



Supplementary Report of the Independent Actuary

**Proposed transfer of business from
Euroben Life & Pension DAC**

to

SPP Pension & Försäkring AB

Prepared by: Olive Gaughan, FSAI

29th September 2021

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1. Introduction

1.1 Purpose

I, Olive Gaughan, have previously prepared a report (the “Independent Actuary Report”, my “Report”) dated 21st May 2021 on the proposed portfolio transfer of insurance business from Euroben Life & Pension Designated Activity Company (“Euroben”) to its parent SPP Pension & Försäkring AB (“SPP”) (together referred to as the “Scheme Companies”). In that report I set out my opinion as Independent Actuary (“IA”) on the likely effects of the portfolio transfer on the policyholders of the Scheme Companies.

In my Report I summarised the terms of the proposed transaction and its likely impact on the affected policyholders. I concluded that, in my opinion, the Scheme should not generate any material adverse impacts (direct or indirect) to the benefit security and/or the reasonable expectations of the affected policyholders, nor to or the customer service provided to them.

The purpose of this report, (my “Supplementary Report”) is to consider any developments since the issue of my Report that might affect my opinion. This Supplementary Report should be read in conjunction with my Report.

I understand that a copy of this Supplementary Report will be made available to the Court and will also be made available on the Euroben and SPP websites.

1.2 Reliances and limitations

In carrying out my review and producing this Supplementary Report, I have relied, without detailed verification, upon the accuracy and completeness of the data and information provided to me, in both written and oral form, by Euroben and SPP in connection with the Transaction. Reliance has been placed upon, but not limited to, the information detailed in Appendix 1.

My Supplementary Report is issued subject to the same limitations as my Report and may be provided to the same parties as my Report.

1.3 Regulatory & Professional Guidance

In carrying out my duties as Independent Actuary, and in providing this Report, I have complied with professional guidance issued by the SAI, namely Actuarial Standard of Practice relating to Life Assurance number 6 (ASP LA-6) which is specifically concerned with such transfers, and ASP PA-2 (General Actuarial Practice). I note that a new version of the ASP LA-6 recently became effective. The changes introduced in this version were to reflect regulatory updates and do not change the substance of the requirement and therefore I am satisfied that my Report and this Supplementary Report remain compliant with ASP LA-6.

I have also complied with and APS X2 (Review of Actuarial Work) of the Institute and Faculty of Actuaries.

2. Approach & Areas of Consideration

2.1 Approach

I have sought and received additional information from Euroben and SPP in order to consider if there have been any developments that would cause me to alter my opinion as expressed in my Report. The areas of consideration are as follows:

- I. The Directions Hearing and any subsequent order of the Court;
- II. Whether any material changes have been made to the proposed transaction or communications approach;
- III. Any policyholder or regulatory objections that have arisen in relation to the proposed transaction;
- IV. Any other material changes to the Companies' business; and
- V. The latest solvency position of the entities involved and whether the impacts of the transfer on the solvency position are consistent with those outlined in the original Report.

I then assessed whether these developments have any material impact on my opinion as expressed previously in my Report.

2.2 The Directions Hearing

The Directions hearing took place on 14th June 2021.

The Judge admitted the merger and portfolio transfer applications to the Commercial Court, agreed to grant the pre-merger certificate required, agreed to the plans for policyholder communications, and set a date of 14th October (at 10:30 am) for the final hearing.

I note that the Court had no further directions for me in my capacity as the Independent Actuary to the scheme.

2.3 Changes to the proposed transactions or communications plan

I note that there are no changes to the proposed transaction, as submitted to the court on 3rd June 2021. I also note that no changes have been made to the communications plan, and that this plan has been fully executed.

2.4 Details of any policyholder objections

I have been informed by management that no objections or complaints have been received from policyholders to date. I am satisfied that this is not due to lack of awareness of the transaction by transferring policyholders. The absence of policyholder objections is consistent with my understanding that the Euroben policyholders (who are corporate entities) appreciate that Euroben's operations are already deeply integrated with SPP's operations and therefore have no expectation that the transaction will impact the service they receive.

2.5 Details of any regulatory objections

I note that the required communications with the Irish regulator (the Central Bank of Ireland (CBI)) or the Swedish regulator (the Swedish Financial Supervisory Authority (FSA)) have taken place and there are no objections to the transaction from either the CBI or the Swedish FSA.

- The CBI's only area of concern related to ensuring that the revocation of the insurance licence for Euroben would be completed in line with the SII regulations. As at the date of this report, correspondence indicates that this is in hand. The CBI received my Report.
- I understand that interactions with the Swedish FSA centred around the balance sheet and capital position of SPP pre and post-merger, SPP's authority to take over the Euroben insurances and products, and whether the requirements of the Swedish Companies Act have been fulfilled. They requested and received my Report. I have reviewed the pre-merger certificate from the Swedish Companies Registration Office, which confirms this that, on 30th August 2021 the Swedish FSA gave SPP permission to enforce the terms of the merger. It also confirms that the Swedish CRO certifies that all legal actions and formalities in connection with the merger have been observed as far as SPP is concerned.

2.6 Material changes to the Companies' business & circumstances

I have been provided with confirmation that there have been no material changes in either entity's circumstances since my Report. Management have confirmed that there have been no material or operational changes, that there are no emerging litigations or regulatory interventions, and no changes in strategy, risk profile or product range.

I explicitly sought and received confirmation that there have been no changes in any of the following aspects for of SPP as the receiving entity: risk profile, risk management framework, risk appetite statement, capital management policy or liquidity policy. SPP is selling new business on an ongoing basis which is reflected in the changes in the SPP balance sheet over the year to date. I received details of the SPP balance sheet and also of the number of SPP policyholders at end June 2021 and note that this has moved in line with expectations.

