolio Transfer which will occur at the same time as the cross-border Merger by absorption whereby ISPL and IS Vita will merge (with IS Vita being the surviving entity). The Portfolio Transfer and the cross-border Merger will occur simultaneously, IS Vita will acquire the entirety of the insurance business, with effect from the Effective Date and in accordance with the terms and conditions set out in the Scheme. This Report considers the impact of the proposed transfer of the insurance policies from ISPL to IS Vita.

2.1.2 Motivation for proposed Scheme

Although not a direct consideration for me as Independent Actuary, it is nevertheless relevant for me to be aware of the rationale for the Scheme.

ISPL has agreed to merge with IS Vita and transfer its insurance book in line with its strategy (and the strategy of its Group) which will focus on different initiatives, with the aim of consolidating leadership on the life insurance market and continuing growth in the non-life sector.

IS Vita's strategy for life insurance is the consolidation of market leadership in the unit-linked segment, with new investment strategies to reduce volatility; a stronger focus on "target markets" to steer specific needs (e.g. generational handover, asset protection, insurance warranties, long-term saving), customer segments (e.g. the silver generation, millennials) and digital behaviour (e.g. customer journey, digital products); and a dedicated offering for customers with an excess liquidity/streamlined investment needs.

2.1.3 Approach

My approach to assessing the likely effects of the Scheme on policyholders was to:

- Understand the businesses of the Scheme Companies; and
- Understand the effect of the Scheme on the assets, liabilities, and capital (on the regulatory basis) of the Scheme Companies and their respective businesses.

Having identified the effects of the Scheme on both Scheme Companies and their respective businesses, I then:

- Identify the groups of policyholders directly affected;
- Consider the impact of the Scheme on the security of each group of policyholders;
- Consider the impact of the Scheme on the benefit expectations of each group of policyholders; and
- Consider other aspects of the impact of the Scheme (for example, policyholder service and any changes in administration or other arrangements).

In order to consider the effect of the proposed Scheme on each of the companies and groups of policyholders concerned, I have been provided with financial information for each legal entity, including:

- ISPL's historic financial information based on audited financial statements and regulatory submissions to the Central Bank, focusing in particular on the estimates of Solvency II regulatory capital.

- IS Vita's historic financial information based on audited financial statements and regulatory submissions to IVASS, focusing in particular on the estimates of Solvency II regulatory capital.
- For both Scheme Companies, the Actuarial Function Reports and Actuarial Reports on Technical Provisions in respect of historic regulatory balance sheets with a specific focus on the most recently audited information at 31 December 2022.
- Pro forma balance sheets, illustrating the impact of the transfer as if it had occurred as at 31 December 2022 on a Solvency II basis.
- The projections prepared by both Scheme Companies as part of their respective Own Risk and Solvency Assessment processes ("ORSA" processes). I note that the ORSA report is not a publicly available document, hence I have not re-produced the detail from the report for either entity within this Report.
- In forming my opinion, I have raised queries with key personnel responsible for core functions in the Scheme Companies and have placed reliance upon, amongst other information, estimates of the IS Vita capital position after allowing for the proposed Scheme.
- In order to satisfy myself that these estimates are an appropriate basis on which to form an opinion, I have considered:
  - The appropriateness of the methods used by the Scheme Companies to estimate the regulatory capital required; and
  - Stress and scenario testing currently performed by the Scheme Companies to understand their respective regulatory capital strength and whether further testing is required.
- I have considered the different capital support arrangements available that might be drawn upon to manage adverse events which may impact the financial position of the Scheme Companies.

I have also been provided with other non-financial information specifically relating to the Scheme including:

- Background to the Scheme;
- Company and Group structures;
- Product documentation including examples of ISPL unit linked product literature including terms and conditions, investment guidelines and Key Information Documents;
- An overview of the risk and governance frameworks in place in both Scheme Companies;
- An overview of the complaints framework in place in IS Vita;
- Documentation outlining any recent discussions the Scheme Companies have had with their respective regulators IVASS and the Central Bank; and
- Holding workshops with IS Vita and ISPL which were attended by representatives from KPMG, ISPL and IS Vita. The workshop included discussions of risk management and controls, financials, and risk mitigation.

Appendix 1 includes a list of all information provided.

2.1.4 Key Assumptions

With regard to the Scheme, I understand that:

- The Scheme will occur simultaneously with a cross-border Merger between ISPL and IS Vita, and ISPL will merge with IS Vita in accordance with the procedures provided in Ireland and Italy. As a result, IS Vita will acquire the entirety of the insurance business, with effect from the Effective Date.
- There will be no payment for the transfer of the insurance book, given the nature of the Merger and Portfolio Transfer.

- I understand that there will be no changes required to the existing Terms and Conditions of all the existing products to make them compatible with local Italian regulations. The investment funds will provide the same investment mandates, performance benchmarks and costs in line with existing practices, as set out in in the policy terms and conditions and including ISPL's interpretation of policyholder reasonable expectations.
- I understand that all investment funds, and the ability to continue to top up premiums into those funds, currently offered by ISPL to the policyholders will be available to the transferring policyholders after the Scheme in IS Vita. I am highlighting this given that the asset allocation for certain ISPL unit-linked funds held by policyholders do not fully comply with the Italian insurance regulation, in particular referring to investment limits and eligibility criteria applicable for non-harmonised Undertakings for the Collective Investment in Transferable Securities ("UCITS"). This is as stipulated in Circular 474: "Regulation of insurance products linked to internal funds or collective investment undertakings". I note that there are no similar requirements for ISPL with the Central Bank. I note that analysis was prepared and discussed with IVASS to explain this specific matter and this has been provided to me. The key point is that post the Scheme, these investment limits on the transferring business will continue to be breached. The Companies have noted that IVASS is aware of this specific matter. This is a key assumption and I will provide an update in my Supplementary Report on IVASS's approval of the Merger/ Portfolio Transfer, including any considerations relating to this matter.
- I note that some of the outsourced service providers will be terminated post the Merger. ISPL have informed me that for the providers for which service continues to be required, these will be covered by IS Vita arrangement in relation to this same service. These will either be new contracts or amendments to existing contracts between IS Vita and their outsourced providers. I note that for one outsourced service provider the exact transition approach is still under review, with further clarity on the way forward being available in October 2023. No issues have been identified so far and a status update on the transition will be provided in my Supplementary Report.
- At the Effective Date, there will be no changes to the existing administration arrangements. Post-Merger, the current back-end system utilised by ISPL, Universo, will be updated with a more advanced version, consistent with the version utilised by IS Vita. A detailed plan is in place to ensure that all the documents, information and data related to outstanding claims will be successfully migrated to the new systems. There will be no changes to the Portfolio team managing claims, and additional support provided by external service providers will not change. I have reviewed the Universo administration migration plan and there are no issues to note. I note that Phase Two of the process which will entail alignment of the Universo software while verifying and confirming the specifics of the ISPL processes will commence in 2024. An update on the status of the migration will be provided in my Supplementary Report. I view the Phase Two activity as outside of my scope and to be managed as part of normal IS Vita system updates.
- I have discussed with IS Vita the tax impacts on the Scheme based on an analysis IS Vita have performed, noting that I am not a tax expert. I note that as a result of the Scheme there will be no impact on the tax position of policyholders. There will be no change to tax paid on insurance premiums, tax paid on capital income and tax paid on death benefits.
- As part of the Solvency II IS Vita on-site inspection performed in 2022, IVASS identified three risk areas of improvements in relation to interest rate risk limit, liquidity risk limit and the methodology used to calculate the loss absorbing capacity of deferred taxes. I have been advised that some of the issues were resolved during the inspection and a remediation action plan was sent to IVASS in December 2022, which is in progress. I assume that this will not materially impact the current and pro forma figures provided and that there will be no further regulatory focus areas expected over the coming months which may impact or delay the Merger/ Portfolio Transfer. An update will be provided in the Supplementary Report.
- Other areas of correspondence with IVASS relate to use of the internal model and user specific parameters for regulatory capital calculation purposes (under Solvency II). IS Vita is in the pre-application process for approval to use an internal model valuation process for Solvency II purposes. Both ISPL and IS Vita currently use the Standard Formula. There is ongoing engagement with IVASS to ensure alignment and no material issues have been noted.

The above assumptions underlie the analysis and conclusions in my Report. If any of these assumptions were to change, my opinion may also change. I have assessed each of these assumptions and their significance in Section 7.5 of the Report.

2.1.5 Findings

The findings of my Report are summarised below.

- Both ISPL and IS Vita are subsidiaries of ISP, Head of IS Group, a multi-national financial Group head-quartered in Turin, Italy. After the cross-border Merger, IS Vita will continue to avail of capital support from its parent ISP, if so required. The Scheme does not change this.
- The impact of the Scheme on the IS Vita Group regulatory capital coverage position of IS Vita is not expected to be materially different with a slight decrease from 203.0% to 201.1% as a result of the Scheme. ISPL is currently consolidated for the purposes of group solvency reporting and post the Scheme ISPL will dissolve without going into liquidation, merge into IS Vita and continue to be reflected in the group reporting.
- ISPL and IS Vita are subject to supervision by the Central Bank and IVASS respectively and are both separately regulated under the Solvency II regime. While the day-to-day supervisory approach may differ the regulatory capital regime is the same so it can be assessed in a similar manner when assessing the impact of the Scheme.
- In line with regulatory requirements and good practice, both ISPL and IS Vita have comprehensive risk management and governance structures in place, with oversight from their respective Boards.
- I have considered the capital strength of ISPL and IS Vita both pre- and post- the transfer. I have based my financial analysis, for both entities, on the regulatory submissions as at 31 December 2022, the audited financial statements as at 31 December 2022, the ORSA reports (which project solvency coverage over three to four years in a base case and a wide range of stressed scenarios) and additional supplementary analysis made available to me, notably IS Vita's pro forma results for 31 December 2022. A summary of the capital strength of ISPL and IS Vita pre- and post-transfer is set out on the next page in Table 2.1. Please note that there is no post transfer position to consider for ISPL.
- It should be noted that the figures in the table reflect the 'size' of the unit linked portfolio as at 31 December 2022, i.e. the amount of assets and liabilities associated with the underlying policies transferring. At the Effective Date, these figures could be slightly different to those highlighted as the 'size' of the portfolio as well as the pre-transfer balance sheet position of each company is expected to change over time with new business, market performance and policyholder behaviour impacts.

Table 2.1: ISPL and IS Vita Pro-forma Solvency Position as at 31 December 2022 (Annual) - €'m

Pre- Transfer			
Component	**ISPL Pre-Transfer**	**IS Vita Pre-Transfer**	**IS Vita Group Pre-Transfer**
Own Funds	1,530.8	7,851.6	9,208.9
SCR	511.9	3,564.1	4,536.6
Excess Own Funds over SCR	1,018.9	4,287.5	4,672.3
Solvency Coverage Ratio	**299.0%**	**220.0%**	**203.0%**
Post- Transfer			
Component	**ISPL Post-Transfer***	**IS Vita Post-Transfer**	**IS Vita Group Post-Transfer**
Own Funds	-	8,036.8	9,396.5
SCR	-	4,041.9	4,671.4
Excess Own Funds over SCR	-	3,994.9	4,725.1
Solvency Coverage Ratio	-	**198.8%**	**201.1%**

Source: IS Vita Analysis
Notes: *There is no post-transfer position to consider for ISPL

- Under Solvency II, firms must hold capital equal to the higher of the Solvency Capital Requirement ("SCR") or Minimum Capital Requirement ("MCR"). It is the SCR that applies for both companies at year-end 2022.
- As at year-end 2022, IS Vita Group had a regulatory SCR of €4,536.6m, with available Own Funds of €9,208.9m and excess available Own Funds above the regulatory requirement of €4,672.3m, giving a solvency coverage ratio of 203.0%. Post-transfer, IS Vita Group is anticipated to have available Own Funds of €9,396.5m, an SCR of €4,671.4m, excess available Own Funds above the regulatory requirement of €4,725.1m, with a solvency coverage ratio of 201.1%.
- As at year-end 2022, IS Vita had a regulatory SCR of €3,564.1m, with available Own Funds of €7,851.6m and excess available Own Funds above the regulatory requirement of €4,287.5m, giving a solvency coverage ratio of 220.0%. This level of solvency coverage is in excess of the IS Vita risk appetite target. ISPL is currently included in the IS Vita Own Funds and regulatory capital calculations as a strategic investment – an investment asset of €1,530.8m based on SII Own Funds and an SCR of €204.0m.
- The post transfer position reflects the impact of including all of the assets and liabilities of ISPL into Own Funds and the full impact of ISPL's assets and liabilities included in the regulatory capital calculations.
- Based on pro forma results prepared by IS Vita as at 31 December 2022, post-transfer IS Vita is anticipated to have available Own Funds of €8,036.8m, an SCR of €4,041.9m, excess available Own Funds above the regulatory requirement of €3,994.9m, with a solvency coverage ratio of 198.8%. IS Vita's level of Own Funds is expected to increase from €7,851.6m to €8,036.8m as a result of updating the IS Vita calculation from an approach in which ISPL is included as an investment in subsidiary for Solvency II purposes pre-Scheme, to an approach which is based on the full consolidation of ISPL post the Scheme. A number of pro forma adjustments have been made as a result, including updates to the risk margin and tax calculations. The detail has been shared with me. The SCR calculation is similarly updated with a higher SCR with ISPL now fully consolidated on the IS Vita regulatory balance sheet. The pro forma post transfer solvency coverage ratio at 198.8% is within risk appetite for IS Vita.
- I note that for the transferring policyholders at 31 December 2022:
  - They are currently part of ISPL, one of the largest life insurance companies operating in the Irish market and a subsidiary of IS Vita. As noted above, there is effectively limited to no change to the IS Vita group solvency position as a result of the Scheme.
  - As at year-end 2022, ISPL had an SCR of €511.9m, with available Own Funds of €1,530.8m, excess of available Own Funds of €1,018.9m above the regulatory requirement with a solvency coverage ratio of 299.0%. This level of solvency coverage is in excess of the ISPL risk appetite target.
  - Post-transfer, the policyholders will move to IS Vita, Head of IS Vita Group. The pro forma post transfer solvency coverage ratio at 198.8% is greater that the risk appetite for IS Vita of 150.0%.
  - I note that the solvency coverage ratio is higher in ISPL compared to IS Vita. However, it is important to note that both entities maintain solvency coverage in line with their risk appetite levels and well in excess of minimum capital levels. Regulatory capital in excess of those levels would generally be paid as a dividend back to the parent by ISPL. Therefore, I do not consider it reasonable to simply compare 299.0% with 198.8% in the analysis. I do not consider ISPL policyholders are materially impacted by this.
  - I note that the level of surplus Own Funds in ISPL is €1,018.9m; post transfer the level of surplus Own Funds in IS Vita is €3,994.9m (IS Vita Group: €4,725.1m) on a pro forma basis – so ISPL policyholder becomes part of an entity with materially higher levels of surplus Own Funds and financial resources available to them.
  - Currently ISPL underwrites unit linked business, with exposure to products offering guarantees on death and no exposure to non-linked business or with-profits business. Post the transfer, they will become part of the IS Vita entity which has a more diverse balance sheet – with-profits business so a wider range of market risks in particular, but also investments in a number of life

and non-life insurance entities. As a result of the Scheme, transferring policyholders will be exposed to a change in risk profile as ISPL policyholders will become more exposed to the risks associated with writing with-profits business – both the guarantees and the nature of the supporting assets. However, whilst additional exposure is introduced, IS Vita does have expertise in managing these risks. Furthermore, IS Vita is subject to the same governance and risk management frameworks under Solvency II as ISPL. Overall, I am comfortable that this does not materially impact the financial security of the transferring policyholders. Furthermore, ISPL is indirectly exposed to these risks as they are a 100.0% subsidiary of IS Vita.

  – I have considered the strength of the IS Vita balance sheet under stress and scenario testing which is also covered as part of the ORSA process. Management actions are in place to deal with a number of eventualities and there are management actions underway to deal with some of the specific risks such as adopting new strategies based on target returns, updated asset allocation and cash-flow matching. I consider the risk exposure to be understood and managed. I do not consider the risk exposures to materially disadvantage transferring policyholders.

- I note that, for the existing IS Vita policyholders and I quote the figures at 31 December 2022:
  – There is a strong regulatory capital position pre- and post-transfer, with risk appetite levels continuing to be met.
  – As per the pro forma balance sheet outlined above, IS Vita's level of Own Funds are expected to increase from €7,851.6m to €8,036.8m as a result of the transfer but its SCR is expected to increase from €3,564.1m to €4,041.9m.
  – Pre-transfer, the IS Vita policyholders have a solvency coverage ratio of 220.0%. Post the transfer, solvency coverage ratio is expected to be 198.8%, a reduction of 21.2%.
  – IS Vita already underwrites unit linked business in Italy. Furthermore, IS Vita has an exposure to ISPL via its 100.0% investment as it is a subsidiary. Therefore, no new risks are being introduced on IS Vita's balance sheet as a result of the Scheme and hence the existing IS Vita policyholders are not disadvantaged as a result of the Scheme.
  – Based on its ORSA projections, IS Vita's solvency position is projected to continue to meet its SCR requirements and internal capital targets across a range of adverse scenarios.
- There are no reinsurance arrangements in place in ISPL. Use of reinsurance is marginal for IS Vita Life business, with a small portion of proportional and non-proportional insurance in place. Proportional surplus insurance is utilised for life term and permanent disability. While non proportional excess of loss insurance is used for catastrophe coverages. The treaty is reviewed annually. As the use of reinsurance is limited, this does not introduce material risk for transferring ISPL policyholders, who have no reinsurance in place in ISPL.
- I have considered the effects of the Scheme on the fair expectations and treatment of each of the transferring policyholders, focusing on the following aspects:
  – *Reasonable expectations:* ISPL set out their interpretation of policyholders' reasonable expectations in relation to the transferring insurance book on an annual basis to meet local regulatory requirements. While the concept does not exist in IS Vita, they have acknowledged the principles and have undertaken to continue to use those principles in managing the book in the future. No material issues arose in the IS Vita assessment of those principles.
  – *Service standards:* At the Effective Date, there will be some changes to the current service providers. This includes information technology ("IT") infrastructure, asset management and fund administration services. Some of the outsourced service providers will be terminated post the Merger. ISPL have informed me that for the providers for which service continues to be required, these will be covered by IS Vita arrangements in relation to this same service. These will either be new contracts or amended to existing contracts between IS Vita and their outsourced providers. I note that for one outsourced service provider the exact transition approach is still under review, with further clarity on the way forward being available in October 2023. A status update on the transition will be provided in my Supplementary Report.

    As noted above, there will be no changes to the existing administration arrangements. Post-Merger, the current back-end system utilised by ISPL, Universo, will be updated with a more advanced version, consistent with the version utilised by IS Vita. There will be no changes to the team and the service providers providing administration and support services.

