The Report of the Independent Actuary

Report of the Independent Actuary on the proposed Scheme to transfer certain insurance business of MetLife Europe Insurance dac to Nationale-Nederlanden Towarzystwo Ubezpieczen S.A.

Prepared by:
Andrew Kay, FSAI

7 Grand Canal
Grand Canal Street Lower
Dublin 2
Ireland

milliman.ie

12 January 2023

TABLE OF CONTENTS

1 INTRODUCTION

Background

1.1 It was announced on 5 July 2021 that the NN Group was to acquire MetLife Group's Polish life insurance business - MetLife TUnŻiR S.A.[1] and its subsidiaries. This acquisition, via share purchase, was completed on 22 April 2022, following the approval obtained from the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego, "**PFSA**" or "**KNF**").

1.2 One of MetLife Group's Irish subsidiaries, MetLife Europe Insurance dac ("**MetLife Insurance**"), also writes some non-life insurance business in Poland on the basis of freedom of services and, as part of its exit from the Polish market, MetLife Group has agreed to transfer some of this remaining Polish business ("**the portfolio**") to NN Group's Polish subsidiary, Nationale-Nederlanden Towarzystwo Ubezpieczen S.A. ("**NN Poland**").

1.3 MetLife Insurance and NN Poland entered into a legal agreement on 21 April 2022 (the "**Framework Agreement**") setting out the agreed arrangements that would be entered into in order to affect the transfer of the portfolio from MetLife Insurance to NN Poland.

1.4 In order to complete the acquisition, a Court-approved portfolio transfer is required: the policies in question ("**the Transferring Policies**") will be transferred to NN Poland via a scheme of transfer ("**the proposed Scheme**") approved by the High Court of Ireland ("**the Court**").

1.5 The proposed transfer will be pursuant to Irish law, in particular:

- Section 13 of the Assurance Companies Act 1909 (as amended) (the "**1909 Act**");
- Section 36 of the Insurance Act 1989 (as amended) (the "**1989 Act**"); and
- Article 41 of the European Union (Insurance and Reinsurance) Regulations 2015 (SI No 485 of 2015) (as amended) (the "**Solvency II Regulations**").

1.6 In accordance with Irish law, the High Court of Ireland (the "**Irish Court**") will be petitioned to approve the Scheme. Prior to the Irish Court being petitioned, the proposals will be notified to:

- the Central Bank of Ireland (the "**CBI**") as the prudential regulator of MetLife Insurance; and
- the Polish Financial Supervision Authority as the prudential regulator of NN Poland.

1.7 The local reporting currency for NN Poland is Polish zloty ("**PLN**"). I have presented all figures in this report in Euro using an exchange rate of 1 PLN = 0.21818 EUR.

The role of the Independent Actuary

1.8 Under Section 13 of the Act, any scheme which provides for the whole or part of the assurance business carried on by an insurance company to be transferred to another body, requires the prior sanction of the Court.

1.9 The Court will consider such a scheme on the basis of a petition by one, or both, of the parties. Under the 1909 Act, the petition to the Irish Court for a transfer of long term (or life insurance) business must be accompanied by a report, prepared by an Independent Actuary, on the terms of the proposed transfer. Whilst there is no equivalent legal requirement for any such report for the transfer of non-life insurance business, MetLife Insurance and NN Poland have engaged me to act as Independent Actuary in a similar and broadly comparable manner for the transfer of non-life insurance business under this Scheme.

Instructions

1.10 MetLife Insurance and NN Poland, together referred to as "**the Companies**", have instructed me to act as the Independent Actuary who is required to report to the Court on the terms of the proposed Scheme, pursuant Section 13 of the 1909 Act.

1.11 My appointment as the Independent Actuary has been notified to the Central Bank of Ireland (the "**Central Bank**") which has raised no objection to my appointment.

[1] MetLife TUnŻiR S.A. has since been renamed to Nationale-Nederlanden TUnŻ S.A.

1.12 My report has been prepared in accordance with the terms of our engagement letter dated 28 June 2022 and the terms of business to which that engagement letter refers.

1.13 Throughout the remainder of this report (the "**Independent Actuary's Report**"), the term "**the proposed Scheme**" is used to cover all the proposals included in the scheme of transfer, including any documents referred to therein relating to the proposed implementation and operation of the scheme of transfer.

1.14 It is anticipated that the proposed Scheme will be presented to the Court in January 2023 under Section 13 of the 1909 Act and Regulation 41 the Solvency II Regulations, with a proposed effective date of 1 April 2023.

1.15 I have interpreted my instructions as requiring me to consider the likely effects of the proposed Scheme on the Companies' policyholders including, but not limited to, the security of their benefits and their reasonable expectations. In preparing the Independent Actuary's Report, I have had regard to the security of the benefits in each company both before and after the implementation of the proposed Scheme, and the policyholders' reasonable expectations created by the past practices employed or statements made by each company. I have compared the status quo to the position that will apply after the completion of the proposed transfer. I have also considered the impact of the transfer on the standards of administration, service, management and governance that apply to the Transferring Policies. I expand further on these topics in section 5.