As Euroben is in run-off, it has not written any new business. Euroben has provided me with an updated summary of the Transferring Policies as at 30th June 2021. The information shows that the number and size of the policies in question has moved broadly in line with expectations, considering that the block is in runoff.

Euroben: Number of Individual Insured Lives in the 2 main products	Number as at Q221	Number as at Q420
Occupational Pension Plan (by member category)		
Active members	27	30
Retired members claiming pension	844	829
Members with paid up benefits	400	420
Spouses/Children family pension	217	220
Members on long term disability	0	0
Total members of Occupational Pension Plan	1,488	1,499
EuroPlan		
Total distinct beneficiaries of EuroPlan policies	1,107	1,236

COVID-19

The COVID-19 pandemic continues to affect the countries involved in this transaction. This was considered in my Report earlier this year. I note that since I issued that Report there have been no material deteriorations in the pandemic situation that might impact the Scheme Entities either in terms of service arrangements or financial position.

2.7 Details of the updated solvency position

The most recently available position is as at 30th June 2021. The updated position of both entities is as per the table below, along with the expected solvency impact of the combined entity post-transaction:

Solvency as at HY2021 MSEK	Pre-Transaction		Post-Transaction	
	Euroben	SPP	SPP	Change
SCR	123	10,561	10,692	41
Own Funds	354	15,510	15,549	39
Solvency Ratio	287%	146%	145%	(0%)
Surplus assets in excess of SCR	231	4,859	4,857	(2)

My Report included the 31st December 2020 solvency coverage ratios of Euroben and SPP and the expected combined position at that time, as follows:

Solvency as at YE2020 MSEK	Pre-Transaction		Post-Transaction	
	Euroben	SPP (post dividend)	SPP	Change
SCR	132	9,376	9,424	48
Own Funds	346	14,596	14,643	47
Solvency Ratio	262%	156%	155%	0%
Surplus assets in excess of SCR	214	5,220	5,219	(1)

There has not been a substantial change in the solvency position of either entity and the solvency impact on SPP of combining of the two entities remains minimal.

Euroben's solvency ratio improved from 262% to 287%, which is consistent with positive market performance over the period and the continued run-off of the book.

SPP's solvency ratio has reduced from 156% to 146% due to a combination of factors associated primarily with market performance and the increase in the Symmetric Adjustment (a measure within the Solvency II regime to deal with procyclicality). There were also small impacts associated with model changes and with legislative changes related to fees on business transferring out of SPP in the future.

While the solvency ratio decreased, stress tests by management show that the robustness has improved (i.e. the adverse impacts of the stress tests on the solvency position are reduced) as the loss absorbing capacity of Technical Provisions has increased in line with the positive market performance year to date of the associated insurance capital.

The post-transaction solvency position is very closely aligned with the SPP position due to the relative sizes of the two entities. From the perspective of Euroben policyholders the surplus assets in excess of the SCR continue to represent a very significant increase over the level of surplus available in Euroben.

We have reviewed updated projections for the expected future solvency position of the entity post-transaction up to year end 2030. The solvency outlook is positive, with the projected solvency ratio trending upwards over the projection time horizon and dividend distributions aligned with ensuring the solvency position remains sufficiently strong, in accordance with SPP's capital management policy (which is unchanged since my Report).

3. Conclusion

Having considered the updated information as described above, my opinion remains unchanged from that set out in my Report; namely that, in my opinion:

The proposed Scheme, in the context of the Transaction as described in the Independent Actuary Report (dated 21st May 2021), should not generate any material adverse impacts (direct or indirect) to the affected policyholders, namely the Policyholders and associated insured lives and beneficiaries of Euroben and SPP.

More specifically, in my opinion, the Scheme should not generate any material adverse impacts (direct or indirect) to:

- 1) the **benefit security** of the affected policyholders;
- 2) the **policyholder reasonable expectations** (“PRE”) of the affected policyholders;
- 3) the **customer service** provided to the affected policyholders.

As stated in my Report, my opinion is based on the absolute necessity for the Scheme and Merger to take effect simultaneously as inseparable parts of the overall Transaction.

Signed: 

Name: Olive Gaughan

Date: 29/09/2021

4. APPENDIX 1: Data & Information

The table below lists the key documents provided to me as part of this update phase. I can confirm that no information requested was withheld from me. In the table below any references to specific clients have been substituted with a general reference to "CLIENT".

Name	Description
Euroben "As Is"	
Euroben Risk Report Euroben Quarter 2 2021	Risk management report
Risk Management Report EB Q2 Final	Risk, solvency & investment report
Risk Management Report EB 2021-08-19	Risk, solvency & investment report
Quarterly Report CLIENT Plan Q2 2021	Report with latest results of Occupational Pension Plan
Euroben Q2 2021	Quarterly Technical Provisions memo from the Euroben HoAF
Updated information on policyholder / beneficiary numbers	Per name
SPP "As Is"	
Information on technical provisions and solvency position at Q2 2021	Per name
Updated projections for the combined entity	Per name
Scheme	
Copies of Irish newspaper notices	Per name
Merger certificate	Certificate issued by Swedish Companies Registration Office granting permission for the merger to take place
Change-Pro Redline - Scheme of Transfer and Filed version of Scheme (Annexed to Petition) - 3 June 2021	Redline document showing the minor changes made to the Scheme
2021-07-28 Euroben Life & Pensions Minded to Revoke Letter Final	Communication from the CBI
Letter to CBI re revoking Euroben authorisation 12 August 2021	Communication to the CBI
Order - Petition - 14 June 2021	Legal papers from First Hearing
Order - Pre Merger - 14 June 2021	Legal papers from First Hearing
Pre-Merger Certificate - Euroben - 14 June 2021	Legal papers from First Hearing

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