- *Compensation Schemes:* There are no specific industry wide compensation schemes in place in Ireland with respect to life insurance policyholders. The position is similar in Italy, with no specific compensation scheme available. As such there is no compensation impact to any group of policyholders as a result of the Scheme.
- *Fund Range:* All the unit linked funds currently offered by ISPL to the policyholders will continue to be available to the transferring policyholders after the Scheme. This has been discussed with IVASS as certain funds would not be fully compliant with IVASS limits and eligibility requirements. It is important that policyholders will continue to have the full fund range choice as they currently have post transfer and that the processes are put in place in IS Vita to ensure it is done. This is noted as a key assumption and understanding from Section 2.1.4.
- *Entitlement to benefits:* Existing practices in respect of surrender, maturity, transfer or death will remain in place post-transfer. Claims which are settled as part of the normal course of business will be dealt with in the same way post-transfer. Therefore, in my opinion, the implementation of the Scheme will not have an adverse effect on the fair treatment of policyholders in this regard.
- *Policy Terms and Conditions*: Policy terms and conditions will remain unchanged as a consequence of the Scheme for all policyholders. I have no issues to note.
- *Charges*: These will remain unchanged as a consequence of the Scheme for all policyholders. Overall, I have no issues to note.
- *Costs of the Scheme*: All costs associated with the Scheme will be borne by IS Vita and ISPL. No costs will be borne by policyholders. Therefore, in my opinion the implementation of the Scheme will not have an adverse effect on the fair treatment of policyholders in this regard. I have no issues to note.
- *Discretion*: Management of the insurance policies have limited ability to apply discretion as charges levied and benefits provided are set out in the policyholder terms and conditions. ISPL have discretion over the fund management charges, though it has not enacted this previously. ISPL has set out their interpretation of policyholders' reasonable expectations in relation to the transferring book. IS Vita have acknowledged the principles and have undertaken to continue to use those principles in managing the insurance policies in the future. As such there are no issues emerging that I am aware of that can adversely impact upon policyholders.
- *Complaints and redress*: I note that the complaints handling procedures adopted by both entities at present are well aligned. As a result of the Scheme there are no changes to the complaints process. Where the policyholder is not satisfied, they have the option to refer the complaint directly to the insurance company or directly to IVASS or Commissione di Vigilanza sui Fondi Pensione ("COVIP" – the pension funds supervisory commission in Italy). There will be no change in the complaints handling approach as a result of the Scheme for policyholders. I have no issues to note.

I note the Scheme has no impact in general on the fair expectations and treatment of the other groups of policyholders, namely existing IS Vita policyholders.

Therefore, I consider that the Scheme does not impact on the fair expectations of all groups of policyholders.

2.1.6 Policyholder Communications

In terms of policyholder communications, Section 13 of the 1909 Act requires that, unless the Court otherwise directs (and I understand IS Vita will seek for its policyholders the High Court's dispensation from this requirement), certain materials must be transmitted to each policyholder.

I have reviewed the communication plan which has been prepared. I note that:

ISPL policyholders: Pre-transfer

- The transferring ISPL policyholders will each be sent a circular (comprising of a letter from ISPL's CEO, a summary of the terms of the Scheme, a summary version of this Report ("Summary Report"), a copy of the published legal notice and a frequently asked questions document in relation to the Merger/ Portfolio Transfer). A draft of the circular has been provided to me which I have reviewed and I have no comments.

- My Summary Report covers all the material points and issues raised in this full Report. The communication to transferring policyholders will include my conclusion as Independent Actuary within the Summary Report. It will also highlight very clearly the availability of my full Report on request and its availability on the ISPL and IS Vita website. The Central Bank has been advised of this approach, and I have assumed that they will not raise any objections.

- In accordance with Section 13(3)(a) and (c) of the Assurance Companies Act 1909 and Regulation 41(5) of the 2015 Regulations, there are some advertising requirements that need to be met in in relation to the Merger/ Portfolio Transfer. A notice must be published in the Irish official Gazette, Iris Oifigiúil, two daily national newspapers in Ireland, the Irish Examiner and the Irish Independent, and I note that a notice was published in the CRO Gazette on 3 May 2023 and in the two national daily papers on 10 May 2023 in relation to this matter.

- In terms of these advertising requirements, the majority of policyholders are based in Italy, with a small number in other European Economic Area ("EEA") Member States. For the Maltese policyholders, I have been advised that in circumstances where the Central Bank consults with the Malta Financial Services Authority (the "MSA"), they may direct publication of a notice of the Merger/ Portfolio Transfer in two local daily Maltese newspapers or notify policyholders individually - in accordance with Irish law requirements. However, in circumstances where no policies were in fact concluded in Malta, there is no expectation that the Central Bank will consult with the MFSA about the Merger/ Portfolio Transfer. For the other EEA Member States advertising requirements, I have been informed that there is no obligation for ISPL or IS Vita to publish a notice of the Merger/ Portfolio Transfer, pre-transfer, in these Member States.

ISPL policyholders: Post-transfer

- Following approval of the Merger/ Portfolio Transfer, ISPL is required to individually notify policyholders resident in Hungary and Spain and advise them of certain termination rights in compliance with local law requirements. This letter will be in addition to the pre-transfer notice that will be issued to all transferring policyholders.

- In order to comply with Italian law requirements, IS Vita will write to all transferring policyholders following the publication by IVASS of a notice about the authorisation of the Merger/ Portfolio Transfer on its Supervisory Bulletin. The purpose of this communication will be to inform the transferring policyholders about the Merger/ Portfolio Transfer and their right to terminate their contracts. The Italian Insurance Code provides that transferring policyholders have the right to cancel their contracts within 60 days after the approval of the Merger/ Portfolio Transfer has been published on the IVASS Supervisory Bulletin.

- I have been advised that there are no post transfer notification requirements for Ireland. For other EEA Member States, IS Vita is required to publish information about the Merger/ Portfolio Transfer in nationwide newspapers and/or on its website, particularly for policyholders residing in Belgium, Austria, Slovenia and Czechia.

- I have been advised that there are no post transfer advertising requirements for Ireland. For other EEA Member States, IS Vita is required to publish information about the Merger/ Portfolio Transfer in nationwide newspapers and/or on its website, particularly for policyholders residing in Finland, Slovenia and Czechia.

IS Vita policyholders

- There is no intention to communicate individually with any policyholders of IS Vita residing in Italy pre-transfer. However, the relevant information will be available on the IS Vita website. The reasons set out by IS Vita management are that the Scheme does not materially impact on IS Vita policyholders and their overall financial position pre- and post- the Scheme remains strong and in excess of internal and external regulatory capital limits. I have assessed the financial impact on the existing IS Vita policyholders and note the impacts, as described in Section 2.1.5 above.

Overall, I am comfortable with this communication approach and am comfortable that the existing IS Vita policyholders will not be disadvantaged in any way by not being issued with a copy of either this Report or my Summary Report.

2.1.7 Supplementary Report

This Report is based on information provided to me on or before 31 May 2023 and therefore reflects a point in time view of the proposed Merger/ Portfolio Transfer. My understanding is that ISPL and IS Vita intend to request that I prepare and issue a Supplementary Report closer to the date of the final hearing at which the High Court will be asked to consider and sanction the proposed Scheme. My Supplementary Report will contain an update on any developments that may have occurred since 31 December 2022. In my Supplementary Report, I will review my findings and opinion which will include consideration of the following:

- Business performance in the period and updated regulatory and financial information for both ISPL and IS Vita;
- Reflect any regulatory interactions on review of my Report;
- Reflect any regulatory interactions on their assessments of the Merger and the Portfolio Transfer;
- Updated ORSA Reports for ISPL and IS Vita;
- An update on the administration migration plan which aims to ensure that all the documents, information and data related to outstanding claims will be successfully upgraded to the IS Vita Universo administration systems;
- An update on ISPL's analysis of the outstanding outsourcing arrangements and continuity of services provided; and
- Update on wider market and regulatory developments.

Other issues may of course arise, and these will be factored into such a Report.

If required to be produced, this Supplementary Report is intended to be made available alongside this Report at the registered offices of ISPL and IS Vita and on the ISPL website as soon as is practicable once it has been issued.

2.2 Conclusions

Having considered the impact of the Scheme on both the transferring policyholders of ISPL and the existing policyholders of IS Vita, it is my opinion that:

- The security of benefits of the policyholders of ISPL and IS Vita will not be materially adversely affected by the implementation of the Scheme on the Effective Date; and
- The reasonable benefit expectations of the policyholders of ISPL and IS Vita will not be materially adversely affected by the implementation of the Scheme on the Effective Date.

My opinion in relation to ISPL and IS Vita policyholders is based on:

- My review of all the pertinent historic, current and projected information provided by ISPL and IS Vita; and
- Discussions with the management of ISPL and IS Vita on what will happen post-transfer.

My assessments are made in the context of the Solvency II regulatory regime in Europe.

I note that there is adequate planned communication of the Scheme to the relevant policyholders.

Brian Morrissey

31 May 2023

Brian Morrissey, FSAI Date

Independent Actuary
KPMG in Ireland

3 Intesa Sanpaolo Vita S.p.A.

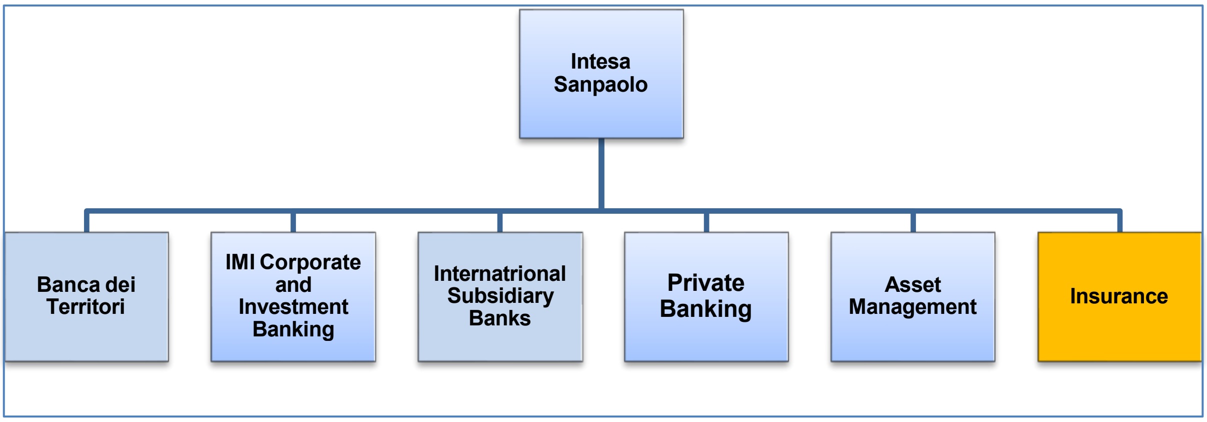
3.1 Intesa Sanpaolo Group Overview

Intesa Sanpaolo S.p.A. is the parent company of IS Vita and is domiciled in Italy. The total assets as at 31 December 2022 were €975.7bn. The Group is listed on the Milan Stock Exchange with a market capitalisation of €45.0bn. The IS Group has the following credit ratings for long-term senior preferred debt:

- DBRS Morningstar: BBB (High) with a Stable outlook
- Fitch Ratings: BBB with a Stable outlook
- Moody's: Baa1 with a Stable outlook
- Standard & Poor's Global Ratings: BBB with a Stable outlook

A high-level overview of the corporate structure is provided in the image below:

Chart 3.1: IS Group Corporate Structure



3.2 Intesa Sanpaolo Vita Overview

IS Vita is a Turin based life insurer that was incorporated in 1986. It is authorised by IVASS to write life contracts across Classes I, II, III, IV, V and VI (Classes of Life Insurance as set out in Annex I of the Solvency II Directive) and in Classes I and II (Classes of Non-Life Insurances as set out in Annex I of the Solvency II Directive):

Life Insurance:

- Class I: Health insurance;
- Class II: Insurance with profit participation;
- Class III: Index-linked and unit-linked insurance;
- Class V: Other life insurance; and
- Class VI: Annuities stemming from non-life insurance contracts and relating to health insurance obligations.

Non-Life Insurance:

- Class I: Medical expense insurance

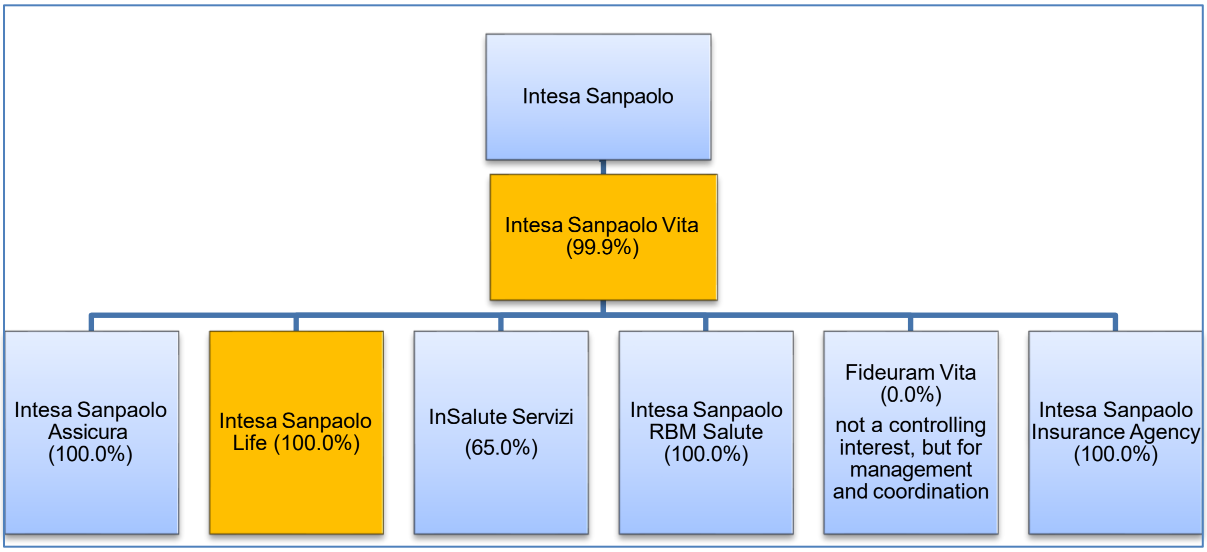
- Class II: Income protection insurance

IS Vita is the insurance parent company of IS Vita Group. In 2021, Assicurazioni Vita S.p.A. (formerly Aviva Vita S.p.A.), BancAssurance Popolari S.p.A. and Lombarda Vita S.p.A. were merged into IS Vita Group. This was following the acquisition of Unione di Banche Italiane S.p.A. ("UBI") by Intesa Sanpaolo S.p.A. and the subsequent acquisition of 100.0% control over the aforementioned companies.

As a result of this above-mentioned transaction, IS Vita Group decided to simplify its scope of consolidation through the merger of the companies Assicurazioni Vita S.p.A., BancAssurance Popolari S.p.A. and Lombarda Vita S.p.A. into Intesa Sanpaolo Vita S.p.A. on 31 December 2021.

A high-level overview of the corporate structure is provided in the image below:

Chart 3.2: IS Vita Corporate Structure



Summary details of each of these companies is provided below:

- IS Vita contains the following companies: Intesa Sanpaolo Assicura S.p.A., Intesa Sanpaolo Life DAC, InSalute Servizi S.p.A., Fideuram Vita S.p.A., Intesa Sanpaolo RBM Salute S.p.A. IS Vita is discussed further in this section.
- Intesa Sanpaolo Assicura S.p.A.: A company established under the laws of the Republic of Italy, authorised to do business in insurance and reinsurance in the non-life sector.
- Intesa Sanpaolo Life DAC: A company established under the laws of Ireland, which does business by freely supplying services in the life insurance sector in EU countries where it is authorised to do business (Refer to Section 4 for more detail).
- InSalute Servizi S.p.A.: A company founded in 2022, specialised in the management of health and welfare services for Intesa Sanpaolo's captive customers
- Intesa Sanpaolo RBM Salute S.p.A.: A company specialised in health insurance, with access to an extensive network of partner healthcare facilities.
- Fideuram Vita S.p.A.: A company established under the laws of the Republic of Italy, operating in the life insurance sector and held 80.0% by ISP and 20.0% by Fideuram-Intesa Sanpaolo Private Banking S.p.A., but subject to the control of IS Vita, through steering and coordination.
- Intesa Sanpaolo Insurance Agency S.p.A.: An agency that provides insurance intermediation for life and non-life products.

As at 31 December 2022, IS Vita Group has a solvency coverage ratio of 203.0% and Own Funds of €9,208.9m; while IS Vita has a standalone solvency coverage ratio of 220.0% and Own Funds of €7,851.6m.

3.3 Nature of business written

IS Vita currently has €99.2bn in Solvency II insurance liabilities in respect of savings / protection / unit linked policies. The company received over €10.1bn in net earned premium income in 2022. These details are captured in Tables 3.1 and 3.2 below. Please note there could be duplicate entries in the policy counts due to composite policies with a "with-profit Insurance" component and a "unit linked insurance" component.

IS Vita distributes its products through multiple distribution channels including a network of brokers, banking channels and financial advisors.

Table 3.1: IS Vita Net Earned Premiums (€'m)

Line of Business	2022	2021
With-profit insurance	7,587.2	5,643.7
Unit linked insurance	2,415.6	3,079.6
Other life insurance	96.7	181.9
Non-life insurance	0.4	0.5
Total	10,100.0	8,905.7

Source: 2021 SFCR and discussions/ workshops with IS Vita

Table 3.2(a): IS Vita Sum Assured and Policy Count – 31 December 2022

Line of Business	Policy Count*	Gross Written Premium (€'m)	Capital at risk (€'m)	Surrender Value (€'m)
With-profit insurance*	1,876,698	2,415.6	9,251.4	82,926.3
Unit linked insurance*	1,220,199	7,587.2	1,467.6	22,425.4
Other life insurance	1,297,445	98.1	47,712.0	0.0
Non-life insurance	3,372	0.45	0.0	0.0
Total	**4,397,714**	**10,101.3**	**58,431.0**	**105,351.7**

Source: 2021 SFCR and discussions/ workshops with IS Vita
Notes: * There could be duplicate entries in the policy count due to composite policies with a "with-profit Insurance" component and a "unit linked insurance" component.

Table 3.2(b): IS Vita Sum Assured and Policy Count – 31 December 2021

Line of Business	Policy Count*	Gross Written Premium (€'m)	Capital at risk (€'m)	Surrender Value (€'m)
With-profit insurance*	1,867,996	3,079.9	125.2	84,204.3
Unit linked insurance*	1,210,743	5,644.0	1.367,20	25,286.7
Other life insurance	1,470,816	186.6	51,881.9	0.0
Non-life insurance	3,804	0.5	0.0	0.0
Total	**4,553,359**	**8,911.0**	**53,374.3**	**109,491.0**

Source: 2021 SFCR and discussions/ workshops with IS Vita
Notes: * There could be duplicate entries in the policy count due to composite policies with a "with-profit Insurance" component and a "unit linked insurance" component.