1.16 As far as I am aware, there are no matters that I have not taken into account in undertaking my assessment of the proposed Scheme and in preparing the Independent Actuary's Report, but which nonetheless should be drawn to the attention of the Court in its consideration of the terms of the proposed Scheme.

1.17 I have also reviewed and considered the proposed policyholder communication strategy (as defined in paragraph 4.13) in relation to the proposed Scheme.

1.18 I will prepare a further report (the "**Supplementary Report**") prior to the final Court hearing to provide an update for the Court on my conclusions in respect of the effect of the proposed transfer on the different groups of policyholders in light of any significant events subsequent to the date of the finalisation of this report. I will also opine on the contents of the proposed policyholder communications in the Supplementary Report.

Qualifications and disclosures

1.19 I am a Fellow Member of the Society of Actuaries in Ireland ("**SAI**") and have been so since 2003. I am a Principal of Milliman Limited, Consultants & Actuaries ("**Milliman**") and am a consulting actuary based in the firm's Irish insurance practice at 7 Grand Canal Street Lower, Dublin 2.

1.20 I have more than 25 years' experience in the insurance industry, including experience of acting as the Appointed Actuary and Reviewing Actuary for a number of Irish assurance companies.

1.21 I am not a policyholder of MetLife Insurance or NN Poland, nor do I have any financial interests in the shares of MetLife, Inc. ("**MetLife**") (the ultimate parent of MetLife Insurance), nor in the NN Group.

1.22 I am not, and have not been, employed by either of the Companies as an employee, officer or director.

1.23 I have, however, previously acted (in a consulting capacity) as the Reviewing Actuary for another MetLife entity, MetLife Europe dac, and worked on M&A assignments for MetLife Europe d.a.c. and MetLife EU Holding Company Limited.

1.24 I do not consider that these previous assignments prevent me from acting independently in my assessment of the proposed Scheme. I have also discussed this with senior management of MetLife Insurance and NN Poland and they have confirmed that they are of the same opinion. In addition, as noted above, the Central Bank has been informed of my appointment and has made no objection.

1.25 Consultants from Milliman offices (in Ireland and elsewhere) provide, or have provided, services to MetLife and the NN Group. However, having checked within the Milliman organisation worldwide, I do not believe that any work undertaken by Milliman with either of the Companies, or with any other subsidiaries or affiliates of either MetLife or the NN Group, would create a conflict of interest for me in my role as Independent Actuary.

1.26 Based on the foregoing I consider that I am in a position to act independently in my assessment of the proposed Scheme.

Parties for whom my report has been prepared

1.27 The Independent Actuary's Report has been prepared for use by the following interested parties:

- The Court;

- Policyholders of MetLife Insurance and NN Poland;
- The Directors and senior management of MetLife Insurance, NN Poland and their parent companies (including any direct or indirect parent companies);
- The Central Bank or any other governmental department or agency having responsibility for the regulation of insurance companies in Ireland;
- The Polish Financial Supervision Authority or any other governmental department or agency having responsibility for the regulation of insurance companies in Poland; and
- The professional advisers of any of the above with respect to the proposed Scheme.

Reliances and limitations

1.28 In preparing the Independent Actuary's Report, I have had access to certain documentary evidence provided by MetLife Insurance and NN Poland, the principal elements of which I list in Appendix A to this report. In addition, I have had access to, and discussions with, the senior management of both MetLife Insurance and NN Poland. My conclusions depend on the substantial accuracy of this information, and I have relied on this information without independent verification. There are no documents or other information that I have requested and that have not been provided.

1.29 As noted above, I am a consulting actuary and not a legal, tax, or accounting expert. I have relied on the Companies' advice to me in these areas.

1.30 I have also relied on the work of the external auditors of MetLife Insurance and NN Poland in gaining confidence in the financial information as at 31 December 2020 and 31 December 2021 as summarised in this report.

1.31 The Independent Actuary's Report is based on the information available to me at, or prior to, 12 January 2023, and takes no account of developments after that date.

1.32 The Independent Actuary's Report, and any extract or summary thereof, has been prepared by me specifically and solely for the purposes of Section 13 of the 1909 Act.

1.33 Neither the Independent Actuary's Report, nor any extract from it, may be published without my specific written consent having first been given, save that copies of the Independent Actuary's Report may be made available for inspection by policyholders of both MetLife Insurance and NN Poland (including via the Companies' websites) and copies may be provided to any person requesting the same. In the event such consent is provided, the Independent Actuary's Report must be provided in its entirety.

1.34 A summary of this report may not be made without my written consent and, in particular, a summary of this report may not be distributed to policyholders without my prior approval.

1.35 The Independent Actuary's Report has been prepared within the context of the assessment of the terms of the proposed Scheme. No liability will be accepted by Milliman, or me, for any application of the Independent Actuary's Report to a purpose for which it was not intended, nor for the results of any misunderstanding by any user of any aspect of the Independent Actuary's Report (or any summary thereof). Judgments as to the conclusions contained in the Independent Actuary's Report should be made only after studying the report in its entirety. Furthermore, conclusions reached by the review of a section or sections on an isolated basis may be incorrect. Draft versions of this report should not be relied on for any purpose.