3.3.1 Products

As at 31 December 2022, IS Vita has five lines of business on its books, classified under Solvency II as follows:

- Traditional with profit insurance products with a specified percentage of investment return guarantees invested across with-profit funds.
- Caring products which are products dedicated to policyholders over 65 years old.
- Unit linked products, for which the performance is linked to the value of units in internal or external investment funds where the investment risk is borne entirely by the policyholders.
- Hybrid products which are a combination of traditional with profit products and unit linked products; and

- Open pension funds and individual pension plans.

I note hybrid products are unbundled for Solvency II purposes with the components invested within the with-profit and unit linked funds accounted for separately within the with-profit and unit linked classifications above.

The most significant line of business written by IS Vita is with profit business representing 78.0% of the Technical Provisions at 31 December 2022.

3.3.2 Assets

Table 3.3 and 3.4 summarises the profile of IS Vita Group's and IS Vita's assets, valued on an Italian local Generally Accepted Accounting Principles ("GAAP") basis, at 31 December 2022 and 31 December 2021. For Group, all underlying entities (net of all intra-group transactions) are fully consolidated for the calculation of the SCR and Own Funds. Investments are captured as strategic investments. ISPL is currently included as an investment asset of €1,530.8m based on SII Own Funds and an SCR of €204.0m.

Table 3.3 IS Vita Group Assets (€'bn)

	31 December 2022	**31 December 2021**
Investments (other than assets held for index-linked and unit linked contracts)	87.9	107.8
- *Holdings in related undertakings, including participations**	*0.0*	*0.0*
- *Equity*	*2.0*	*2.3*
- *Bonds*	*72.9*	*90.6*
- *Property*	*0.0*	*0.0*
- *Collective investment schemes*	*12.0*	*14.6*
- *Other*	*0.1*	*0.4*
Assets held for index-linked and unit linked contracts	86.4	100.9
All other assets	10.1	9.8
Total	**184.4**	**218.5**

Source: 2021 SFCR and discussions/ workshops with IS Vita

Table 3.4 IS Vita Assets (€'bn)

	31 December 2022	**31 December 2021**
Investments (other than assets held for index-linked and unit linked contracts)	82.9	101.4
- *Holdings in related undertakings, including participations**	*3.1*	*2.9*
- *Equity*	*1.9*	*2.2*
- *Bonds*	*66.1*	*82.8*
- *Property*	*0.0*	*0.0*
- *Collective investment schemes*	*11.7*	*13.2*
- *Other*	*0.1*	*0.3*
Assets held for index-linked and unit linked contracts	22.7	25.9
All other assets	6.7	6.6
Total	**112.3**	**133.9**

Source: 2021 SFCR and discussions/ workshops with IS Vita
Notes: * ISPL is currently included as a strategic investment asset of €1,530.8m based on SII Own Funds and an SCR of €204.0m

IS Vita maintains an objective asset allocation that adequately reflects the time frame of the liability and the economic returns targeted by the Company. The investment strategy follows a liability driven process which aims to guarantee stable investment returns to policyholders and matching of asset and liability cash flows. It requires the calculation of the sensitivities of liability portfolios to both market and actuarial risks and analysing policyholders' behaviour under different assumptions. Each asset portfolio is divided into: (a) a structural component, with an asset allocation that is defined once a year and serves to guarantee the contractual minimum rate of return and the minimum cash flows required after stressing lapse rates in both negative and positive directions; and (b) a satellite component, with a main goal of capturing short term market dynamics and generating excess returns. This component is subject to more frequent rebalancing.

A typical target portfolio is chosen by considering an optimisation problem (considering capital, average returns and variance). This should be compliant with the investment guidelines and constraints defined in IS Vita's investment policy: maximum 50.0% exposure to Italian government bonds, 50.0% to corporate bonds, with sub-limits for financial, industrial, high yield and emerging market exposures, 10.0% equity and 8.0% alternative investments.

Convergence to the optimal portfolio is gradual, to preserve the consolidated return of each fund and avoid excessive volatility, and to optimise market timing so as to identify the best investment opportunities, if and when available. Although there are no explicit limits in terms of asset-liability duration mismatch, exposure to interest rate risk is usually minimised.

IS Vita also make use of hedging to minimise and offset potential investment losses. Hedges are in place for equity risk, foreign exchange risk and reinvestment risk. This has been achieved through use of derivatives, namely, put options and forwards.

3.4 Risk Profile and Management

3.4.1 Overview of Risks

IS Vita's main risk exposure comes from underwriting life insurance business. The risks are classified into the following categories: Financial, Regulatory; Operational; Reputational; Strategic; Environmental, Social and Governance ("ESG"); Technical; and Anti-Money Laundering ("AML").

- Financial risk: This refers to the main financial risk factors which may potentially impact on the portfolio of each company, generating a loss or unfavourable change in the resulting financial position, whether directly or indirectly, due to fluctuations in the level and volatility of the market prices of the assets, liabilities and financial instruments. This includes interest rate risk, foreign exchange risk, spread risk, equity risk, property risk, liquidity risk, Asset Liability Management risk and default/credit risk.
- Regulatory risk: This refers to the failure to comply with existing laws or those expected to come into effect. This includes the risk of receiving judicial or administrative penalties, suffering losses or reputational damage as a consequence of violations of directly applicable laws, regulations and European regulations, or rulings of the Supervisory Authorities or governance tools, such as by-laws, codes of conduct or corporate governance codes; as well as risks arising from unfavourable changes to the legal framework or legal guidance.
- Operational risk: This includes all events that may cause losses due to the inadequacy or inefficiency of procedures, human resources and internal systems, or because of external events.
- Reputational risk: This refers to events that may tarnish the reputation or image of each company. This includes conduct risk, risks of increased conflict with insured entities, due to poor service quality, the placement of inadequate policies or conduct during the sales, post-sales and settlement stages.
- Strategic risk: This refers to current or forward-looking risk of a decline in profits or capital and sustainability of the business model, including the risk of not being able to generate an adequate return on capital based on the risk appetite defined by the company, deriving from changes in the operating context or from incorrect business decisions, inadequate implementation of decisions, improper management of the risk of belonging to the Group, poor responsiveness to changes in the competitive context.
- ESG risk: This refers to the risk that activities related to the insurance business that may harm ESG principles or not contribute to their optimisation.
- Technical risk: This refers to underwriting risk meaning the risk relative to premiums, provisions, surrenders, mortality, longevity, expenses, catastrophic risk and in general risks related to production design. In keeping with the Solvency II Standard Formula, this category includes the risk

of loss or unfavourable variability in the value of insurance liabilities due to inadequate assumptions in the premium process and valuation of technical provisions.

- AML risk: This includes all activities that imply the possible laundering of money, goods or other benefits and terrorist financing, as provided for by local regulations.
- Liquidity risk: The risk that there are not enough liquid assets in order to pay claims when they are due; and
- Group risk: This includes reputational, contagion, accumulation, concentration and intra-Group transactions risk.

These risks are overseen and actively managed by the Board of Directors ("Board"). Overall, the primary risk to the security of IS Vita's policyholder benefits is that one or more of the risks identified above gives rise to an event which renders IS Vita insolvent. Given the risk profile of the business and the current level of available assets in excess of the minimum solvency margin requirement, the risk of insolvency and any risk to the security of benefits is low.

3.4.2 Governance

IS Vita's Risk Management Framework system includes strategies, processes and procedures used to identify, measure, assess, monitor and manage the current and future risks which IS Vita is or could be exposed to, with a particular focus on significant risks. This is done on a continual basis and where possible, the relative interdependencies and potential combinations are also considered. IS Vita has adopted a management and control model based on a Board of Directors and a Board of Statutory Auditors.

The Board of Directors consists of nine members including a Chairperson, a Vice Chairperson and a Chief Executive Officer ("CEO") / General Manager. The Board has ultimate responsibility for the Risk Management Framework and related controls. The risk management framework includes:

- A Risk Map;
- A Risk Appetite Framework; and
- A suite of formal risk policies.

The Risk Management Framework is reviewed at least annually by the Board. For the main risks, the risks are identified by three varying levels of impact – first, second and third levels, and, for each level, the roles, activities and duties of various functions are regulated.

The Board is also responsible for defining strategies and guidelines concerning risk management and internal controls, and for ensuring that they are adequate and maintained over time in terms of their completeness, functionality, and efficiency. Other responsibilities include:

- Checking that the corporate governance system is consistent with the strategic objectives, risk appetite and risk tolerance limits, and can capture any changes in the company risks and the interaction between them.
- Setting of the risk-adjusted objectives in compliance with the goal of protecting its assets and with the guidelines of the companies.
- Approval of annual reporting documents (quantitative and qualitative) required by the entry into force of the Solvency II Regulation.
- Appoints and revokes: the Head of Internal Auditing (Audit), the Chief Risk Officer also as the Head of Risk Control Function (Risk Management); the Chief Compliance Officer also as the Head of the Compliance Function (Compliance), the Head of AML, the Head of the Reporting of Suspicious Activity and as Data Protection Officer; and the Head of the Actuarial Function.

The Board of Statutory Auditors, appointed at the Shareholders' Meeting, comprises five members, of whom three standing members and two substitute members, who all meet the requirements of integrity, professionalism and independence as required by current legislation. The Board of Statutory Auditors verifies the adequacy of the organisational, administrative, and accounting structure of the Company, and its functioning.

There are also several committees: Four management committees (Coordination Committee, Investment Committees, Controls Co-ordination Committee and Alternative Investment Committee) and two Board committees (Remuneration and Internal Control and Risks Committees).

- A Co-ordination Committee: This usually meets once every two months and its mandate is to: Facilitate interaction and communication between the departments of IS Vita and the Insurance Group companies in order to coordinate the key decisions of the Insurance Group and to monitor the economic performance of the Group; approve the products plan of the Insurance Group and substantial changes to it; discuss proposals for determining company strategies and for monitoring the company's economic trends, as well as discussing the structure of new products, monitoring their launch plan, and defining, prioritising and verifying the progress of key projects.
- An Investment Committee: This meets once every two months, and its mandate is to: Help outline investment strategies for the Insurance Group that the individual companies will adopt in their own specific strategies; suggesting and defining the investment strategies, financial policies, and guidelines for tactical operations to be submitted for approval by the Board of Directors and monitoring the limits as noted in the investment policies of the Insurance Group and individual companies.
- A Controls Coordination Committee: This meets on a quarterly basis and has an information and advisory role to consolidate the coordination and the mechanisms of inter-functional co-operation, as part of the internal controls system of the Insurance Group.
- An Alternative Investment Committee: This meets on a quarterly basis and supports the Board of Directors in formulating guidelines on alternative investments and on identifying related monitoring tools.

The Board Committees are the Remuneration Committee and the Internal Control and Risks Committee:

- The Remuneration Committee: This meets at least twice a year. This comprises three non-executive members of Board of Directors. It is responsible for advising the Board of Directors on the remuneration policies for corporate bodies and personnel. The Committee provides advice and suggestions on any revisions to the remuneration policies and advises on how the policies are to be applied and to be included in the annual report to the ordinary shareholders' meeting of the Italian companies of the Insurance Group.
- The Internal Control and Risks Committee: This comprises three non-executive members. It is responsible for monitoring the functioning of the internal controls system and the process used to manage financial, technical, and operational risks. The committee also advises the Board of Directors in relation to the Risk Appetite Framework and the risk governance policies, and how to effectively fulfil its additional duties relating to risks, as provided for under current regulations.

Additionally, as part of the corporate governance system, IS Vita has established five core and control functions: Actuarial, Audit, Anti-Money Laundering, and Compliance and Risk Management.

- The Audit function: This is tasked with providing independent and objective assurance to the corporate and control bodies on the effectiveness, and adequacy of the IS Vita's risk management, internal control and governance processes.
- The Risk Management function: The function supports senior management in determining and implementing the Risk Management System and contributes to the internal risk and solvency assessment based on the Risk Appetite Framework, by identifying business risks, measuring the effects and performing all controls within its remit, and liaising with the other Core Functions to coordinate the risk management-related company departments, in compliance with the rules imposed by the supervisory bodies.
- The Compliance function: The function evaluates the adequacy and effectiveness of organisational and control measures adopted to prevent compliance risk and proposes organisational and procedural changes to ensure adequate risk oversight.
- The Actuarial function: The function coordinates the calculation of Solvency II provisions; ensures the adequacy of the underlying methodologies and models, as well as the assumptions on which

the calculation is based; assesses the sufficiency and quality of the data used in the calculation of technical provisions; and gives an opinion on the overall underwriting policy and on the adequacy of reinsurance arrangements.

3.4.3 Risk Appetite

Overview

The Board of Directors is responsible for approving IS Vita's risk appetite including setting the levels of risk tolerance, which are reviewed at least once a year. The Insurance Group's RAF is determined in line with the insurance business risks that are monitored through appropriate procedures and control systems. The limits are established by the IS Vita and shared with the insurance group companies.

The approach

The Risk Appetite Framework represents the overall framework within which the management of company risks unfolds and is defined over the business plan and/or the budget horizon, based on Risk Assessment and is divided into:

- General risk appetite principles;
- Monitoring of Overall Risk Profile of the Insurance Group; and
- Monitoring of Main Specific Risks of the Insurance Group.

While the general risk appetite principles are essentially qualitative, safeguarding the Group's overall risk profile and main specific risks is carried out through monitoring and/or quantitative limits. A distinction is made between two types of limits, "Hard" and "Soft", which differ in the escalation process triggered by their breach (the process is stricter for Hard limits). These levels can be accompanied by Early Warning thresholds, beyond which monitoring is expected to intensify.

In addition, IS Vita performs regular stress tests on key market and liability risk exposures to measure the impact on the solvency capital coverage ratio.

Overall, there is a comprehensive approach to assessing, monitoring and managing risk appetite embedded within IS Vita.

Recovery plan

A framework of quantitative ratios has been established that are used as alerts to potential crisis situations and used to detect vulnerabilities, weaknesses or possible threats that could have a negative impact on capital and liquidity positions. This covers the governance of the recovery plan and the recovery trigger, strategic analysis and stress scenarios, recovery options and disclosure plans.

Contingency plan

This is used to identify and manage the onset of significant risks, and risks that could compromise the Insurance Group's solvency target. This is to ensure business regularity and continuity.

3.4.4 Risk Sensitivities

I have been provided with sensitivity analysis which illustrates IS Vita's exposure to key risks by considering the impacts that these have on IS Vita's solvency position as at 31 December 2021 (and subsequent years) through the ORSA process. The key risks presented in the ORSA are in line with those outlined in Section 3.3.1 above and are discussed in more detail in Section 3.7. I have not reproduced the detail, but note that the following sensitivities are included:

- Economic sensitivities: Changes in the interest rate curve, changes in equity returns and changes in the volatility adjustment.
- Operational sensitivities: Changes in the surrender rates, changes in premium payment patterns, changes in mortality rates and changes in costs and inflation rates.

3.4.5 Risk Issues

The current listing of open risk issues for IS Vita was shared with me and it includes risks highlighted in the Risk Dashboard, Risk Appetite Statement and ORSA. I considered this as part of my review. I note that the list is comprehensive and covers off a substantial range of risk exposures and monitoring procedures. These risks include lapse risks, geopolitical risks, operational risks, information, and communication technologies ("ICT") risks, external fraud and regulatory changes. The items are in line with what we see elsewhere.

During 2022, IS Vita engaged with IVASS in relation to three main risk areas that IVASS had identified for further improvement. These areas of improvement are in relation to the interest rate risk limit, the liquidity risk limit and the methodology used to calculate the loss absorbing capacity of deferred taxes. Some of the issues were resolved during the IVASS inspection and a remediation action plan was shared with IVASS. This is currently in progress and there are no material issues that have been noted so far.

3.5 Operational Arrangements

IS Vita has a variety of outsourced services providers in place providing support for Solvency II calculation, cyber and Information Technology (for activities related to claims management and portfolio and IT infrastructure) as well as various intercompany arrangements.

We have discussed the governance of the arrangements with IS Vita and understand various business owners are responsible for monitoring and overseeing each arrangement. The key outsourced service providers are highlighted below.

Table 3.5: IS Vita Use of Outsourcing

Service Provider	Services Provided
Intesa Sanpaolo S.p.A.	Governance and operational services, including: acquisitions, internal/ external communication, cost management, cyber-security and business continuity management, risk management (financial instruments pricing), human resources, real estate and logistics, mergers and acquisition, Development policies and Learning Academy, physical security, information systems and corporate protection
Intesa Sanpaolo Assicura S.p.A.	Insurance services: Management of commercial activities and development of products and customer service
Intesa Sanpaolo Insurance Agency S.p.A.	Administrative assistance/support for companies that have signed up for collective membership of open pension funds set up by IS Vita
Eurizon Capital SGR S.p.A.	Asset management
Epsilon SGR S.p.A.	Asset management
Eurizon Capital Real Estate SGR S.p.A.	Alternative investment management
Covisian S.p.A.	Call centre
Innovaway Srl	Back office services and switchboard / call centre
Oneos Srl	Call centre
Winflow S.C.	Underwriting/liquidation of pension products and administrative data entry
Work Project Facility S.C.	General services
Previnet S.p.A.	Administrative management of processes and flows
FDM Business Services Srl	Document management
Mediatic S.p.A.	Conservation and custody of contractual documentation
Engineering Informatica S.p.A.	Intel platform hosting service
Studio Informatica Srl	Hosting service
Reply S.p.A.	Universo Application management
Optimo Next Srl	Storage of registers
Selecta Digital S.p.A.	Digital communications and commercials

Source: Discussions/ workshops with IS Vita

Post the Merger, there will be no changes to the outsourcing arrangements for IS Vita. Some of the contracts will be amended to reflect taking on the ISPL policyholders and services or new contracts will be put in place to reflect the same.

3.6 Reinsurance

3.6.1 Overview of Reinsurance

IS Vita has reinsurance arrangements in place for both Life and Non-Life business, with Non-Life out of direct scope of my work (though I did get a walkthrough of all of the arrangements in a workshop).

Use of reinsurance is marginal for Life business, with a small portion of proportional and non-proportional insurance in place. Proportional surplus reinsurance is utilised for life term and permanent disability, while non-proportional excess of loss reinsurance is used for catastrophe coverages. The treaty is reviewed annually.

Reinsurance arrangements are agreed in line with the Reinsurance Policy. This policy sets out requirements to identify the optimal level of risk retention, to identify the most appropriate reinsurer and to limit the company's exposure to demographic risks.

Under Solvency II regulations the Actuarial Function is responsible for providing an opinion on the adequacy of the reinsurance arrangements. No issues were noted with adequacy of the arrangements as part of the YE 2022 opinion.

3.6.2 Ratings of Reinsurers

The counterparty default risk exposure of the reinsurance counterparties is monitored by IS Vita and is considered as part of the Solvency II SCR calculation each year. IS Vita monitors the profitability of the key reinsurance arrangements in the period.

3.7 Financial Profile

3.7.1 Background

The Solvency II regulatory reporting regime came into effect across the EU from 1 January 2016. As Solvency II is an EU initiative, which sets out prescribed rules on the calculation of technical provisions and capital requirements for (re)insurance undertakings, it applies in Ireland and across the EU in a harmonised way. Therefore, there is no difference between the underlying regulatory reporting regime for any insurance business sold in the EU.

Under the IVASS implementation of Solvency II, there is a prescribed role known as the Head of Actuarial Function which is performed by Daria Cigliana in IS Vita. An overview of the Solvency II regime is given in Appendix 5.

3.7.2 Technical Provisions

Table 3.7 below summarises IS Vita's Solvency II technical provisions at 31 December 2022 and 31 December 2021.

Table 3.7: IS Vita Technical Provisions (€'bn)

Component	31 December 2022	31 December 2021
Total Gross BEL:	97.8	117.4
*Unit linked insurance**	*21.4*	*24.6*
With profit insurance	*76.0*	*92.4*
Other Life insurance	*0.4*	*0.5*
Risk Margin	**1.4**	**1.0**
Reinsurance Recoverable	**0.0**	**0.0**
Total Net Technical Provisions	**99.2**	**118.4**

Source: 2022 ARTP
Notes: *This includes pension funds

The gross (of reinsurance) best estimate liability is a probability-weighted average of future cashflows, discounted using a prescribed risk-free term structure of interest rates, whilst the risk margin is intended to reflect the compensation that a third-party would require for the capital costs incurred in taking on the insurance liabilities. The decrease in the best estimate liability from €117.4bn to €97.8bn was largely driven by the performance of the markets and by the higher interest rate environment in 2022.

In terms of key judgements used to prepare their Solvency II technical provisions, IS Vita apply the volatility adjustment (which is an adjustment to the European Insurance and Occupational Pensions Authority ("EIOPA") risk free yield curve). This is applied to the maturity structure of the interest rates with reference to the pure-risk portfolios and the separate management portfolios including the Class III component relating to some multi-class products and the entire Class III portfolio relating to former UBI companies. IS Vita do not make use of any other Solvency II transitional measures.

The scenarios that are considered in the future management actions are formally approved every year by the management board and form the basis of the best estimate calculations. The key management action implemented within the Technical Provisions is in relation to the integrated asset/ liability assessment. This considers a number of factors, including: divestment strategies based on sales priorities, target returns, asset allocation and cash-flow mismatches; reinvestment policies; and funding level management (over-coverage). An organic strategy is adopted which dynamically drives the investment target return and choices made and includes a mechanism to modulate the intensity of an action, based on the initial market conditions.

IS Vita Group's strategy (noted in Section 3.2.1) includes the consolidation of market leadership in the unit-linked segment, with new investment strategies to reduce volatility and a dedicated offering for customers with an excess liquidity/streamlined investment needs. The strategy has also been set out in the 2022-2025 business plan,

Under Solvency II regulations the Actuarial function is responsible for co-ordinating the calculation of the technical provisions. The Actuarial function highlighted some recommendations in relation to the calculation of the technical provisions in 2022. The recommendations focused on areas such as the model points used for the mortality risk calculation, the data quality verification process and reporting in relation to surrenders and top-ups, timeliness of the data quality process, enhancing the evaluation process for assumption setting purposes, in cases where expert judgement is used and for mortality risk and to resume a leakage test which checks for market consistency between cashflows, profits and reserves.

3.8 Solvency Position

3.8.1 Solvency II Solvency Capital Requirement

Under Solvency II, firms must hold capital equal to the higher of the SCR or MCR. In IS Vita's case, at year-end 2022, it is the SCR that applies.

The SCR is determined by subjecting the overall balance sheet to a prescribed series of 1-in-200-year shocks and aggregating the impacts in a specific way. This calculation can be assessed using an internal model or a Standard Formula; IS Vita make use of the Standard Formula. The MCR represents the absolute minimum level of capital that must be held, determined using a linear function which considers, amongst other factors, the SCR, capital at risk, the Technical Provisions, written premiums and administrative expenses. The MCR is also subject to an absolute minimum amount, specified in Euro terms. Further detail on the determination of both is set out in Appendix 5.

Under Solvency II, the assets available to cover the capital requirements are referred to as "Own Funds", with the Own Funds reflecting the value of the net asset position of the firm. Comparing the SCR to the level of Own Funds gives an indication as to the level of solvency coverage within a firm.

Table 3.8 sets out the regulatory capital position of IS Vita, under the Solvency II framework at 31 December 2022 and 31 December 2021.

Table 3.8: IS Vita Solvency Coverage (€'m)		
	31 December 2022	**31 December 2021**
Own Funds to meet SCR	7,851.6	8,669.5
SCR	3,564.1	3,022.0
Excess of Own Funds over SCR	4,287.55	5,647.5
Solvency Coverage Ratio	**220.0%**	**286.9%**

Source: 2021 SFCR and discussions/ workshops with IS Vita

As at year-end 2022, IS Vita had a regulatory SCR of €3,564.1m, with available Own Funds of €7,851.6m and excess available Own Funds above the regulatory requirement of €4,287.5m, giving a solvency coverage ratio of 220.0%. This level of solvency coverage is in excess of the IS Vita's risk appetite target. The Own Funds decreased over the year due to the inclusion of a scenario which entails distributions of Own Funds as dividends to the shareholder, which was slightly offset by a reduction in Solvency II liabilities and positive market movements and equity investments in its underlying Group companies.

Table 3.9 below sets out the breakdown of solvency capital position of IS Vita by risk category, under the Solvency II framework as at 31 December 2022 and 31 December 2021. The main drivers of ISPL's capital requirements are life underwriting risks (arising from the insurance risks underwritten) and market risks.

Table 3.9: IS Vita SCR Components (€'m)		
Component	**31 December 2022**	**31 December 2021**
Market risk	2,020.1	2,617.0
Counterparty default risk	314.0	186.0
Life underwriting risk	2,875.0	1,377.9
Health underwriting risk	0.0	0.0
Diversification	-1,195.0	-870.9
Basic SCR*	**4,014.0**	**3,310.1**
Operational risk	358.0	436.6
Loss absorbing capacity of deferred taxes	-808.0	-724.7
Solvency Capital Requirement	**3,564.1**	**3,022.0**

Source: 2021 SFCR and discussions/ workshops with IS Vita
Notes: * The basic SCR includes loss absorbing capacity of technical provisions ("LACTP"). This reflects an adjustment that can be made to best estimate liabilities under stressed conditions and this may reduce the SCR. This was €-5,040.0 at YE 2022 (YE 2021: €-2,490.8).

There was an increase in the life underwriting risk SCR driven by an increase in the lapse risk SCR. This increase was driven by an increase in the mass lapse scenario due to an increase in the bond yields and the negative impact this had on the market value of fixed income bond portfolio.

There was a decrease in the market risk SCR driven by a decrease in the interest rate risk SCR. This decrease was driven by the movement in the duration of the assets and liabilities, and a slight increase in the equity and currency modules.

3.8.2 IS Vita Projected Solvency Position

I have considered IS Vita Group's 2022 ORSA report and have not reproduced the detail in this Report. The 2022 Group ORSA report contains both the Group figures and the figures of the standalone companies. I note the 2023 Group ORSA report will be produced later in 2023 and will be considered as part of my Supplementary Report.

The ORSA is an integral part of each company's risk management system, and its purpose is to include an assessment of the overall solvency needs of the company, the compliance on a continuous basis with the Solvency II capital requirements and the significance with which the risk profile of the company differs from the assumptions underlying the SCR. The ORSA should be an integral part of the business strategy and should be taken into account on an ongoing basis in the strategic decisions of the company.

The ORSA is useful in terms of understanding the risks inherent in the business and the stability of the Solvency II capital position over time. The projections within the ORSA are based on a central scenario over a four-year time horizon (2022 - 2025) in line with the company's strategic plan and incorporate the Board approved managed actions. The stress and scenarios used in the ORSA include:

- An alternative scenario that considers the recent developments in the macroeconomic and financial framework arising from the geopolitical tensions and Russia-Ukraine conflict, introducing changes to the variable rates, spreads and inflation.
- A stress scenario which assumes a worsening in financial variables and in adverse changes of technical variables compared to the baseline scenario.
- A reverse stress test was also performed by assuming an increase in spreads (both government and corporate), a reduction in swap interest rate, and a collapse in share prices. In addition to this, a worsening in the Group's non-performing status due to specific technical risks of the insurance business, for both Life and Non-Life products, was assumed.

The calibration detail of each stress performed is not captured within my report. However the findings from the ORSA illustrate the alignment between the business plan and risk strategy set by the Board. I note that IS Vita maintains an appropriate level of solvency coverage ratio in all projection years.

I have also considered the range of management actions available to IS Vita as described in the ORSA reports and consider these to be reasonable. I have no issues to note from my review of the ORSA projections provided by IS Vita.

3.8.3 IS Vita Group Projected Solvency Position

Table 3.10 below sets out the regulatory capital position of IS Vita Group, under the Solvency II framework at 31 December 2022 and 31 December 2021.

Table 3.10: IS Vita Group Solvency Coverage (€'m)

	31 December 2022	31 December 2021
Own Funds to meet SCR	9,208.9	10,160.0
SCR	4,536.6	3,917.0
Excess of Own Funds over SCR	4,672.3	6,243.0
Solvency Coverage Ratio	**203.0%**	**259.0%**

Source: 2021 SFCR and discussions/ workshops with IS Vita

As at year-end 2022, IS Vita Group had a regulatory SCR of €4,536.6m, with available Own Funds of €9,208.9m and excess available Own Funds above the regulatory requirement of €4,672.3m, giving a solvency coverage ratio of 203.0%. This level of solvency coverage is in excess of the IS Vita Group risk appetite target.

3.9 Policyholder Reasonable Expectations

For life insurance entities, I am required to consider guidance issued by the Society of Actuaries in Ireland with regard to Policyholders' Reasonable Expectations ("PRE"). ASP INS-2, "Transfer of an Insurance Portfolio – Role of the Independent Actuary" sets out items to be considered in this regard.

I note that IVASS does not require the HoAF to consider PRE and it is not a concept in Italy as such. IS Vita complies with customer related requirements as set down by IVASS.

3.10 Complaints and Litigation

IS Vita has a formal process in place for dealing with complaints in line with the regulatory requirements set by IVASS, which is very much focused on customer protection. In addition, IS Vita complies with the Italian Consumer Protection Code (Legislative Decree no. 206 of Sept. 6, 2005). IS Vita is committed to responding to all policyholder complaints within a set timeframe.

I discussed the complaints dashboard with IS Vita which monitors the level of complaints on a quarterly basis and tracks information such as type of complaint, source of complaint and trends in complaints. During 2022, IS Vita did not receive a substantial number of complaints. There were 1,425 complaints issued out of 3.8m inforce policies, representing <0.1% of the inforce policies. In relation to these open complaints, they appear to be standard business as usual issues in line with what we would have seen elsewhere.

Most of the complaints were in relation to policy settlement. As noted in Section 3.2, three life insurance companies, Assicurazioni Vita S.p.A., BancAssurance Popolari S.p.A. and Lombarda Vita S.p.A., merged into IS Vita as at 31 December 2021. As a result of this, a migration process was initiated for completion in January 2023. This included the transfer of insurance contracts and outsourcing agreements of the incorporated companies. During this period, a number of complaints were received from policyholders.

Furthermore, I have been advised that since January 2023 there has been a decrease in complaints and civil proceedings. Compensation paid out on a regular basis as a result of accepting or partially accepting complaints is not material, in the region of a few thousand euro per annum. I have been advised that, typically, complaints are not escalated to litigation status and IS Vita currently has no material legal matters outstanding.

3.11 Other Regulatory Matters

3.11.1 IVASS Matters

I have received a summary list of recent correspondence topics that IS Vita has had with IVASS. No material issues were noted.

The main correspondence with IVASS relates to the Solvency II on-site inspection performed in 2022, where IVASS identified three risk areas of improvements in relation to interest rate risk limit, liquidity risk limit and the methodology used to calculate the loss absorbing capacity of deferred taxes. I have been advised that some of the issues were resolved during the inspection and a remediation action plan was sent to IVASS in December 2022, which is in progress.

IS Vita has also been communicating with IVASS in relation to the asset allocation for ISPL's unit-linked policies and compliance with the investment limits applicable in Italy, as stipulated in Circular 474: "Regulation of insurance products linked to internal funds or collective investment undertakings". Based on IS Vita's analysis, there will be some divergence between their current allocation and the IVASS specified limits on non-harmonised UCITS. This is observed in particular for high yield investments and for Crescita Guidata and Crescita Stabile funds. This Merger would result in a divergence of €791.3m and €136.0m. IVASS have been made aware of this. I will provide an update in my Supplementary Report on IVASS's approval of the Merger/ Portfolio Transfer, including any considerations relating to this matter.

Other areas of correspondence with IVASS relate to use of the internal model and user specific parameters under Solvency II. IS Vita and Fideuram Vita are in the pre-application process for approval to use an internal model valuation process for Solvency II purposes. Furthermore, the non-life firms of the Group currently employ user specific parameters or a conservative margin approach. There is ongoing engagement with IVASS to ensure alignment and no material issues have been noted.

3.11.2 Compensation Schemes

There are no specific industry wide compensation schemes in place in Italy with respect to insurance policyholders.

4 Intesa Sanpaolo Life DAC

4.1 Overview

ISPL was established in 1998 and is one of the largest life insurers in Ireland. ISPL is registered in Ireland under company number 284248 and is regulated by the Central Bank.

ISPL is authorised to conduct life insurance business in Classes I, III and IV:

- Class I: Life insurance and contracts to pay annuities on human life (e.g., term life contracts);
- Class III: Contract of insurance referred to in classes I and II whose main benefits are directly linked to the value (a) of units of UCITS or (b) of the assets of an internal fund or (c) of an index or other reference value (e.g., unit-linked and index linked contracts); and
- Class IV: Permanent health insurance, that is contracts of insurance providing specified benefits against risks of persons becoming incapacitated in consequence of sustaining injury as a result of an accident or of an accident of a specified class or of a sickness or infirmity, being contracts (e.g., long term care contracts).

Unit linked business is its core business line in Ireland. ISPL has a commercial office in Italy, referred to as the 'Italian Desk', through which it writes life insurance business on a freedom of services basis. This represents over 99.0% of unit linked assets and numbers of customers. ISPL is authorised to write life insurance business in Spain and a small portion of the transferring policies was written there. ISPL is also authorised to write life insurance business in Slovakia, France, Hungary, Portugal, Slovenia, and Luxembourg on a freedom of services basis, however none of the transferring polices were concluded in these jurisdictions. As at year-end 2022, ISPL had total assets under management of c. €35.0 bn.

ISPL is part of the IS Vita Group, a multi-national insurance Group head-quartered in Turin, Italy. IS Vita S.p.A is ISPL's ultimate parent company.

As noted earlier, all ISPL's portfolio of business is transferring to IS Vita as part of the proposed Scheme. In the remainder of Section 4 of the Report, I will comment on ISPL's operations in general and will highlight any specific issues or differences, as applicable to the transferring portfolio.

4.2 Nature of business written

4.2.1 General Overview

As noted above, ISPL is a life insurance company, and its core business lines comprise unit linked products. ISPL is active in the individual scheme market. The table below sets out a high-level description of ISPL's main lines of business, along with the total premiums written for each line in 2021 and 2022.

Table 4.1: ISPL Business Written

Line of Business	Description	31 Dec 2022 – Premiums Written (€'m)	31 Dec 2021 – Premiums Written (€'m)
Index linked and unit linked insurance	The Index-linked and Unit linked Insurance category is ISPL's only line of business and contains all unit linked policies	2,850.0	5,513.0
Total		2,850.0	5,513.0

Source: ISPL 2022 ARTP and ISPL 2021 ARTP

The "Index linked and unit linked insurance" category is ISPL's only line of business and contains all the unit linked policies. Unit linked policies are those where policyholders invest their premiums in pooled underlying investment funds, with the value of their policies increasing or decreasing in line with the performance of the underlying assets. The investment risk for such funds is borne by policyholders, with ISPL generally earning a fee which is mainly set as a percentage of the fund. Unit linked policies can also have insurance benefits attached to the underlying contracts. As at year-end 2022, ISPL managed over €34.2bn in assets in respect of unit linked policies.

Table 4.2 Assets (€'m)		
	31 December 2022	**31 December 2021**
Assets held for index-linked and unit linked contracts	34,174.5	41,051.4
Investments (other than assets held for index-linked and unit linked contracts)	415.5	377.1
All other assets	842.1	940.7
Total	**35,432.1**	**42,369.2**

Source: ISPL 2022 ARTP

4.3 Reinsurance

ISPL has no reinsurance arrangements in place at 31 December 2022.

4.4 Risk Profile and Management

4.4.1 Overview of risks

ISPL is exposed to a range of risks which it separates by nature and manages through a systematic risk management approach. Major risks, as indicated by the ISPL Solvency and Financial Condition Report ("SFCR") and within the documentation in relation to its risk management framework, are described below:

- Market risk: ISPL's investment strategy is to closely match its unit-linked liabilities with unit linked assets. The key market risk it faces relates to the second order impact of adverse market movements on policyholder funds and hence on future fee income. ISPL also experiences market risk through the shareholder investments. ISPL offers investment guarantees in the event of death on some of its products (Doppio Centro, Prospettiva Sostensible, Valore Pro, Selezione Private Pro and Patrimonio Pro). These make up c.20.0% of the liabilities.

- ISPL is exposed to the life underwriting sub-risks of mortality, lapse and catastrophe and to expense risk because of writing life business.
  - Mortality risk arises due to the additional pay-outs that ISPL commits to paying policyholders to supplement the value of their units.
  - Lapse risk arises due to the loss of expected future charges when a policyholder partially or fully surrenders a policy.
  - Catastrophe risk is related to mortality risk and refers to an event giving rise to significant mortality claims.
  - Expense risk relates to the risk that the future expenses turn out to be higher than predicted.

- Credit default risk arises due to cash and deposits with banks and some exposures in the shareholder fund.

- Operational risk also exists within ISPL's risk universe; the scale of the business can drive such exposures, which are managed through internal controls and the risk management framework itself.