1.36 The Independent Actuary's Report should be read in conjunction with the other documents that pertain to the proposed Scheme.

Professional guidance

1.37 The Independent Actuary's Report has been prepared under the terms of the guidance set out in version 1.0 (effective 1 December 2022) of the Actuarial Standard of Practice ("**ASP**") INS-2 ("Transfer of an Insurance Portfolio – role of the Independent Actuary") issued by the SAI.

1.38 In addition, ASP PA-2 ("General Actuarial Practice"), as issued by the SAI, requires members to consider whether their work requires an independent peer review. In my view this report does require independent peer review and, in accordance with Milliman quality assurance requirements, this report has been peer reviewed by two other Milliman Principals.

Structure of this report

1.39 The remainder of this report is structured as follows:

- Section 2 provides a summary of the business of MetLife Insurance.
- NN Poland's business is summarised in section 3.
- Section 4 summarises the proposed Scheme.
- I assess the proposed Scheme in section 5.
- My conclusions are set out in section 6.
- Appendix A lists the principal data sources I relied upon in carrying out my work.
- A glossary of terms is provided in Appendix B.

2 BACKGROUND TO METLIFE INSURANCE

History and background

2.1 MetLife Insurance is an Irish-incorporated and Irish-authorised non-life assurance company. It was incorporated on 25 June 2009 (as MetLife Europe Insurance Limited) under company registration number 472350. It is a wholly owned subsidiary of MetLife EU Holding Company Limited and, through intermediate holding companies, of MetLife Inc., which is a company incorporated in the USA.

2.2 MetLife Insurance is authorised by the Central Bank to transact non-life assurance business in Classes 1, 2, 8, 9, 16 and 18 under the Solvency II Regulations. The company leverages the options provided by the European Insurance Directives to "passport" throughout the EU from a single base in Ireland. It has branches in Italy, Spain, Portugal, France, Slovakia, Czech Republic, and Romania. The company also operates via Freedom of Service (“**FOS”**) in various EU jurisdictions, including Poland.

2.3 The company also reinsured business from Russia during 2021. In light of the current geopolitical situation, the company has terminated, or is in the process of terminating, all agreements relating to Russian business. The Russian reinsurance business is not material to the company.

2.4 As part of MetLife’s exit from the Polish insurance market, MetLife Insurance entered into a legal agreement with NN Poland (the “**Framework Agreemen**t”), whereby NN Poland would acquire MetLife Insurance’s portfolio of Polish insurance policies that is the subject of this report and as described in paragraph 2.7 below.

Nature of business written

2.5 The company is focused on the provision of involuntary loss of employment (ILOE) cover, mobile phone insurance (MPI) and travel insurance across the countries where the company is active.

2.6 The company predominantly writes ILOE business, mainly in the Italian market. ILOE cover is sold as part of a packaged insurance offering, with life assurance benefits provided by Nationale-Nederlanden TUnŻ S.A. (previously MetLife TUnŻiR S.A.), covering loans, recurrent debts or providing income protection. The benefit payable is the instalment of the credit or the monthly recurrent debt.

2.7 Additionally, the company has its direct-to-consumer (“**DTC**”) business via FOS in Poland, offering predefined protection packages for accident and health (“**A&H”**) insurance cover. It is this business that is being transferred from MetLife Insurance to NN Poland. The company also writes some ILOE and MPI business in Poland, which is not part of the proposed transfer.

2.8 Table 1 summarises the technical provisions for each line of business in MetLife Insurance as at 31 December 2021.

Table 1: MetLife Insurance – Technical provisions for in-force business as at 31 December 2021 (€ 000)

EUR 000		BEL	RM	Total TPs	Reinsurance Recoverables
Line of Business		**(1)**	**(2)**	**(3)=(1)+(2)**	**(4)**
Health	Health insurance with guarantees[2]	212	6	219	-
Health	Health insurance without guarantees	(32)		(32)	-
Total Health		**181**	**6**	**187**	-
Non-Life	Assistance	20	60	80	247
Non-Life	Misc. Financial Loss	11,817	1,719	13,536	9,735
Total Non-Life		**11,837**	**1,779**	**13,616**	**9,981**
Total TPs		**12,018**	**1,785**	**13,803**	**9,981**

Source: Public QRTs appended to MetLife Insurance’s SFCR for 2021

2.9 The technical provisions comprise the best estimate liability (“**BEL**”) and risk margin (see Appendix B for definitions of these terms) and form part of the liability side of the Solvency II balance sheet. To the extent that some business is reinsured, there is an offset to the BEL (“**reinsurance recoverables**”) which sits on the asset side of the balance sheet.