Other risks ISPL is exposed to which are overseen by the Board and actively managed by ISPL includes:

- Liquidity risk which arises through the Italian Claims Tax regime;

- Strategic risks (linked to the potential inability to achieve the strategic objectives);

- Conduct risk (the risk of financial loss due to conducting business in a way that treats customers unfairly or results in harm to customers);

- Reputational risk; and

- Regulatory compliance risk.

4.4.2 Risk Management Framework

To facilitate a structured approach to risk-taking, an Enterprise Risk Management ("ERM") framework has been documented and embedded within ISPL's system of governance. I have reviewed the overall supporting documentation including the ORSAs and the risk management framework policy.

4.4.3 Risk Appetite

As part of its broader ERM Framework, ISPL has established a Risk Appetite Statement, which is intended to allow the company to operate its ERM system in a controlled manner. Risk Appetite Monitoring is performed using five kinds of metrics:

- Type 1 metrics which aim to identify breaches which may be material.
- Type 2 metrics are generally monitored on a quarterly basis.
- Type 3 metrics are checked on a more frequent basis and aim to verify that there are no major changes in the asset composition and exposure of ISPL.
- Type 4 metrics are mostly used as early warnings.
- Group risk appetite metrics are those metrics checked by ISPL in order to allow IS Vita Group thresholds to be monitored and are identified in the Risk Appetite Statement.

ISPL's Risk Appetite is defined as the aggregate level of risk, allowing for diversification benefits, that it is willing to assume within its risk capacity to achieve its strategic objectives and business plan. It defines this appetite in relation to maintaining a certain percentage of Own Funds over and above its regulatory capital base. It is defined quantitatively and qualitatively taking into consideration a number of factors:

Quantitative: Type 1, Type 2 and Group metrics are used for quantitative monitoring of Own Funds and the solvency ratio. There is a Breach Level of <150%, a Warning Level of >=150% and <175% and a Safety Level of >=175%

Qualitative: This takes into consideration the above quantitative measurements as well as dividend payments and new business; it aims to maintain stability of its current risk profile over the medium to long term, avoid illiquid assets and meet Tier 1 Own Funds requirements.

4.4.4 Risk Sensitivities

I have been provided with the report on ISPL's ORSA process. The ORSA is mandated under the Solvency II regulatory regime that applies to life insurance companies in Europe and requires an entity to consider its capital requirements and risk exposure. It is also expected that the ORSA will illustrate the entity's exposure to key risks by performing a series of stress and scenario tests.

ISPL's latest approved ORSA report was prepared as at 31 December 2021, and I have considered the sensitivity analysis prepared within that report. I have not reproduced the detail. The key risks are in line with those outlined in Section 4.4.1 above and as discussed in the ISPL ORSA, the most material sensitivities relate to life underwriting shocks across lapse and life expense risks.

4.4.5 Risk Issues

I have been provided with the Risk Committee packs and risk dashboard. The current listing of open risk issues for ISPL was also shared and I considered this as part of my review. These include cyber risk, loss of staff and expertise due to high turnover, risk of diminishing commitment from current staff due to perceived uncertainties about the future associated with the Merger/ Portfolio Transfer, risk of project execution failures and operational issues. These have a medium control rating and mitigation actions have been identified including availability of support to staff, transition process management and deployment of retention program. There are no issues to note.

4.4.6 Governance

ISPL has a comprehensive governance structure in place which establishes roles and responsibilities across the entity.

The ISPL Board of Directors

ISPL's Board of Directors is responsible for the governance and oversight of all aspects of ISPL's business. The Board operates in accordance with defined terms of reference, and, amongst other matters, the Board approves the corporate objectives, sets strategy and ensures a robust control and operating framework is in place.

Committees of the ISPL Board of Directors

The Board has established the following committees which report directly to it:

- The Audit and Reporting Committee assists the Board in controlling, overseeing and coordinating ISPL's internal and external audit activities and processes. It monitors the financial reporting process and reviews the annual financial statements and regulatory filings, as well as overseeing the development of an appropriate Information Technology and Cyber Security Risk Management Framework for ISPL and reviewing effectiveness of same, and report regularly to the Board.

- Investment and Product Committee: This serves to oversees the design and evaluation of the Investment strategies and policies of ISPL. It oversees the formulation, approval and development of products and ensures that conduct risk is managed appropriately. It exercises oversight of the Operational Investment Sub-committee, the Operational Product Governance Sub-committee and the Unit Matching Governance Sub-Committee.

- Risk and Compliance Committee: This serves to oversee, report and advise on the activities and systems of control over events that expose the Company to significant risk. The committee reviews the integrity and effectiveness of the compliance management and reporting systems.

ISPL does not have a standalone Remuneration Committee and Nomination committees (as would normally be required of a high PRISM rated entity) and instead relies on the Group Remuneration and Nomination Committees of the insurance parent company.

Supporting Sub-Committees

The Board has delegated broad executive powers to the Chief Executive Officer ("CEO") to manage and operate ISPL's business.

A number of key supporting Sub-Committees have been established to assist and support the Board, the CEO and other senior management in fulfilling their responsibilities, which include:

- Operational Investment Committee;
- Operational Product Governance Committee;
- Unit Matching Governance Committee; and
- Information Communication Technology and Cyber Risk Committee.

Key Functions

The ISPL governance structure is also supported by the following key functions, which report to the Board or appropriate Board sub-committees on a specified basis:

- The Risk Management function, led by the ISPL Chief Risk Officer ("CRO"), is responsible for facilitating the implementation and effective operation of the ISPL ERM Framework, reporting on risk exposures and making recommendations to the Board on risk appetite and other risk management matters.

- The Compliance function, led by the ISPL Chief Compliance Officer ("CCO"), is responsible for promoting an ethics-based culture, delivering compliance solutions and providing assurance. Among other things, the Compliance function advises the Board on compliance with laws and regulations, assesses the impact of changes in the external legal environment and assesses the adequacy of measures taken by ISPL to prevent non-compliance.

- The Internal Audit function, outsourced to the Internal Audit Function of IS Vita by virtue of the outsourcing contract currently in place, is responsible for providing independent and objective assurance to the Board and to the Audit and Reporting Committee on the adequacy and effectiveness of ISPL's risk management, internal control and governance processes.

- The Actuarial Function, led by the ISPL Head of Actuarial Function, is responsible for carrying out the actuarial activities of ISPL including the provision of regular reports to the Board on Technical Provisions.

4.5 Financial profile

4.5.1 Background

ISPL is regulated by the Central Bank and calculates its solvency capital in line with Solvency II. (An overview of the Solvency II regime is given in Appendix 5). The Central Bank introduced the Domestic Actuarial Regime following the introduction of Solvency II, which introduced a prescribed role – the HoAF. This is a Pre-Approved Controlled Function or PCF role under the Central Bank's Fitness and Probity Regime. For ISPL, the role of HoAF is discharged by Elaine Spillane.

4.5.2 Technical Provisions

Tables 4.3(a) & 4.3(b) below set out the ISPL Technical Provisions, as required under Solvency II, for the lines of business introduced in Section 4.2.

Table 4.3(a): ISPL Business Written – 31 December 2022			
Line of Business	**Technical Provisions (€'m)**	**Gross Best Estimate Liability (€'m)**	**Risk Margin (€'m)**
Index-linked and unit linked insurance*	33,494.6	33,326.2	168.3
Table 4.3(b): ISPL Business Written – 31 December 2021			
Line of Business	**Technical Provisions (€'m)**	**Gross Best Estimate Liability (€'m)**	**Risk Margin (€'m)**
Index-linked and unit linked insurance*	40,219.2	40,026.3	192.9

Source: ISPL 2022 ARTP & ISPL 2021 ARTP
Notes: *ISPL only writes unit linked insurance business

The Technical Provisions figures, in the context of ISPL's balance sheet, correspond to the unit linked liabilities of the business and are determined directly from the value of the underlying assets. In terms of key judgements used to determine the Technical Provisions, ISPL do not apply any transitional measures or volatility adjustment to the prescribed risk-free term structure of interest rates. I have not been made aware of any other key judgements made.

The gross best estimate liability is a probability-weighted average of future cashflows, discounted using a prescribed risk-free term structure of interest rates, whilst the risk margin is intended to reflect the compensation that a third-party would require for the capital costs incurred in taking on the insurance liabilities.

The above table shows that, there has been a decline of €6.5bn in the Technical Provisions observed in the period. This was largely driven by weak investment fund performance in 2022.

4.5.3 Solvency II Capital Requirements and Capital Coverage

Under Solvency II, firms must hold capital equal to the higher of the SCR or MCR. In ISPL's case, it is the SCR that applies. ISPL calculate this using the standard formula.

The SCR is determined by subjecting the overall balance sheet to a prescribed series of 1-in-200-year shocks and aggregating the impacts in a specific way. Further detail on the determination of the SCR is set out in Appendix 5.

Under Solvency II, the assets available to cover the capital requirements are referred to as "Own Funds", with the Own Funds reflecting the value of the net asset position of the firm. Comparing the SCR to the level of Own Funds gives an indication as to the level of solvency coverage within a firm. The table on the next page sets out ISPL's overall solvency coverage ratio for 31 December 2021 and 31 December 2022.

Table 4.4: ISPL Solvency (€'m)		
	31 December 2022	**31 December 2021**
Own Funds	1,530.8	1,666.8
SCR	511.9	637.1
Excess of Own Funds over SCR	1,018.9	1,029.7
Solvency Coverage Ratio	**299.0%**	**261.6%**

Source: ISPL 2022 ARTP

Over the course of 2022, ISPL's Own Funds decreased in aggregate over the year and underlying this was a variety of drivers contributing both increases and decreases to the Own Funds balance including a high interest rate environment, poor investment fund performance and lower new business volumes.

The SCR also decreased in aggregate over the year from €637.1m to €511.9m. Again, there are a number of reasons driving this, including a decrease in the assets under management and factors contributing both positive and negative impacts to the SCR. There was a decrease in the market risk SCR and the life underwriting risk, which was partially offset by the increase in the counterparty default risk. The table below sets out the components of ISPL's SCR as at 31 December 2022 and 31 December 2021. The main drivers of ISPL's capital requirements are life underwriting risks (arising from the insurance risks underwritten) and market risks.

Table 4.5: ISPL SCR Components (€'m)		
Component	**31 December 2022**	**31 December 2021**
Market risk	246.2	354.7
Counterparty default risk	28.4	24.9
Life underwriting risk	364.9	442.1
Health underwriting risk	0.0	0.0
Diversification	-141.3	-181.2
Basic SCR	**498.2**	**640.5**
Operational risk	82.1	87.6
Loss absorbing capacity of deferred taxes	- 68.3	- 91.0
Solvency Capital Requirement	**511.9**	**637.1**

Source: ISPL 2022 ORSA Report

When managing its capital, ISPL's approach considers both the regulatory requirements and its own internal view. For the purposes of managing its regulatory capital, ISPL has an internal capital target well in excess of the regulatory minimum, with internal policies specifying activities to be taken should the coverage drop below its internal targets. These are set in a similar fashion to those at a group level with IS Vita though with different levels reflecting ISPL's different risk profile.

4.5.4 Projected Solvency Position

As noted above, as part of my review I was provided with the ISPL ORSA report. I have considered the report as part of my review but have refrained from replicating all of the detail within this Report.

The ORSA is an integral part of a company's risk management system, and its purpose is to include an assessment of the overall solvency needs of the company, the compliance on a continuous basis with the Solvency II capital requirements and the significance with which the risk profile of the company differs from the assumptions underlying the SCR. The ORSA should be an integral part of the business strategy and should be considered on an ongoing basis in the strategic decisions of the company.

The ORSA is useful in terms of understanding the risks inherent in the business and the stability of the Solvency II capital position over time. As part of ISPL's overall ORSA process, a central base projection was prepared, which considered how the Solvency II capital position is expected to emerge over ISPL's business planning horizon.

In general terms, the central projection indicates that ISPL's capital coverage will be maintained over time (after allowing for dividends to its Group parent). I have discussed the current level of solvency and the progression as identified below to understand how the transition to year-end 2023 is expected to arise. This detail is not included.

Table 4.6: ISPL ORSA Base Projection (€'m)				
Balance Sheet Component	**Year-end 2022**	**Year-end 2023**	**Year-end 2024**	**Year-end 2025**
SCR	624.9	628.5	674.5	716.2
Solvency Ratio	281.0%	304.0%	311.0%	316.0%

Source: ISPL 2021 ORSA Report
Notes: This is based on YE 2021 ORSA report as the YE 2022 ORSA was not yet available. Updated commentary will be included in the Supplementary Report.

Within the ORSA process and report, ISPL also subjected its projected balance sheet to a number of adverse stresses and scenarios, so as to assess the resilience of its balance sheet going forward. I have not replicated the detail within this report for materiality reasons, but no material issues were identified which need to be commented upon within this report. Table 4.7 below outlines the key stresses considered within the ORSA. I note other stresses were also considered but the detail has not been included here.

Table 4.7: Stress scenarios used in 2021 ORSA
1. Market and underwriting stress test (fall in swap rates, increase in spreads, increase in corporate financial spread, decrease in equity, decrease in symmetric adjustment, increase to lapse in mass lapse stress)
2. EU Government stress test (stress to EU government bonds such that they no long carry a non-zero risk)
3. Reverse stress test
4. Solvency sensitivity stress test (increase of proportion of unit fund invested in equity)
5. Mass lapse scenario with no change to expenses
6. Guarantee biting stress test (reduction to value of unit linked equity assets, increase to mortality rate, no change to future sum at risk from new business or surrenders)
7. Market and underwriting stress test (fall in future cumulative gross domestic product growth, mass lapse, increased mortality rate, revised financial assumptions)
8. Decrease in profitability margin (increase to asset manager fees, decrease to distributor commissions)
9. Withholding Tax Asset stress (sudden and permanent increase to tax rate on insurer)
10. Reputational risk (sudden and permanent decrease to new business and increase to lapses with mass lapse scenario applied)
11. Climate change / ESG stress (includes impacts on many factors such as mortality rates, market trends, reputations – new business and lapses)
12. Russia Ukraine stress (reduction to new business, increase to interest rates, reduction of Italian government bonds, increase to inflation)

Source: ISPL 2022 ORSA Report

A reasonable set of stresses and scenarios are run by ISPL within the ORSA which are useful and informative for decision making; any potential breaches in the risk appetites are identified with clear mitigation steps and management actions identified to resolve this.

4.6 Operational arrangements

The majority of ISPL's operations, and in particular its key management operations, are carried out in its offices in Ireland. However, some critical activities are outsourced, and Table 4.8 on the next page summarises this.

The outsourced service providers are typical of what we see in the industry. ISPL has a comprehensive framework in place to monitor the activities undertaken by the providers and they are subject to local governance and regulation on use and oversight of outsourcing arrangements.

I note that some of the outsourced service providers will be terminated post the Merger. ISPL have informed me that for the providers for which service continues to be required, these will be covered by IS Vita arrangement in relation to this same service. These will either be new contracts or amended to existing contracts between IS Vita and their outsourced providers. This is discussed further in Section 7.5.

Table 4.8: ISPL Use of Outsourcing		
Service Provider	**Services Provided**	**Jurisdiction**
Eurizon Capital S.p.A. – Policyholders	Delegation of asset management activity – Assurance portfolios	Luxembourg
Servitia	IT infrastructure	Luxembourg
IS Vita – IT	Information systems, management and maintenance	Italy
Fideuram Asset Management Ireland	Delegation of asset management activity – Assurance portfolios	Ireland
Eurizon Capital S.p.A. – Shareholders	Delegation of asset management activity – Shareholder Fund	Luxembourg
IS Vita – CISO	Chief Information Security Officer	Italy
IS Vita – Internal Audit	Internal Audit service	Italy
State Street Bank International GMBH	Fund administration services (Net Asset Value calculation)	Luxembourg
Covalen	Customer service and claims support	Ireland
Indra Sistemas S.A.	IT Infrastructure and customer service	Spain
Optimo Next	Handling of policy documentation	Italy
Selecta	Client communication	Italy
FNZ	Calculation of individual protection policies	Ireland
Sedgwick	Call centre management	Ireland
Deloitte	Payroll	Ireland
IS Vita – DOF	Data Office	Italy
IS Vita – GAF	Administrative Financial Governance pursuant to Italian Law 262/2005	Italy
IS Vita – Digital Transformation	Digital transformation	Italy
IS Vita – Sustainability	Sustainability services	Italy
Studio Informatica	Communications support	Italy
Iron Mountain	Paper archive	Ireland
Tudor Trust	Company secretarial services	Ireland

Source: ISPL

4.7 Policyholder Reasonable Expectations

For life insurance entities, I am required to consider guidance issued by the Society of Actuaries in Ireland with regards to Policyholders' Reasonable Expectations ("PRE"). ASP INS-2, "Transfer of an Insurance Portfolio – Role of the Independent Actuary" sets out items to be considered in this regard.

Furthermore, I note that under the Solvency II regime there is a statutory requirement for the HoAF of life insurance entities to consider PRE as set out in the Central Bank guidance note entitled 'Domestic Actuarial Regime and Related Governance Requirements under Solvency II'. Being mindful of the above guidance and requirements, considering the detailed consideration which the ISPL HoAF gives to PRE within her annual Actuarial Function Report, and considering the transferring insurance policies in isolation, I note the considerations are as follows:

- Benefits arising under the transferring insurance policies are properly explained – any illustration of potential product returns will not be unreasonably optimistic and any deviations between actual and illustrative product performance can be reasonably justified by ISPL. Additionally, the nature of the capital protection on the unit-linked protected funds is well explained to policyholders and they understand the process of market value adjustments that applies to some of the unit-linked funds.

  Policyholders' top-up premiums and fund choices have been considered in detail in Sections 7.5 and 8.2 as some of these investment funds do not comply with eligibility criteria and investment limits set down by IVASS. I have noted that IVASS are aware of this particular matter.

- Security of benefits: transferring policyholders have a reasonable expectation that their benefits are secure and will be paid as they fall due. This will depend on the risks to which the transferring policyholders are exposed to before and after the transfer, including the relevant financial position of the companies.
- Entitlement to benefits: the transferring policyholders have a reasonable expectation that withdrawals, surrenders, maturity and valid death claims will be paid in accordance with policy terms and conditions. I have reviewed some of ISPL's product documentation and am satisfied that it does not confer any particular additional reasonable expectations over and above the contractual provisions. I am not aware of any local legislative requirements which confer entitlements to policyholders beyond those in the policy terms.
- Service standards: transferring policyholders have a reasonable expectation that the services they receive will be provided in a professional manner, that claims, and enquiries will be dealt with promptly.
- Discretionary powers available to ISPL: transferring policyholders have a reasonable expectation that any discretion available to ISPL will be applied in a fair and reasonable manner. The use of discretion by ISPL is reasonably limited as charges levied and benefits provided are set out in the policyholder terms and conditions. In relation to the specific products, these are unit-linked with defined charges per the policy document. ISPL has discretion over the fund management charges, though it has not enacted this previously. Fund choices offered and the approach to unit-pricing do allow some discretion, however practice is well embedded on these matters in ISPL. Risk benefits on the products are minor so there is very limited discretion in the payment of claims.
- ISPL has set out their interpretation of policyholders' reasonable expectations in relation to the transferring book. IS Vita have acknowledged the principles and have undertaken to continue to use those principles in managing the insurance policies in the future. As such there are no issues emerging that I am aware of that can adversely impact upon policyholders.