2.10 As can be seen from Table 1, the main lines of business are:

[2] This line relates to the reserve for the health business in respect of claims that have been incurred but not reported (“**IBNR**”)

- Health Insurance: Accident and Health products providing a range of benefits, including accidental death, accidental permanent invalidity or total disability, broken bones and burns, hospital benefits, critical illness covers and others. These are the Transferring Policies;
- Miscellaneous Financial Loss: ILOE cover, which covers loan repayments in the event that the insured becomes unemployed; as well as mobile phone insurance covering accidental damage and theft of mobile phone, and
- Assistance: Travel Insurance, covering assistant services, loss, theft or damage of luggage, medical expenses and personal liability.

2.11 In summary, as at 31 December 2021, the technical provisions net of reinsurance recoverables of MetLife Insurance totalled €3.8 million in respect of some 1.1 million policies in total.

Use of reinsurance

2.12 The company uses reinsurance to mitigate underwriting risk and manage its capital position. The two main reinsurers used by the company are the American Life Insurance Company ("**ALICO**"), which is an insurance company in the MetLife Group), and Compass Re SA. Reinsurance can reduce a company's risk exposure, which can lead to a reduction in its SCR.

Solvency position

RECENT SOLVENCY POSITION

2.13 At 31 December 2021, MetLife Insurance had an excess of eligible own[3] funds over its SCR, as shown in Table 2. The table also shows the equivalent position as at 31 December 2020.

Table 2: MetLife Insurance – Solvency position at 31 December 2021 and 31 December 2020 (€ 000)

		31-Dec-21 EUR 000	31-Dec-20 EUR 000
(1)	Net assets before deducting Technical Provisions	56,142	73,376
(2)	Technical Provisions	13,803[4]	40,100
(3)	Other adjustments to arrive at eligible own funds	-	-
(4)	**Total eligible own funds (= (1) - (2) + (3))**	**42,338**	**33,275**
(5)	Solvency Capital Requirement (SCR)	14,771	20,664
(6)	Minimum Capital Requirement (MCR)	3,910	5,166
(7)	**Relevant Solvency II capital requirement (= Higher of (5) & (6))**	**14,771**	**20,664**
(8)	Coverage Ratio[5] (= (4) / (7))	287%	161%
(9)	Excess of eligible own funds over capital requirement	27,568	12,612

Source: Public QRTs appended to MetLife Insurance's SFCR for 2021 and 2020

2.14 In summary, the assets of MetLife Insurance exceeded its liabilities by €42.3 million (31 December 2020: €33.3 million). The eligible own funds exceeded the relevant regulatory capital requirement by €27.6 million (31 December 2020: €12.6 million). In percentage terms the company's solvency coverage ratio was 287% (31 December 2020: 161%).

2.15 The increase in own funds is mainly driven by business and capital market movements as well as model or process updates.

2.16 The SCR decreased over the year by €5.9m from €20.7m in 2020 to €14.8m in 2021. This is driven by a decrease observed in the Non-Life Underwriting Risk module - in particular the Premium & Reserve Risk and Catastrophe Risk sub-module have decreased substantially, primarily due to the extension of the ILOE reinsurance treaty with ALICO to include Portugal and France.

[3] Eligible Own Funds refers to the Own Funds that are eligible to meet the company's SCR requirement, unless otherwise stated.

[4] Technical Provisions reduced significantly from end-2020 to end-2021 due to assumption changes and data related updates.

[5] Coverage Ratio refers to SCR coverage ratio unless otherwise stated

2.17 I have also been provided with (unaudited) figures as at 30 June 2022. These show that MetLife Insurance's solvency position at mid-2022 was improved from that at end-2021, with a solvency coverage ratio of 305%, and an excess of eligible own funds over the relevant regulatory capital requirement of €29 million.

2.18 I note there is a planned dividend in 2022 of USD 2 million. The figures in this report do not allow for this and I will address this in my Supplementary Report.

PROJECTED SOLVENCY POSITION

2.19 In addition to looking at the recent solvency position, it is also useful to look at the projected future solvency development.

2.20 In December 2021, the board of MetLife Insurance ("**MetLife Insurance Board**") approved a report documenting the results of an Own Risk and Solvency Assessment ("**ORSA**") of the company's business. The ORSA report included projections of the future solvency position of MetLife Insurance for the period to end-2025.

2.21 The central ORSA projections indicate that, in the absence of any future dividends being paid, MetLife Insurance's solvency position is expected to improve over the coming years. MetLife Insurance's policy regarding target solvency coverage and dividend payments is summarised below, starting at paragraph 2.39.

2.22 The ORSA report notes that the key risks to the projected increase in solvency coverage over time are: COVID-19 related uncertainty, in particular in relation to sales performance, lapses and the development of ILOE claims; default or significant downgrade of a reinsurer; termination of the ALICO treaty; operational risks; and, to a lesser extent, increases in claims volumes, lapses and / or expenses.

2.23 The ORSA report also investigates the projected solvency development on a range of alternative adverse scenarios and concludes that MetLife Insurance's solvency position would be comfortable in all but the most extreme events. Of all the scenarios investigated, the most onerous scenarios for the company are the reinsurer default scenarios. While the SCR level is breached for these three scenarios, the company only breaches the MCR ratio for the most extreme one of these, where the main reinsurer is assumed to default at the same time as an economic depression similar to the 2008 financial crises occurs. This scenario is judged by the company to be very remote.

2.24 Finally, in addition to the possible impact of external shocks, MetLife Insurance's solvency development also depends on any strategic decisions that MetLife Insurance may take.

Risk profile

2.25 The range of risks to which MetLife Insurance is exposed includes market/financial risk, credit risk, counterparty risk, insurance risk, business/operational risk, regulatory compliance risk and fiscal risk. As required under the Solvency II Regulations, the company has in place a risk management framework to monitor and manage risk on an ongoing basis.

2.26 As can be seen from Table 1 above, the bulk of MetLife Insurance's in-force business at 31 December 2021 was in respect of ILOE cover, which covers loan repayments in the event that the insured becomes unemployed. Due to the Italian business volumes, one of the primary insurance risks to which the company is exposed, is a large increase in Italian unemployment rates. This majority of this risk is reinsured as described further below.

2.27 Table 3 sets out the composition of MetLife Insurance's SCR as at 31 December 2021.

Table 3: MetLife Insurance – SCR as at 31 December 2021 and 31 December 2020 (€ 000)

	31-Dec-21 EUR 000	31-Dec-20 EUR 000
Market Risk	3,527	2,844
Counterparty Default Risk	2,661	2,932
Life underwriting risk	-	-
Health underwriting risk	33	10
Non-life underwriting risk	9,600	16,200
Diversification	(3,213)	(3,175)
Intangible asset risk	-	-
Basic Solvency Capital Requirement	12,608	18,811
Operational risk	2,163	1,852
Loss-absorbing capacity of technical provisions	-	-
Loss-absorbing capacity of deferred taxes	-	-
Solvency Capital Requirement	14,771	20,664

Source: Public QRTs appended to MetLife Insurance's SFCR for 2021 and 2020

2.28 An insurer's capital requirements (SCR) are determined by the Solvency II regulations, and reflect the risks associated with the business. The diversification benefit reflects the expectation that different risks are not expected to occur at the same time.

2.29 As can be seen from Table 3, the largest contributors to MetLife Insurance's SCR are the capital requirements for non-life underwriting risk, with smaller exposures to (financial) market risk and counterparty default risk.

2.30 Non-life underwriting risks include premium and reserve risk, lapse risk and catastrophe risk. Premium and reserve risk is the single greatest contributor to MetLife Insurance's capital requirement for underwriting risk. Premium risk relates to risk that future premiums received may be insufficient to cover future claims that may arise, and reserve risk relates to the risk that the current level of reserves may be insufficient to cover the claims that have already been incurred.

2.31 Market risks include interest rate risk, property risk, spread risk, concentration risk and currency risk. The largest contributor to MetLife Insurance's capital requirement for market risk at 31 December 2021 was currency risk, followed by spread risk and interest rate risk.

2.32 There are material reinsurance counterparty exposures to ALICO and Compass Re in relation to the reinsurance of ILOE risks. The company's risk management of these exposures is described in the following section.

2.33 In addition, MetLife Insurance is exposed to other risks including liquidity risk, operational risk and health risk.

Risk management

2.34 MetLife Insurance has adopted a risk management framework with the aims of:

- Promoting a strong risk culture, aimed primarily at protecting its customers;
- Ensuring consistent and systematic management of risks across all businesses, operations and risk types; and
- Enabling decision makers to direct the company's resources to attractive business opportunities that are within the MetLife Board's risk appetite.

2.35 MetLife Insurance has adopted the 'three lines of defence' governance model to ensure that its overall risk profile remains within the risk appetite as mandated by the MetLife Board. The "three lines of defence" have independent reporting lines into the MetLife Board, with the aim of providing the MetLife Board with the assurance of strong governance and controls for every business decision.

2.36 MetLife Insurance's Risk Function operates a comprehensive system to identify, aggregate, measure and report risks across the company as a whole, and assesses how the full range of risks and their interaction impacts the company's solvency, liquidity, earnings, business, customers and reputation.

2.37 The Risk Function is responsible for the following key activities:

- Risk monitoring and analytics;
- Risk governance and reporting;
- Embedding the Risk Management Framework in the business;
- Managing operational risk management processes; and
- Leading the ORSA process.

2.38 When it comes to risk mitigation, MetLife Insurance uses a range of techniques to mitigate the risks to which it is exposed:

- Underwriting risks are primarily mitigated through reinsurance, diversification and through limits and guidelines which are monitored by the company's Product Management Committee.
- The company significantly reinsures its underwriting risk exposure for its ILOE business, which leads to material reinsurance counterparty exposures to ALICO and Compass Re. The exposure to Compass Re is mitigated through a collateral arrangement, and ALICO has an A1 credit rating from Moody's.
- Market risks are primarily mitigated through the Undertaking's investment limits and guidelines.
- Other credit risks are primarily mitigated through asset allocation, diversification and single-exposure limits.
- Liquidity risks are primarily mitigated by investing in a diversified, high-quality, liquid investment portfolio and a strong forecasting process.
- Operational risks are primarily mitigated through functional controls, within MetLife Insurance's Risk Framework, independently validated by the MetLife Insurance's Risk, Compliance (where applicable) and Internal Audit functions.