4.8 Complaints and Litigation

ISPL has a well-established complaints process, which is set out clearly for customers upon its website. Customers may make complaints in writing or over the phone, and, once a complaint is made, ISPL follows a defined process, committing to respond to policyholders within a set timeframe.

As part of my review, I was provided with specific information relating to historic and ongoing complaints associated with the insurance portfolio. Customers complaints can vary in nature and ISPL classifies them by the business area impacted. The main business areas are in line with the Italian Regulatory Authority's provisions: Commercial; Settlements; Industrial (performance); Administration; Legal; Information Technology and Other

The same criteria are applied for complaints in the Spanish market where a small number of complaints have been received so far.

ISPL has confirmed there are no material litigation cases with respect to the insurance portfolio. In the period from 2020 to 2022, ISPL has registered a small number of new legal proceedings. In general, the ISPL legal proceedings are in relation to the complaints about the division of the premium paid to the policy beneficiary, the invalidity of the policy and the name of beneficiary of the policy.

4.9 Other Regulatory Matters

4.9.1 Central Bank Matters

I understand that ISPL has no material issues with the Central Bank that would impact on my work at this stage. ISPL have shared the current issues being discussed.

4.9.2 Compensation Schemes

There are no specific industry wide compensation schemes in place in Ireland with respect to life insurance policyholders.

5 The proposed Scheme

5.1 Background to and motivation for the proposed Scheme

5.1.1 Motivation for proposed Scheme

Although not a direct consideration for me as Independent Actuary, it is nevertheless relevant for me to be aware of the rationale for the Scheme.

ISPL has agreed to merge with IS Vita and transfer its insurance book in line with its strategy (and the strategy of its Group) which will focus on different initiatives, with the aim of consolidating leadership on the life insurance market and continuing growth in the non-life sector.

IS Vita's strategy for life insurance is the consolidation of market leadership in the unit-linked segment, with new investment strategies to reduce volatility; a stronger focus on "target markets" to steer specific needs (e.g. generational handover, asset protection, insurance warranties, long-term saving), customer segments (e.g. the silver generation, millennials) and digital behaviour (e.g. customer journey, digital products); and a dedicated offering for customers with an excess liquidity/streamlined investment needs.

5.1.2 Overview of proposed Scheme

The Scheme proposed is for ISPL to merge with IS Vita pursuant to the cross-border "merger by absorption" process. This will be coupled with an insurance portfolio transfer under Section 13 of the Assurance Companies Act 1909 (the "Portfolio Transfer"). The effective time for the cross-border Merger and the Portfolio Transfer will be the same and the two procedures will be run in parallel with each other. ISPL will merge into the Italian parent without going into liquidation with an immediate allocation of assets and liabilities to the Dublin Branch as of the effective time of the related cross-border Merger/ Portfolio Transfer. The transfer of the ISPL insurance policies to IS Vita will be completed under the provisions of Section 13 of the Assurance Companies Act 1909, Section 36 of the Insurance Act 1989 and Regulation 41 of the European Union (Insurance and Reinsurance) Regulations 2015. The Scheme provides for the transfer of the ISPL insurance policies, incorporating the underlying insurance contracts, together with the associated liabilities and unit linked assets as at the Effective Date to IS Vita, such that ISPL's insurance policyholder liabilities are extinguished.

As part of the overall transaction, IS Vita will establish a branch in Ireland which, with effect from the Merger will be allocated the assets and liabilities of ISPL, and shall from the Effective Date, carry on through the Dublin Branch the business activity in Ireland (which includes the insurance business) which was conducted by ISPL prior to the Effective Date.

The Scheme proposes on the Effective Date:

- To transfer the insurance policyholder liabilities from ISPL to IS Vita, with the insurance policies being the sole policies in scope of the transfer.
- As part of the overall transaction, IS Vita will establish a branch in Ireland, which, with effect from the Merger will be allocated the assets and liabilities of ISPL, and shall from the Effective Date, carry on through the Dublin Branch the business activity in Ireland (which includes the Insurance Business) which was conducted by ISPL prior to the Effective Date. IS Vita (through its Dublin Branch) shall on and from the Effective Date carry out, perform and complete all of the terms and conditions of the ISPL policies.
- To not confer any greater or lesser rights or benefits, or impose any greater or lesser obligations, under a contract on any party to such contract to which ISPL is a party where such greater or lesser rights, benefits or obligations would not otherwise have been conferred or imposed.
- To maintain policyholder terms and conditions, i.e., there will be no changes to policyholders' terms and conditions across any of the entities.

- To allocate the same type, number and overall value of units in the IS Vita unit linked funds as held by ISPL in their unit linked funds for the policies transferring as part of the Scheme.
- To maintain the operation of the insurance contracts, i.e., the operation of the policies will not change.

The Effective Date of the Scheme is expected to be 1 December 2023.

5.2 Continuity of Proceedings

Whilst ISPL has indicated that it cannot predict the outcome or impact of any pending or future arbitration, litigation or regulatory proceedings, it does not believe that any pending arbitration, litigation or regulatory proceedings will have a material adverse effect on its business, financial condition or results of operations.

It is my understanding that on and with effect from the Effective Date, any judicial, quasi-judicial or arbitration proceedings or any complaint or claim to any ombudsman or other proceedings for the resolution of a dispute or claim (whether current or future) by or against ISPL on the Effective Date in connection with the insurance policies shall be continued by or against the IS Vita.

Specifically for the insurance liabilities:

- IS Vita shall ensure that ISPL will be released from all insurance liabilities relating to the transferring Policies (as defined in the Scheme) after the Effective Date irrespective of when such liabilities arose.
- ISPL shall ensure IS Vita's assumption of all insurance liabilities relating to the transferring Policies after the Effective Date, and IS Vita acknowledges that it shall be liable after the Effective Date.

5.3 Rights and Obligations

Every policyholder shall on and from the Effective Date become entitled in substitution of any rights enforceable by or available under an ISPL policy against ISPL to the same right or rights against IS Vita and the obligations of every such policyholder shall on and after the Effective Date become enforceable (so far as still subsisting) by IS Vita in place of ISPL.

5.4 Data Protection

Records, which may include policy data protected under the relevant Data Protection Laws, shall be transferred to IS Vita (such that IS Vita shall be deemed to be the Data Controller of the policy data from the Effective Date), and may be used by IS Vita, and disclosed by IS Vita to, and used by, any agent or contractor of IS Vita to the same extent that they were used by ISPL and its agents or contractors prior to the transfer for all purposes in connection with the ISPL policies including, in particular, administration.

5.5 Mandates and Other Instructions

Any mandate or other instruction in force on the Effective Date (e.g. bank direct debit or standing order) and providing for the payment by a bank or other intermediary of premiums payable or in respect of any of the ISPL policies shall, on and from the Effective Date, take effect as if it had provided for and authorised such payment to IS Vita.

Similarly, any mandate or other instruction in force on the Effective Date in respect of any of the ISPL policies as to the manner of payment of any benefit or other amount by ISPL shall, on and from the Effective Date, continue in force as an effective authority to IS Vita.

5.6 Costs of the proposed Scheme

All costs associated with the Merger/ Portfolio Transfer will be borne by IS Vita and ISPL, with no impacts upon either the transferring insurance policyholders or the existing IS Vita policyholders.

5.7 Policyholder Communications

In terms of policyholder communications, Section 13 of the 1909 Act requires that, unless the Court otherwise directs (and I understand IS Vita will seek for its policyholders the High Court's dispensation from this requirement), certain materials must be transmitted to each policyholder. I note that:

ISPL policyholders: Pre-transfer

- The transferring ISPL policyholders will each be sent a circular (comprising of a letter from ISPL's CEO, a summary of the terms of the Scheme, a summary version of this Report ("Summary Report"), a copy of the published legal notice and a frequently asked questions document in relation to the Merger/ Portfolio Transfer). A draft of the circular has been provided to me which I have reviewed and I have no comments.
- My Summary Report covers all the material points and issues raised in this full Report. The communication to transferring policyholders will include my conclusion as Independent Actuary within the Summary Report. It will also highlight very clearly the availability of my full Report on request and its availability on the ISPL and IS Vita website. The Central Bank has been advised of this approach, and I have assumed that they will not raise any objections.
- A notice will be published in the Irish official Gazette, Iris Oifigiúil, two daily national newspapers in Ireland, the Irish Examiner and the Irish Independent, in relation to the Merger/ Portfolio Transfer. I note that a notice in relation to this was published in the CRO Gazette on 3 May 2023 and in the two national daily papers on 10 May 2023.
- In terms of these advertising requirements, the majority of policyholders are based in Italy, with a small number in other European Economic Area ("EEA") Member States. For the Maltese policyholders, I have been advised that in circumstances where the Central Bank consults with the Malta Financial Services Authority (the "MFSA"), they may direct publication of a notice of the Merger/ Portfolio Transfer in two local daily Maltese newspapers or notify policyholders individually - in accordance with Irish law requirements. However, in circumstances where no policies were in fact concluded in Malta, there is no expectation that the Central Bank will consult with the MFSA about the Merger/ Portfolio Transfer. For the other EEA Member States advertising requirements, I have been informed that there is no obligation for ISPL or IS Vita to publish a notice of the Merger/ Portfolio Transfer, pre-transfer, in these Member States.

ISPL policyholders: Post-transfer

- Following approval of the Merger/ Portfolio Transfer, ISPL is required to individually notify policyholders resident in Hungary and Spain and advise them of certain termination rights in compliance with local law requirements (this letter will be in addition to the pre-transfer notice that will be issued to all transferring policyholders).
- In order to comply with Italian law requirements, IS Vita will write to all transferring policyholders following the publication of a notice about the authorisation of the Merger/ Portfolio Transfer by IVASS on its Supervisory Bulletin. The purpose of this communication will be to inform the transferring policyholders about the Merger/ Portfolio Transfer and to inform them about their right to terminate their contract. The Italian Insurance Code provides that transferring policyholders have the right to cancel their contracts within 60 days after the approval of the Merger/ Portfolio Transfer has been published on the IVASS Supervisory Bulletin.
- I have been advised that there are no post transfer notification requirements for Ireland. For other EEA Member States, IS Vita is required to publish information about the Merger/ Portfolio Transfer in nationwide newspapers and/or on its website, particularly for policyholders residing in Belgium, Austria, Slovenia and Czechia.
- I have been advised that there are no post transfer advertising requirements for Ireland. For other EEA Member States, IS Vita is required to publish information about the Merger/ Portfolio Transfer in nationwide newspapers and/or on its website, particularly for policyholders residing in Finland, Slovenia and Czechia.

IS Vita policyholders

- There is no intention to communicate individually with any policyholders of IS Vita residing in Italy pre-transfer. However, the relevant information will be available on the IS Vita website. The reasons set out by IS Vita management are that the Scheme does not materially impact on IS Vita policyholders and their overall financial position pre- and post- the Scheme remains strong and in excess of internal and external regulatory capital limits. I have assessed the financial impact on the existing IS Vita policyholders and note the impacts, as described in Section 2.1.5 above.

Overall, I am comfortable with this communication approach and am comfortable that the existing IS Vita policyholders will not be disadvantaged in any way by not being issued with a copy of either this Report or my Summary Report.

5.8 Governing Law

The sanctioning of the Scheme is subject to the laws of Ireland, in particular Section 13 of the Assurance Companies Act 1909, Section 36 of the Insurance Act 1989 and Regulation 41 of the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485/ 2015).

6 General considerations when reviewing the proposed Scheme

6.1 Introduction

As the Independent Actuary, the key areas in my opinion that I need to consider for the different groups of policyholders that could potentially be affected by the Scheme, namely the transferring insurance policyholders and the existing IS Vita policyholders, are:

- Security of policyholder benefits; and
- Fair treatment of policyholders and impacts upon their reasonable expectations, which include disclosures to policyholders, maintenance of terms and conditions, the use of discretion by companies, local legislative requirements and the day-to-day administration of policies.

The considerations when reviewing the proposed Scheme are discussed briefly below and then assessed in Section 7 and 8 of this Report.

6.2 Impact on the security of policyholders' benefits

Aspects of the business and the Scheme which could impact on the security of policyholder benefits and should therefore be considered when reviewing the Scheme include:

- Financial security following the implementation of the Scheme for the different groups of policyholders, through consideration of the regulatory capital position under Solvency II.
- I note that the Central Bank and IVASS supervise both ISPL and IS Vita respectively under the Solvency II regulatory regime and that, once the Scheme is implemented, the transferring policyholders will be subject to supervision by IVASS under Solvency II.
- I consider that there will be no financial impact of the transaction which gives effect to the Scheme.
- Other elements impacting on financial security involves consideration of:
  - Business planning outlook;
  - Stress and Scenario tests on a plausible basis to understand how robust the regulatory capital position is to such tests;
  - Impact of the Scheme on the risk levels in IS Vita and ISPL and whether new additional risks are created as a result of the Scheme;
  - Quality of capital including any capital support arrangements;
- External reviews/ audit findings on material areas;
- Other elements including custody of assets; Group financial support; and any other aspects worthy of consideration e.g., expenses, outsourcing, strategic asset allocation.

6.3 Fair treatment of policyholders and the impact on their reasonable expectations

Aspects of the business and the Scheme which could impact on the fair treatment of policyholders and their reasonable expectations which should be considered when reviewing the Scheme include, but are not limited to:

- Policy terms and conditions;
- Servicing of policies;
- Application of discretion;
- Expenses and charges;
- Costs of the Scheme;
- Current practices and approaches;
- Complaints and redress; and
- Policyholder communications.

7 Assessment of the Scheme on the financial security of policies

7.1 Introduction

The following section considers the pro forma regulatory balance sheets of the entities (ISPL and IS Vita) following implementation of the Scheme. I comment on the relative level of security of transferring ISPL policyholders and existing IS Vita policyholders by considering the impact of the transfer under the Solvency II regime.

In this consideration, I have examined the transfer on both a quantitative and qualitative basis.

I also include discussion of other aspects of the Scheme relating to ISPL and IS Vita that could affect security to policyholders and note my conclusions on them.

7.2 Financial Strength Assessment

7.2.1 Introduction

I have considered the capital strength of ISPL and IS Vita respectively prior to and post the Scheme and in respect of all groups of policyholders. I have based my analysis on the most recent audited financial information at 31 December 2022, including regulatory returns to the Central Bank, pro forma results prepared as at 31 December 2022 and the ORSA projections produced by both entities.

As described in Section 6 above, the Scheme will not make any material change to the assets and liabilities of IS Vita. The liabilities being transferred are unit linked in nature, meaning that the assets transferring are those committed to policyholders in line with policy terms and conditions.

Both ISPL and IS Vita are part of IS Vita Group which is well capitalised with a current credit rating of BBB/ Stable assigned by Standard & Poor's Global Ratings; Baa1/ Stable assigned by Moddy's and BBB/ Stable by Fitch Ratings. As at 31 December 2022, IS Vita Group has a solvency coverage ratio of 203.0% and Own Funds of €9,208.9m. All the insurance unit linked policies will remain part of the Group post transfer.

7.2.2 Solvency Coverage at Transfer Date

The tables below set out the pro forma balance sheet of ISPL, IS Vita (on a standalone basis) and IS Vita Group respectively. This analysis considers the point in time solvency coverage pre- and post-transfer, taking account of the impact of the Scheme in line with the Solvency II requirements, as if it had been implemented at 31 December 2022.

Please note that there is no post transfer position to consider for ISPL.

Table 7.1: ISPL and IS Vita Pro-forma Solvency Position as at 31 December 2022 (Annual) - €m

Pre- Transfer			
Component	**ISPL Pre-Transfer**	**IS Vita Pre-Transfer**	**IS Vita Group Pre-Transfer**
Own Funds	1,530.8	7,851.6	9,208.9
SCR	511.9	3,564.1	4,536.6
Excess Own Funds over SCR	1,018.9	4,287.5	4,672.3
Solvency Coverage Ratio	**299.0%**	**220.0%**	**203.0%**

Post- Transfer			
Component	**ISPL Post-Transfer***	**IS Vita Post-Transfer**	**IS Vita Group Post-Transfer**
Own Funds	-	8,036.8	9,396.5
SCR	-	4,041.9	4,671.4
Excess Own Funds over SCR	-	3,994.9	4,725.1
Solvency Coverage Ratio	-	**198.8%**	**201.1%**

Source: IS Vita Analysis
Notes: *There is no post-transfer position to consider for ISPL

Given the results provided, I have considered below the impacts of the Scheme upon the various policyholder groups, focusing on the information pertaining to the last audited balance sheet as at 31 December 2022 and the related pro forma balance sheets.

It should be noted that the figures above reflect the 'size' of the unit linked portfolio as at 31 December 2022 i.e., the amount of assets and liabilities associated with the underlying policies transferring. At the Effective Date, these figures could be slightly different to those highlighted above as the 'size' of the portfolio as well as the pre-transfer balance sheet position of each company is expected to change over time with new business, market performance and policyholder behaviour impacts.

As at year-end 2022, IS Vita Group had a regulatory SCR of €4,536.6m, with available Own Funds of €9,208.9m and excess available Own Funds above the regulatory requirement of €4,672.3m, giving a solvency coverage ratio of 203.0%. Post-transfer, IS Vita Group is anticipated to have available Own Funds of €9,396.5m, an SCR of €4,671.4m, excess available Own Funds above the regulatory requirement of €4,725.1m, with a solvency coverage ratio of 201.1%.

Transferring insurance policyholders

For the transferring ISPL policyholders, I note the following impacts of the Scheme based on the analysis above, focusing on the 31 December 2022 figures:

- They are currently part of ISPL, one of the largest life insurance companies operating in the Irish market and a subsidiary of IS Vita Group. There is no change to the IS Vita group solvency position as a result of the Scheme.

- As at year-end 2022, ISPL had an SCR of €511.9m, with available Own Funds of €1,530.8m, excess of available Own Funds above the regulatory requirement of €1,018.9m with a solvency coverage ratio of 299.0% This level of solvency coverage is in excess of the ISPL risk appetite target.

- Post-transfer, the policyholders will move to IS Vita, also Head of IS Vita Group. As at year-end 2022, IS Vita had an SCR of €3,564.1m, with available Own Funds of €7,851.6m and excess available Own Funds above the regulatory requirement of €4,287.5m, giving a solvency coverage ratio of 220.0%. ISPL is currently included in the IS Vita Own Funds and regulatory capital calculations as a strategic investment – an investment asset of €1,530.8m based on SII Own Funds and an SCR of €204.0m.

- Based on pro forma results prepared by IS Vita as at 31 December 2022, post-transfer IS Vita is anticipated to have an SCR of €4,041.9m, available Own Funds of €8,036.8m, and excess available Own Funds above the regulatory requirement of €3,994.9m, with a solvency coverage ratio of 198.8%. IS Vita calculation has been updated from an approach in which ISPL is included as an investment in subsidiary for Solvency II purposes pre-Scheme, to an approach which is based on the full consolidation of ISPL post the Scheme. A number of adjustments have been made as a result, including updates to the best estimate liabilities and tax calculations. The detail has been shared with me. The SCR calculation is similarly updated with a higher SCR with ISPL now fully consolidated on the IS Vita regulatory balance sheet. I note that the solvency coverage ratio is higher in ISPL compared to IS Vita; however, it is important to note that both entities maintain solvency coverage in line with their risk appetite levels and well in excess of minimum capital levels. Regulatory capital in excess of those levels would generally be paid as a dividend back to the parent by ISPL. Therefore, I do not consider it reasonable to simply compare 299.0% with 198.8% in the analysis. I do not consider ISPL policyholders are materially impacted by this.

- Currently ISPL underwrites unit linked business and has some exposure to products with guarantees on death and no exposure to non-linked business and with-profits business. Post the transfer, they will become part of the IS Vita entity which has a more diverse balance sheet – with-profits business so a wider range of market risks in particular, but also investments in a number of life and non-life insurance entities. As a result of the Scheme, transferring policyholders will be exposed to a change in risk profile as ISPL policyholders will become more exposed to the risks associated with writing with-profits business – both the guarantees and the nature of the supporting assets. However, whilst additional exposure is introduced, IS Vita does have expertise in managing these risks. Furthermore, IS Vita is subject to the same governance and risk management frameworks under Solvency II as ISPL I am comfortable that this does not materially impact the financial security of the transferring policyholders. Furthermore, ISPL is indirectly exposed to these risks as they are a 100.0% subsidiary of IS Vita.
- I have considered the strength of the IS Vita balance sheet under stress and scenario testing which is also covered as part of the ORSA process. Management actions are in place to deal with a number of eventualities and there are management actions underway to deal with some of the specific risks such as adopting new strategies based on target returns, updated asset allocation and cash-flow matching. I consider the risk exposure to be understood and managed. I do not consider the risk exposures to materially disadvantage transferring policyholders.
- For IS Vita Group, the impact of the Scheme on the Group regulatory capital position is a decrease to 201.1% from 203.0%. ISPL will continue to be consolidated for the purposes of group solvency reporting post the Scheme; with the small change to the solvency coverage ratio reflecting technical adjustments arising from the IS Vita consolidation of ISPL post the Scheme.

Existing IS Vita Policyholders

For the existing IS Vita policyholders, I note the following impacts of the Scheme based on the analysis above, focusing on the 31 December 2022 figures:

- Both before and after the transfer, the existing IS Vita policyholders have a strong regulatory capital position, with risk appetite levels continuing to be met.
- As per the pro forma balance sheet outlined above, IS Vita's level of Own Funds are expected to increase from €7,851.6m to €8,036.8m as a result of the transfer but its SCR is expected to increase from €3,564.1m to €4,041.9m. Post the transfer, solvency coverage ratio is expected to decrease to 198.8% from 220.0%, a reduction of 21.2%.
- IS Vita already underwrites unit linked business in Italy. Furthermore, IS Vita has an exposure to ISPL via its 100.0% investment as it is a subsidiary. Therefore, no new risks are being introduced on IS Vita's balance sheet as a result of the Scheme and hence the existing IS Vita policyholders are not disadvantaged as a result of the Scheme.
- Based on its ORSA projections, IS Vita's solvency position is projected to continue to meet its SCR requirements and internal capital targets across a range of adverse scenarios.

Overall

Based on the above I do not believe that the implementation of the Scheme should have a material adverse effect on the financial security of the transferring insurance policyholders and the existing IS Vita policyholders. The level of Own Funds and solvency coverage in IS Vita post-transfer is well in excess of the regulatory minimum and is above the internal target levels set by ISPL and IS Vita.

7.2.3 Capital Targets

Both entities have defined a level of target capital in excess of the overall Solvency II SCR. The approach adopted is similar in both entities and IS Vita is not planning a revision in approach as a result of the Scheme. I would note that, as a percentage of the SCR, IS Vita's approach is to target a solvency coverage ratio level which is lower than that of ISPL. However, it is important not to focus on the ratio but I note that the value of IS Vita's Own Funds are significantly higher than ISPL's i.e. c€4.3bn in IS Vita and €1.0bn in ISPL. It is important to note that both entities maintain solvency coverage ratios in line with their risk appetite levels. Regulatory capital in excess of those levels would be dividend back to the parent by both entities. Therefore, I do not consider ISPL policyholders are materially impacted by the different capital target levels.

7.2.4 Business Plan and Projected Solvency

As noted above, I was provided with the most recent ISPL and IS Vita ORSA reports and supporting pro forma analysis. The base case and the stresses and scenarios included are in line with expectation. I note that the 2023 ORSA report is not yet available and will be reviewed as part of the Supplementary Report process.

In addition to showing the projected balance sheet, the documentation provided showed the ability of the balance sheet to absorb stresses from a variety of stress events. I note that the projected solvency coverage ratio is expected to continue to meet its SCR requirements and internal capital targets after the transfer. Considering the above, I have not identified any concerns with regard to IS Vita's projected solvency coverage after the transfer. This will continue to meet its internal targets and is in line with the risk appetite for IS Vita. I am comfortable that this does not materially impact the financial security of the existing policyholders.

7.2.5 Sensitivity Testing

As noted earlier, I have been provided with the most recent ORSA reports prepared by ISPL and IS Vita, which illustrate the sensitivity of the Companies to various risk issues. As a result of the Scheme, transferring policyholders will be exposed to a change in risk profile as ISPL policyholders will become more exposed to the risks associated with writing with-profits business – both the guarantees and the nature of the supporting assets. However, the Scheme does not have a material impact on IS Vita's risk profile or sensitivity to key risk drivers. As such, the transferring policyholders are not exposed to a particularly more volatile balance sheet as a result of the Scheme. I have not identified any material issues.

7.3 Other matters impacting on financial security

7.3.1 Risk Profile

Here I have considered any differences in the mix of business of the two Scheme Companies and any associated impacts for the relevant policyholder groups below.

IS Vita – Existing Policyholders

IS Vita already writes unit linked business in Italy. Therefore, no new risks are being introduced on IS Vita's balance sheet as a result of the Scheme and hence the existing IS Vita policyholders are not disadvantaged as a result of the Scheme.

ISPL – Transferring insurance policyholders

The key difference in business mix between both entities is Vita's significant exposure to with-profit and hybrid business. Currently ISPL underwrites unit linked business and has some exposure to products with guarantees on death and no exposure to non-linked business and with-profits business. Post the transfer, they will become part of the IS Vita entity which has a more diverse balance sheet – with-profits business so a wider range of market risks in particular, but also investments in a number of life and non-life insurance entities. As a result of the Scheme, transferring policyholders will be exposed to a change in risk profile as ISPL policyholders will become more exposed to the risks associated with writing with-profits business – both the guarantees and the nature of the supporting assets. However, whilst additional exposure is introduced, IS Vita does have expertise in managing these risks. I am comfortable that this does not materially impact the financial security of the transferring policyholders. Furthermore, ISPL is indirectly exposed to these risks as they are a 100.0% subsidiary of IS Vita.

Risk issues related to economies of scale, such as expense and capital management, are not likely to emerge in the short to medium term. This is because the IS Vita book of business is open to new business.

Overall, I do not believe that the insurance policyholders are disadvantaged as IS Vita has expertise in managing risks associated with writing with-profits book. Furthermore, IS Vita's strategy is to continue to write unit linked business and to manage risks of economies of scale, this forms a core part of its business plan going forward.

7.3.2 Compensation Schemes

There are no specific industry wide compensation schemes in place in Ireland with respect to life insurance policyholders. The position is similar in Italy, with no specific compensation scheme available. As such there is no compensation impact to any group of policyholders as a result of the Scheme.

7.4 Reinsurance Arrangements

There are no reinsurance arrangements in place in ISPL.

Use of reinsurance is marginal for IS Vita Life business, with a small portion of proportional and non-proportional insurance in place. Proportional surplus insurance is utilised for life term and permanent disability. While non proportional excess of loss insurance is used for catastrophe coverages. The treaty is reviewed annually. As the use of reinsurance is limited, this does not introduce material risk for transferring ISPL policyholders, who have no reinsurance in place in ISPL.

7.5 Miscellaneous aspects

7.5.1 Assessment of Assumptions

Within Section 2.1.4 above, a series of assumptions were set out which underlie the analysis and conclusions set out in this Report. As noted above, if any of these assumptions were to change, my opinion may also change.

Below, I have replicated and considered (in *italics*) each of the relevant assumptions set out in Section 2.1.4 and set out the potential impacts that they may have on my opinion of the Scheme:

- The Scheme will occur simultaneously with a cross-border Merger between ISPL and IS Vita, and ISPL will merge with IS Vita in accordance with the procedures provided in Ireland and Italy. As a result, IS Vita will acquire the entirety of the insurance business, with effect from the Effective Date

  This reflects the expected mechanics of the transaction between ISPL and IS Vita.

- There will be no payment for the transfer of the insurance book, given the nature of the Merger and Portfolio Transfer.

  This is not a material assumption, rather, it reflects the expected mechanics of the transaction between ISPL and IS Vita. Any alternative payment arrangement may impact the pro forma balance sheet, which I would then need to reconsider.

- There will be no changes required to the existing Terms and Conditions of all the products to make them compatible with local Italian regulations as it would otherwise undermine the policyholders' rights. The investment funds will provide the same investment mandates, performance benchmarks and costs in line with existing practices, as set out in in the policy terms and conditions and including ISPL's interpretation of policyholder reasonable expectations.

  As there will be no changes made to the Terms and Conditions which also includes the funds offered and options, I do not have any concerns. It is important that policyholders continue to have the full fund range choice as they currently have post transfer and that the processes are put in place in IS Vita to ensure it is done.

- All investment funds and the ability to continue to top up premiums into those funds currently offered by ISPL to the policyholders will be available to the transferring policyholders after the Scheme in IS Vita. This is important to note as some of these investment funds do not comply with eligibility criteria set down by IVASS.

  This is a specific area of focus for me given that some funds do not fully comply with the Italian Insurance Regulation, in particular with reference to investment limits and eligibility criteria applicable in Italy for non-harmonised Undertakings for the Collective Investment in Transferable Securities ("UCITS"). I note that there are no similar requirements for ISPL with the Central Bank. I *note that analysis was prepared and discussed with IVASS to explain this specific matter and this has been provided to me. The key point is that post the Scheme, these investment limits on the transferring business will continue to be breached as these funds and the ability to pay premium top ups will remain available to transferring ISPL policyholders. The Companies have noted that IVASS are aware of this specific matter. This means that policyholder choice in respect of funds and top ups will not change post-transfer even in respect of policyholders with exposure to funds where these eligibility criteria have been noted. This is a key assumption and Section 8.2 has further detail. Since IVASS are aware of this, I do not have any further concerns with respect to fund choice and premium top up flexibility for transferring policyholders. I will provide an update in my Supplementary Report on IVASS's approval of the Merger/ Portfolio Transfer, including any considerations relating to this matter.*

- I note that some of the outsourced service providers will be terminated post the Merger. ISPL have informed me that for the providers for which service continues to be required, these will be covered by IS Vita arrangement in relation to this same service. These will either be new contracts or amended to existing contracts between IS Vita and their outsourced providers.

  I note that for one outsourced service provider the exact transition approach is still under review, with further clarity on the way forward being available in October 2023. No issues have been identified so far and a status update on the transition will be provided in my Supplementary Report.

- There will be no changes to the existing administration arrangements. The current back-end system utilised by ISPL, Universo, will be upgraded with a more advanced version, consistent with the version utilised by IS Vita. A detailed plan is in place to ensure that all the documents, information and data related to outstanding claims will be successfully migrated to the new systems. There will be no changes to the Portfolio team managing claims, and additional support provided by external service providers will not change.

  A plan has been detailed to ensure a seamless upgrade in terms of administration services for the unit linked policyholders, with no impact to services provided to them before, during or after the Effective Date. There will be no changes to the Portfolio team and external service providers. There are no issues to note. I note that Phase Two of the process which will entail alignment of the Universo software while verifying and confirming the specifics of the ISPL processes will commence in 2024. An update on the migration status will be provided in my Supplementary Report. I view the Phase Two activity as outside of my scope and to be managed as part of normal IS Vita system updates.

- I have discussed with IS Vita the tax impacts on the Scheme based on an analysis IS Vita have performed, noting that I am not a tax expert. I note that as a result of the Scheme there will be no impact on the tax position of policyholders. There will be no change to tax paid on insurance premiums, tax paid on capital income and tax paid on death benefits.

  Given that policyholders will not incur any losses arising from tax treatment of the Scheme, I have no issues to raise in this regard.

- An area of focus relates to the Solvency II IS Vita on-site inspection performed in 2022, IVASS identified three risk areas of improvements in relation to interest rate risk limit, liquidity risk limit and the methodology used to calculate the loss absorbing capacity of deferred taxes. I have been advised that some of the issues were resolved during the inspection and a remediation action plan was sent to IVASS in December 2022, which is in progress.

  A report has been sent to IVASS in December 2022 addressing the risk management and governance requirements outlined by IVASS. I understand this report addresses IVASS's requirements. I assume that this will not materially impact the current and pro forma figures provided and that there will be no further regulatory focus areas expected over the coming months which may impact or delay the Merger/ Portfolio Transfer. An update will be provided in the Supplementary Report.

- Other areas of correspondence with IVASS relate to use of the internal model and user specific parameters. IS Vita is in the pre-application process for approval to use an internal model valuation process for Solvency II purposes. Both ISPL and IS Vita currently use the standard formula.

  There is ongoing engagement with IVASS to ensure alignment and no material issues have been noted.

7.6 Conclusion on the impact of the Scheme on the security of policies

7.6.1 Conclusion on the impact of the Scheme on the security of the transferring ISPL insurance policyholders

In this section I have considered the aspects of the Scheme that have the potential to affect the security of the transferring ISPL insurance policyholders. The key areas are:

- Regulatory regime requirements;
- Capital resources available;
- Risk profile;
- Capital profile; and
- Risk and capital mitigation plans.

Based on my consideration of these key elements, in my opinion the risk of the ISPL insurance policyholders' benefits being adversely affected in terms of financial security is remote. Therefore, in my view, the ISPL insurance policyholders will not be materially adversely affected by the proposed Scheme.

7.6.2 Conclusion on the impact of the Scheme on the security of IS Vita policyholders

In this section I have considered the aspects of the Scheme that I consider to have the potential to affect the security of IS Vita policyholders. The key areas are:

- Regulatory regime requirements;
- Capital resources available;
- Risk profile;
- Capital profile; and
- Risk and capital mitigation plans.

Based on my consideration of these key elements, in my opinion the risk of IS Vita policyholders' benefits being adversely affected in terms of financial security is remote. Therefore, in my view, IS Vita policyholders will not be materially adversely affected by the proposed Scheme.

8 Assessment of the Scheme on the fair treatment of policyholders

8.1 Introduction

The fair treatment of policyholders through the interpretation and application of PRE is an important part of the current regulatory regime for ISPL in Ireland. In Ireland the PRE concept relates to how insurance companies deal with their policyholders across a wide range of areas. The HoAF of ISPL has a responsibility to consider PRE and advise the Board on the matter, particularly as it pertains to the calculation of technical provisions. Further detail is provided in Appendix 4.

The HoAF in ISPL has documented her interpretation of PRE for the insurance policies, a copy of her more general considerations is set out in Section 4.

There is no such specific regime in Italy; however, IS Vita's HoAF has reviewed ISPL's assessment made in relation to PRE. In particular, that policyholders will retain the same investment funds and guarantees as set out in their current terms and conditions. Additionally, this agreement will also extend to allow the policyholders to top up their policies into the future in line with their current conditions. IS Vita's HoAF is in agreement with these considerations and no issues have been noted.

Section 8.2 cover the areas which, in my opinion, need to be specifically addressed in relation to the Scheme. In particular, I have considered the following:

- Service standards: Policyholders have a reasonable expectation that the services they receive will be provided in a professional manner, that claims, and enquiries will be dealt with promptly.
- Security of benefits: Policyholders have a reasonable expectation that their benefits are secure and will be paid as they fall due. I have considered financial strength and ongoing compliance with the Solvency II regulatory requirements in Section 7 above.
- Fund range: Policyholders have a reasonable expectation that the available fund range will be maintained.
- Entitlement to benefits: Policyholders have a reasonable expectation that valid claims will be paid in accordance with policy terms and conditions, and that maturity, surrender and withdrawal claims will be paid when requested.
- Terms and Conditions: Policyholders have a reasonable expectation that contracts remain unchanged.
- Charges: Policyholders have a reasonable expectation that charges levied remain in line with policy terms and conditions and that approaches do not change.
- Costs of the Scheme: Policyholders have a reasonable expectation that any costs of the Scheme are not passed to them.
- Discretion: Policyholders have a reasonable expectation that the application of discretion will remain unchanged.
- Complaints and redress: Policyholders have a reasonable expectation that the approach to complaints and redress will not be affected as a result of the Scheme.
- Policyholder communications: Policyholders impacted by the Scheme would have an expectation that they would be communicated with (including technical information on the Scheme along with a summary of the Independent Actuary Report) and if they had issues, to have the option to raise them.

My overarching assessment is to focus on changes to any of the broad requirements brought about by the Scheme.

8.2 Specific considerations

8.2.1 Security of Benefits

This is considered in Section 7.

8.2.2 Fund Range

All the unit linked funds currently offered by ISPL to the insurance policyholders will be available to the transferring policyholders after the Scheme. That is after the Effective Date, all the investment funds will have the same investment mandates, performance benchmarks and costs in line with the policyholder reasonable expectations and policy terms and conditions. I note that there is an immaterial issue in relation to the asset allocation for ISPL's unit-linked policies and compliance with the investment limits applicable in Italy, as stipulated in Circular 474: "Regulation of insurance products linked to internal funds or collective investment undertakings". Based on IS Vita's analysis, there will be some divergence between their current allocation and the IVASS specified limits on non-harmonised UCITS. This is observed in particular for high yield investments and for Crescita Guidata and Crescita Stabile funds. IVASS has been informed of these divergencies.