Capital management policy

2.39 MetLife Insurance's Capital Management Policy and the Risk Appetite Statement (both of which have been adopted by the MetLife Insurance Board) set out the following parameters for managing the company's solvency position:

Table 4: MetLife Insurance – Board-adopted solvency targets

Metric	Target: Agreed Level or Range
Normal Operating Level	Between 145% and 150% of SCR
Heightened Attention Range	Between 125% And 145% of SCR
Indicated Action Trigger	Less than 125% of SCR
Regulatory Minimum	100% of SCR

Source: "MetLife Insurance – Capital Management Policy" (December 2022)

2.40 The normal operating level range is intended to target sufficient capital to protect against a breach of 100% SCR level for a '1 in 25 year' adverse event. This is the level to which MetLife insurance currently operates.

2.41 MetLife Insurance's Capital Management Policy states that proposed dividends should be considered by the MetLife Insurance Board on a case-by-case basis taking into account the output of the ORSA, including the expected capital position over a 12-month time horizon and the risks to that capital position, but in any case, will not result in MetLife Insurance going below its overall target solvency level.

The Transferring Policies

2.42 The policies that are proposed to be transferred to NN Poland (the "**Transferring Policies**") are Accident and Health ("**A&H**") products that include a range of benefits, including accidental death, accidental permanent invalidity or total disability, broken bones and burns, hospital benefits, critical illness covers and others. The benefits payable are either lump sum or recurring benefits depending on the product, with a maximum benefit term of 5 years for recurring benefits.

2.43 The Transferring Policies have varying policy terms up to age 70 and are mostly written on a 'monthly renewable' basis (which means that the insurer has the right to revise the premiums and/or benefits in subsequent months). The policies are sold direct-to-consumer (DTC) business via FOS in Poland.

2.44 The following table summarises the Transferring Policies:

Table 5: MetLife Insurance – Details of Transferring Policies as at 31 December 2021

Product Name	Risks covered	No. of policies	Technical Provisions (€'000)
Aktywni na co dzień (Active every day)	• Break & Burn due to accident • Permanent disability due to accident	4,698	(10)
Twoja Asekuracja (Your assurance)	• Break & Burn due to accident	9,186	(18)
Wsparcie Szpitalne Plus (Hospital Support)	• Hospital Support • Spouse or partner - All risks • Children - All risks	8,732	(19)
Ochrona na Wypadek (Accident Protection)	• Hospitalisation due to accident • AD & TAD	23,641	(70)
Ochrona Zdrowia (Critical Illness)	• Critical Illness	17,155	(38)
Razem Bezpieczniej (Accident Protection)	• Main insured - Break & Burn due to accident • Spouse or partner - Break & Burn due to accident	6,186	(50)
Pomoc w Chorobie (Critical Illness)	• Critical Illness	14,887	(2)
Razem w Chorobie (Critical Illness)	• Critical Illness	5,571	(13)
Pomoc po Wypadku (Accident Protection)	• Spouse or partner & children - Bodily Injury due to accident • Main insured - Bodily Injury due to accident	5,496	(19)
Outstanding claims reserves		n/a	427
		95,552	**187**

Source: Data provided by MetLife Insurance.

2.45 None of the Transferring Policies participates in profits.

2.46 The Transferring Policies were administered by a MetLife services company based in Poland, MetLife Services Sp z.o.o. This services company was purchased by NN Group and renamed Nationale-Nederlanden Services sp z.o.o. The services company was subsequently merged with an existing NN services company (Nationale-Nederlanden Usługi Finansowe sp. z o.o.) at the beginning of 2023.

2.47 In relation to the ability to exercise discretion in respect of aspects of the terms and conditions applicable to the Transferring Policies, MetLife Insurance has informed me that it has not exercised any discretionary powers on the Transferring Policies in the past in relation to aspects of their terms and conditions such as the level of charges levied.

3 BACKGROUND TO NN POLAND

History and background

3.1 NN Poland is a Polish-incorporated and Polish-authorised non-life insurance company. It was established with the Notarial Deed of 9 September 2016 and the decision of the District Court for the Capital City of Warsaw, 12th Commercial and Registration Division, dated 22 November 2016, and entered into the commercial register under number 0000647311. It is a wholly owned subsidiary of Nationale-Nederlanden Towarzystwo Ubezpieczeń na Życie S.A. (NN Group's Polish life insurance company, NN Poland Life) and, through intermediate holding companies, of NN Group N.V., which is a company incorporated in the Netherlands.