Based on my current understanding, the implementation of the Scheme will not have an adverse effect on the fair treatment of policyholders in this regard. I will provide an update in my Supplementary Report on IVASS's approval of the Merger/ Portfolio Transfer, including any considerations relating to this matter.

8.2.3 Entitlement to Benefits

Existing practices in respect of surrender, maturity, transfer or death will remain in place post-transfer. Claims which are settled as part of the normal course of business will be dealt with in the same way post-transfer.

Therefore, in my opinion, the implementation of the Scheme will not have an adverse effect on the fair treatment of policyholders in this regard.

8.2.4 Policy Terms and Conditions

I note that the policy terms and conditions are not anticipated to change as part of the Scheme.

There are no issues to note.

8.2.5 Charges

Charges will remain unchanged as a consequence of the Scheme for all policyholders.

Overall, I have no issues to note.

8.2.6 Costs of the Scheme

All costs associated with the Merger/ Portfolio Transfer will be borne by IS Vita and ISPL. No costs will be borne by policyholders.

Therefore, in my opinion the implementation of the Scheme will not have an adverse effect on the fair treatment of policyholders in this regard. I have no specific issues to note.

8.2.7 Discretion

Areas where ISPL management can apply discretion with respect to the management of the insurance policies are limited.

- Charges levied and benefits provided are set out in the policyholder terms and conditions;
- The products are unit-linked with defined charges per the policy document - ISPL has discretion over the fund management charges, though it has not enacted this previously.

IS Vita has considered all areas of management discretion and have confirmed they aim to endeavour to maintain the existing structures and approaches. As such there are no issues emerging that I am aware of that can adversely impact upon policyholders.

Overall, I have no issues to note.

8.2.8 Complaints and redress

I note that the complaints handling procedures adopted by both entities at present are well aligned. As a result of the Scheme there will be no changes to the complaints process. Where the policyholder is not satisfied, they have the option to refer the complaint directly to the insurance company or directly to IVASS or COVIP.

As there will be no change in the complaints handling approach as a result of the Scheme for policyholders, I have no issues to note.

8.2.9 Policyholder Communications

In terms of policyholder communications, Section 13 of the 1909 Act requires that, unless the Court otherwise directs (and I understand IS Vita will seek for its policyholders the High Court's dispensation from this requirement), certain materials must be transmitted to each policyholder of each Company. I note that:

ISPL policyholders: Pre-transfer

- The transferring ISPL policyholders will each be sent a circular (comprising of a letter from ISPL's CEO, a summary of the terms of the Scheme, a summary version of this Report ("Summary Report"), a copy of the published legal notice and a frequently asked questions document in relation to the Merger/ Portfolio Transfer). A draft of the circular has been provided to me which I have reviewed and I have no comments.
- My Summary Report covers all the material points and issues raised in this full Report. The communication to transferring policyholders will include my conclusion as Independent Actuary within the Summary Report. It will also highlight very clearly the availability of my full Report on request and its availability on the ISPL and IS Vita website.
- A notice will be published in the Irish official Gazette, Iris Oifigiúil, two daily national newspapers in Ireland, the Irish Examiner and the Irish Independent, in relation to the Merger/ Portfolio Transfer. I note that a notice in relation to the Merger was published in the CRO Gazette on 3 May 2023 and in the two national daily papers on 10 May 2023.
- In terms of these advertising requirements, majority of policyholders are based in Italy, with a small number in other EEA Member States. For the Maltese policyholders, I have been advised that in circumstances where the Central Bank consults with the Malta Financial Services Authority (the "MFSA"), they may direct publication of a notice of the Merger/ Portfolio Transfer in two local daily Maltese newspapers or notify policyholders individually - in accordance with Irish law requirements. However, in circumstances where no policies were in fact concluded in Malta, there is no expectation that the Central Bank will consult with the MFSA about the Merger/ Portfolio Transfer. For the other EEA Member States advertising requirements, I have been informed that there is no obligation for ISPL or IS Vita to publish a notice of the transfer, pre-transfer, in these Member States.

ISPL policyholders: Post-transfer

- Following approval of the Merger/ Portfolio Transfer, ISPL is required to individually notify policyholders resident in Hungary and Spain and advise them of certain termination rights in compliance with local law requirements (this letter will be in addition to the pre-transfer notice that will be issued to all transferring policyholders).
- In order to comply with Italian law requirements, IS Vita will write to all transferring policyholders following the publication by IVASS of a notice about the authorisation of the Merger/ Portfolio Transfer on its Supervisory Bulletin. The purpose of this communication will be to inform the transferring policyholders about the Merger/ Portfolio Transfer and their right to terminate their contracts. The Italian Insurance Code provides that transferring policyholders have the right to

cancel their contracts within 60 days after the approval of the Merger/ Portfolio Transfer has been published on the IVASS Supervisory Bulletin.

- I have been advised that there are no post transfer notification requirements for Ireland. For other EEA Member States, IS Vita is required to publish information about the Merger/ Portfolio Transfer in nationwide newspapers and/or on its website, particularly for policyholders residing in Finland, Slovenia and Czechia.
- I have been advised that there are no post transfer advertising requirements for Ireland. For other EEA Member States, IS Vita is required to publish information about the Merger/ Portfolio Transfer in nationwide newspapers and/or on its website, particularly for policyholders residing in Belgium, Austria, Slovenia and Czechia.

IS Vita policyholders

- There is no intention to communicate individually with any policyholders of IS Vita residing in Italy pre-transfer. However, the relevant information will be available on the IS Vita website. The reasons set out by IS Vita management are that the Scheme does not materially impact on IS Vita policyholders and their overall financial position pre- and post- the Scheme remains strong and in excess of internal and external regulatory capital limits. I have assessed the financial impact on the existing IS Vita policyholders and note the impacts, as described in Section 2.1.5 above.

Overall, I am comfortable with this communication approach and am comfortable that the existing IS Vita policyholders will not be disadvantaged in any way by not being issued with a copy of either this Report or my Summary Report.

8.3 Conclusion on the impact of the Scheme on the fair treatment of policyholders

8.3.1 Conclusion on the impact of the Scheme on the fair treatment of the transferring ISPL insurance policyholders

Given the considerations set out above, in my opinion the implementation of the Scheme will not have a material adverse effect on the fair treatment of transferring ISPL insurance policyholders.

8.3.2 Conclusion on the impact of the Scheme on the fair treatment of existing IS Vita policyholders

Given the considerations set out above, in my opinion the implementation of the Scheme will not have a material adverse effect on the fair treatment of existing IS Vita policyholders.

Appendix 1: Information received

The table below sets out a summary of the information provided to me to facilitate preparation of this Report. I would note that, in addition to the list below:

- I had regular calls with management to discuss queries and issues arising;
- That supporting emails and documents were also provided to supplement the key items outlined below; and
- I also held workshops with ISPL and IS Vita to understand background to the companies and the Scheme, the financials and risk management process.

Information	
Subject	**Document**
Administration system	Universo administration migration plan
Background to the Scheme	Various documents outlining timetable and project milestones Board of Directors Resolution
Communication plan	ISPL Communications plan, including the circular
Group structure	Organisational charts for ISPL, IS Vita and IS Group
Business plan	Various documents and workshops outlining IS Vita's business plan
Regulatory supervisory reports	2020, 2021 and 2022 RSRs for ISPL and IS Vita
Solvency and Financial Condition Reports	2019, 2020 and 2021 SFCR for ISPL 2019, 2020 and 2021 SFCR for IS Vita
Actuarial Function Reports	2020, 2021 and 2022 Actuarial Function Reports for ISPL 2022 Actuarial Function Reports for IS Vita
ORSA	2021 and 2022 ORSA for ISPL 2021 ORSA for IS Vita
Risk Appetite and Governance	Various documents describing ISPL's Risk Appetite and risk dashboard ISPL's Risk appetite statement ISPL's Risk management framework ISPL's Risk Committee packs IS Vita: Addressed through a workshop with ISPL and IS Vita in attendance
Reinsurance	Addressed through a workshop with ISPL and IS Vita in attendance
Strategic asset allocation	Addressed through a workshop with ISPL and IS Vita in attendance
Financial information	Addressed through a workshop with ISPL and IS Vita in attendance
IS Vita assumptions	Various documents discussing operating assumptions including volatility adjustment
Pro forma balance sheet	Proforma analysis and balance sheet
Product documentation	ISPL product specification and design documentation IS Vita: Addressed through a workshop with ISPL and IS Vita in attendance
Fund overview	ISPL product specification and design documentation IS Vita: Addressed through a workshop with ISPL and IS Vita in attendance
With-profit funds	Addressed through a workshop with ISPL and IS Vita in attendance
Communication with regulator	Documentation outlining discussion with IVASS Documentation outlining discussions with the Central Bank
Conduct Framework	Various documents describing an overview of the conduct framework in place in ISPL and IS Vita
Complaints	ISPL's dashboard of trends in current customer complaints IS Vita: Addressed through a workshop with ISPL and IS Vita in attendance
Tax	Addressed through a workshop with ISPL and IS Vita in attendance

Appendix 2: Scope from Engagement Letter

The role of Independent Actuary will be to consider and to report to the Court on the proposed transfer of business, primarily from the perspectives of the transferring policyholders of ISPL and the existing policyholders of IS Vita, and to opine as to whether the interests of any of those groups of policyholders could be in any way (either directly or indirectly) materially adversely affected by the proposed transfer.

In order to form my opinion, we will expect the tasks that will be carried out will include the following:

- review of the internal actuarial and risk assessments of the proposed transfer;
- review of existing company documentation (in particular, documentation sent to policyholders to ground existing expectations);
- review of the Scheme documentation and, if necessary, suggest amended drafting in order to eliminate any concerns;
- review the proposed transfer considering the effect on policyholders covering their contractual rights, benefit security, and benefit expectations;
- in particular review the approach to PRE and the proposals post-Merger;
- review the application of discretion including claims settlement, dispute resolution, application of charges etc.;
- review the status and proposed resolution around policyholder complaint/ data issues;
- review any changes to reassurance arrangements in connection with the transfer;
- review existing/ proposed fund arrangements/structures proposed;
- review pro forma comparative solvency levels on a Solvency II basis before and after the proposed transfers (other financial measures can be considered and agreed) at a point in time, business planning horizon and sensitivities;
- review of the effects of the transfer on the risks within the companies and the resources of those companies to meet those risks;
- liaise and raise issues and questions as necessary with the appropriate persons at ISPL and IS Vita; and
- liaise and raise issues and questions as necessary with your advisers, including legal and tax advisers.

Appendix 3: Independent Actuary CV

- Brian Morrissey is a qualified actuary with over 25 years’ experience.
- He currently heads up KPMG’s actuarial practice in Ireland focusing on life and non-life insurance and reinsurance markets, both domestically and internationally.
- He has previously worked with KPMG in the UK and a regional role for KPMG out of Hong Kong (18 months 2001/02). During his time overseas, he gained significant exposure to the international insurance markets and the range of products sold in these markets.
- He has carried out some significant assignments in the Irish market including acting as Finance Director to an international life company for a period of 5 months, as Head of Actuarial to a life entity with local/ international operations as part of a transition to a new owner for a 4-month period.
- He has acted as Independent/Expert Actuary on a number of expert opinions required by life insurance and reinsurance companies including significant portfolio transfers in the Irish and Isle of Man markets. He has acted as actuarial peer reviewer on a range of technical matters.
- He holds a number of statutory roles including Appointed Actuary to a life insurance company; Actuarial Function Holder under Solvency II to six life insurance/ reinsurance companies regulated in Ireland and Independent Actuary to six Bermudan regulated life reinsurance companies.
- He is involved with KPMG International’s initiatives in relation to IFRS 17 and Solvency II.
- He has previously sat on Council of Society of Actuaries in Ireland and is a member of various sub committees of the Society and is the Society's representative on the Insurance Accounting subcommittee of the International Actuarial Association.

Appendix 4: PRE

Overview of PRE regime in Ireland:

- The interpretation of PRE was originally considered to be an issue for companies writing "with-profits" investment policies of the type traditionally offered in the UK and Ireland. These contracts give the life insurance company significant discretion in relation to their operation particularly as regards to the amounts distributed to policyholders by way of bonuses and the timing of such distributions. The concept has, however, been extended to encompass the operation of unit linked business and to a lesser extent non-profit non linked business.

- Although the phrase "PRE" came into use in the 1970's it does not appear in the Irish insurance legislation. PRE in Ireland has evolved over time and has been affected by, and in some instances overtaken by, legal, regulatory, consumer and industry developments such as the Consumer Protection Code, the Unfair Contract Terms legislation and the Personal Retirement Savings Account ("PRSA") regulations of the Pensions Board (which is distinct from the Central Bank). It was mentioned in guidance notes produced in 2000 by the Department of Enterprise, Trade and Employment (a predecessor of the Central Bank) in relation to the European Communities (Life Assurance) Framework Regulations 1994. Under the new Solvency II regime there is a statutory requirement for the HoAF to consider PRE as set out in the Central Bank guidance note entitled 'Domestic Actuarial Regime and Related Governance Requirements under Solvency II'. While there are no prescribed regulations, the Central Bank does consider PRE as part of its individual company engagements.

- The SAI adopted the Institute of Actuaries guidance notes until 1995 and these referred in places to PRE. In 1995 the SAI issued professional standards that referred to PRE and were mandatory for Irish Appointed Actuaries under the Solvency I regime. These standards have been updated several times and in 2006 an additional standard was issued to provide more guidance specifically to PRE. In early 2020, the SAI cancelled this standard and is in the process of developing a new one, recognising the changed role of actuaries under Solvency II.

- As mentioned above under the new Solvency II regime there is a statutory requirement for the HoAF to consider PRE as set out in the Central Bank guidance note entitled 'Domestic Actuarial Regime and Related Governance Requirements under Solvency II'. Ultimately the Board is responsible for running the company and meeting PRE.

- Where not overtaken by legal aspects, PRE in Ireland remains a largely judgemental area because the actuarial standards are principle based. In applying these principles Irish HoAFs would usually take good practice into account such as that applied in the UK (such as the ABI's "A guide of good practice for unit linked funds", actuarial papers and regulatory requirements).

- It is worth noting that the standard previously set out by the SAI, ASP LA-4, applied only to Irish HoAFs and therefore would not have applied to business sold into Ireland on a freedom of establishment basis.

Appendix 5: Solvency II

The European Solvency II Directive is a fundamental review of the capital adequacy and solvency supervision regime for the European insurance industry. As Solvency II is an EU initiative it applies in Ireland (and across Europe) in a harmonised way. Solvency II was implemented on 1 January 2016.

The Central Bank of Ireland, under the Domestic Actuarial Regime, has established the role of Head of Actuarial Function. For the purposes of this Report, the respective HoAFs of ISPL and IS Vita have prepared the Solvency II figures.

The Solvency II framework is made up of three Pillars.

Pillar 1 focuses on the quantitative aspects of the regime and sets out the the financial resources that a company needs to hold in order to be considered solvent. In particular, it contains guidance on the valuation of assets and liabilities and sets out how the capital requirements of the regime are determined.

The liabilities determined under Solvency II are referred to as Technical Provisions and in general consist of two components, a best estimate liability and a risk margin. The best estimate liability is a probability-weighted average of future cashflows, discounted using a prescribed risk-free term structure of interest rates. The risk margin is an additional layer on top of the best estimate, determined using a cost of capital approach, and is intended to reflect the margin that would be required by a third party to take over the obligations of the insurer.

Eligible capital under Solvency II is referred to as Own Funds and is broadly split into two types, Basic Own Funds and Ancilliary Own Funds. Basic Own Funds comprise of the surplus of assets over liabilities and any subordinated liabilities, whilst Ancilliary Own Funds comprise of other loss-absorbing items, including unpaid share capital and letters of credit. Own funds are also separated into three tiers based on overall quality, with tier 1 being the highest quality and tier three the lowest. There are no limits applied to the tier 1 own funds, but the regime does specify quantitative limits with regard to how much of the capital used to cover the regulatory requirements can comprise of tier 2 and tier 3 own funds.

The capital requirements under Solvency II comprise of the Minimum Capital Requirement, or MCR, and the Solvency Capital Requirement, or SCR.

The SCR represents the capital required to meet quantifiable risks on the existing portfolio and is assessed by applying a series of instantaneous shocks to the balance sheet. The SCR is calibrated to a 99.5% value-at-risk and can be assessed using a standard formula published by the regulatory authorities, or through an internal model approach (with regulatory approval required to use this approach). The risks considered in the standard formula approach include market risks (such as interest rates, interest rate spreads, asset valuations and currency risks), life underwriting risks (such as lapse, expense, mortality and longevity risks), non-life underwriting risks (such as catastrophe risk and premium risk), credit risk and operational risk. Regulatory engagement is required if the level of available capital falls below the SCR.

The MCR represents the absolute minimum level of capital that must be held, determined using a linear function which considers, amongst other factors, the SCR, capital at risk, the technical provisions, written premiums and administrative expenses. For life insurance companies, the MCR has an absolute floor of €4.0m.

Pillar 2 focuses qualitatively on the governance and risk management systems in place and the supervision of these systems and controls. In particular, this includes a review of the SCR and the firm's Own Risk and Solvency Assessment ("ORSA"). The ORSA is an assessment of the firm's capital needs taking into account the specific risk profile and strategy of the firm. It analyses areas in which the SCR does not fully reflect this risk profile.

Pillar 3 involves disclosure of a firm's financial condition in order to improve transparency to outsiders and considers how information is disclosed to both regulators and the general public.

Appendix 6: Glossary

Glossary	
Term	**Definition**
ASP	Actuarial Standard of Practice
ASP INS-2	Transfer of an Insurance Portfolio – Role of the Independent Actuary
BEL	Best Estimate Liability
Central Bank	Central Bank of Ireland
CCO	Chief Compliance Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
COO	Chief Operating Officer
COVIP	Commissione di Vigilanza sui Fondi Pensione
CRO	Chief Risk Officer
ECM	Economic Capital Model
EIOPA	European Insurance and Occupational Pensions Authority
ERM	Enterprise Risk Management
EU	European Union
FSPO	Financial Services and Pensions Ombudsman
FTE	Full Time Equivalents
HoAF	Head of Actuarial Function
IFRS	International Financial Reporting Standards
ISP	Intesa Sanpaolo S.p.A.
ISPL	Intesa Sanpaolo Life DAC
IS Vita	Intesa Sanpaolo Vita S.p.A.
IVASS	Institute for the Supervision of Insurance
MCR	Minimal Capital Requirement
ORSA	Own Risk and Solvency Assessment
PCF	Pre-Approval Controlled Function
PRE	Policyholders' Reasonable Expectations
QRT	Quantitative Reporting Template
RSR	Regular Supervisory Report
SAI	Society of Actuaries in Ireland
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
YE	Year Ending