3.2 NN Poland is authorised by the Polish Financial Supervision Authority ("**PFSA**" or "**KNF**") to transact non-life insurance business in non-life Classes 1, 2, 8, 9, 13, 14, 16, 18 under the Solvency II Regulations.

3.3 The company conducts insurance activities in Poland in the area of property insurance and personal insurance. The Company operates in the following lines of business: income protection insurance, other vehicle insurance (bike insurance), fire and other damage to property insurance, general liability insurance, credit and surety insurance (there is currently no business written in this line), assistance insurance, and miscellaneous financial loss insurance.

3.4 The company has no contracts with suppliers based in the Russian Federation or Belarus, insurance contracts are concluded only with persons residing in Poland.

NN Poland's position within the NN Group

3.5 NN Poland is wholly owned by NN Poland Life and, through intermediate holding companies, by NN Group N.V. At 31 December 2021 the solvency coverage ratio of NN Group N.V. was 213%, with own funds in excess of its solvency capital requirement of €11.1 billion. At the same date, the solvency coverage ratio of NN Poland Life was 213%, with own funds in excess of its solvency capital requirement of €232 million.

3.6 As noted above, one of the main risks to the company's solvency that was identified in the ORSA was the risk of insufficient new business volumes to support the company's expense base. In this scenario, the company is reliant on the support of its shareholder (NN Poland Life) until it reaches scale. The shareholder contributed capital of €1.5 million in 2021 via a subordinated loan and additional capital of €7.5 million in 2022 in anticipation of the transfer in order to ensure that NN Poland's solvency coverage remains in excess of its target level.

3.7 NN Poland Life was merged with the recently acquired NNLife TUNŻiR S.A. business on 2 January 2023. At 31 December 2021, NNLife TUNŻiR S.A. had a solvency coverage ratio of 311%, with own funds in excess of its solvency capital requirement of €135.7 million. In my view the merger is not expected to materially impact on the expected solvency and ability of NN Poland Life to support NN Poland.

Nature of business written

3.8 As at 31 December 2021, the in-force business of NN Poland comprised a range of policies across the authorised classes.

3.9 Table 6 summarises the technical provisions at 31 December 2021.

Table 6: NN Poland – Summary of in-force business as at 31 December 2021 (€ 000)

EUR 000 Line of Business		BEL[6] (1)	RM (2)	Total TPs (3)=(1)+(2)	Reinsurance Recoverables (4)
Non-Life	Income protection insurance	(35)	142	106	125
Non-Life	Motor vehicle liability insurance	0	0	0	0
Non-Life	Other motor insurance	43	2	44	4
Non-Life	Fire and other damage to property insurance	1,649	192	1,841	713
Non-Life	General liability insurance	337	15	352	200
Non-Life	Assistance	166	6	173	158
Non-Life	Misc. financial loss	(267)	114	(154)	48
Total TPs		**1,892**	**471**	**2,363**	**1,248**

Source: Public QRTs appended to NN Poland's SFCR for 2021

3.10 Based on technical provisions, the main lines of business are:

- Fire and other damage to property insurance (household insurance)
- General liability insurance: individual 3rd party liability associated with household and bike insurance
- Miscellaneous financial loss: including ILOE cover associated with loan and mortgage insurance

3.11 In summary, as at 31 December 2021, total technical provisions net of reinsurance recoverables amounted to €1.1 million in respect of 693,658 contracts in force.

Use of reinsurance

3.12 The company uses proportional quota-share reinsurance to mitigate underwriting risk. The main reinsurer used by the company is NN Re, which is the NN Group's internal reinsurer.

3.13 During 2021 the company increased its quota share reinsurance for home insurance to 90% quota share, which reduced the SCR by €1.8 million from what it otherwise would have been.

Solvency position

RECENT SOLVENCY POSITION

3.14 At 31 December 2021, NN Poland had an excess of eligible own funds over its regulatory capital requirement, as shown in Table 7.

Table 7: NN Poland – Solvency position at 31 December 2021 and 31 December 2020

		31-Dec-21 EUR 000	31-Dec-20 EUR 000
(1)	Net assets before deducting Technical Provisions	8,531	9,238
(2)	Technical Provisions	2,363	960
(3)	Other adjustments to arrive at eligible own funds	1,331	(144)
(4)	**Total eligible own funds (= (1) - (2) + (3))**	**7,499**	**8,134**
(5)	Solvency Capital Requirement (SCR)	4,120	4,043
(6)	Minimum Capital Requirement (MCR)	3,730	3,729
(7)	**Relevant Solvency II capital management (= Higher of (5) & (6))**	**4,120**	**4,043**
(8)	Coverage Ratio (= (4) / (7))	182%	201%
(9)	Excess of eligible own funds over capital requirement	3,379	4,091

Source: Public QRTs appended to NN's SFCR for 2021

[6] A negative BEL arises where the present value of future income exceeds the present value of expected future outgo

3.15 As at 31 December 2021, the company's eligible own funds were €7.5 million (31 December 2020: €8.1 million). The eligible own funds exceeded the regulatory capital requirement by €3.4 million (31 December 2020: €4.1 million). This translated into a solvency coverage ratio of 182% at 31 December 2021[7].

3.16 The adjustments to arrive at the eligible own funds included allowing for a subordinated loan from NN Poland's parent company, Nationale-Nederlanden Towarzystwo Ubezpieczeń na Życie S.A., that was entered into during 2021 (€1.5 million). An allowance of €0.2 million was also made for asset tax to be paid in the next 12 months.

3.17 Solvency coverage reduced somewhat over the year mostly due to a reduction in eligible own funds. This was predominantly due to expense overruns arising from the start-up nature of the business, which were somewhat offset by expected profits from new business written and the subordinated loan capital received. The SCR also increased over the period due to the increased volume of business. However, the solvency coverage ratio was still well above the company's target of 140% (see paragraph 3.35 below).

3.18 In anticipation of the transfer of business, NN Poland received a capital injection of €7.5 million in June 2022. I have been provided with (unaudited) figures as at 30 June 2022, which show that the company's solvency position at mid-2022 had increased from that at end-2021, with a solvency coverage ratio of 259%, and an excess of eligible own funds over the relevant regulatory capital requirement of €9.2 million.

PROJECTED SOLVENCY POSITION

3.19 In December 2021, the board of NN Poland ("**NN Poland Board**") approved a report documenting the results of an ORSA of the company's business. The ORSA report included projections of the future solvency position of NN Poland for the period to end-2025. NN Poland's ORSA was prepared before the impact of the potential transfer of business from MetLife Insurance was known, and therefore the forecasts did not include the impact of the capital injection that was received in June 2022.

3.20 The central ORSA projections indicate that in the absence of any future dividends being paid, NN Poland's solvency coverage ratio is expected to reduce over the coming years but still remain well in excess of its target solvency level. The company's eligible own funds are projected to decrease in the short term, due to expense overruns arising from the start-up nature of the business, and then increase once the company is expected to reach scale. The SCR is projected to grow at a faster rate than the increase in eligible own funds due to the projected growth in business volumes. NN Poland's policy regarding target solvency coverage and dividend payments is summarised below, starting at paragraph 3.35.

3.21 The ORSA report considered the impact of a range of adverse scenarios on the company's solvency coverage ratio. Of the scenarios investigated, the main risks to the company's solvency that were identified were related to the risk of insufficient new business to support its expense base, or a significant increase in claims on the main household insurance product. The company notes that, were these risks to materialise, the MCR coverage ratio would be breached, and additional shareholder support would likely be required.

3.22 As noted above, the company received an additional capital injection in June 2022 in anticipation of the transfer of business. I have been provided with financial projections by the company that reflect the updated capital position.

3.23 These show that the level of Eligible Own Funds is increased by the capital injection compared to the projections from the ORSA. The SCR has also increased somewhat, reflecting updated information in its calculation. The projections show a level of solvency coverage well above the company's target level.

Risk profile

EXISTING BUSINESS

3.24 The range of risks to which NN Poland is exposed includes market/financial risk, credit risk, counterparty risk, insurance risk, business/operational risk, regulatory compliance risk and fiscal risk. As required under the Solvency II Regulations, the company has in place a risk management framework to monitor and manage risk on an ongoing basis.

3.25 As 31 December 2021 NN Poland's SCR amounted to €4.1 million, with non-life and health underwriting risk contributing €2.8 million and €1.6 million respectively, market risks contributing €0.5 million, counterparty risk

[7] The eligible own funds and solvency coverage ratios shown are both in relation to the company's Solvency Capital Requirement. The company's solvency ratio based on the Minimum Capital Requirement is 181%.

contributing €0.3 million, operational risk contributing €0.4 million and diversification benefits reducing the overall total by €1.6 million.

Table 8: NN Poland – SCR as at 31 December 2021 and 31 December 2020 (€'000)

	31-Dec-21 EUR 000	31-Dec-20 EUR 000
Market Risk	491	486
Counterparty Default Risk	338	217
Life underwriting risk	-	-
Health underwriting risk	1,648	1,509
Non-life underwriting risk	2,834	3,127
Diversification	(1,634)	(1,550)
Intangible asset risk	-	-
Basic Solvency Capital Requirement	3,677	3,789
Operational risk	443	254
Loss-absorbing capacity of technical provisions	-	-
Loss-absorbing capacity of deferred taxes	-	-
Solvency Capital Requirement	4,120	4,043

Source: Public QRTs appended to NN Poland's SFCR for 2021 and 2020

3.26 The main contributors to the company's non-life and health underwriting risk were premium and reserve risk, and catastrophe risk associated with the household insurance portfolio.

3.27 The main contributors to NN Poland's market risk were interest rate risk and concentration risk. Counterparty risk arises from its exposures to reinsurers and cash on deposit with banks.

3.28 The company's household insurance portfolio is exposed to climate risk, which increases the uncertainty associated with the occurrence and impact of natural disasters such as flooding.

3.29 Based on the financial projections provided to me, NN Poland's business is projected to grow in the coming years. The SCR is projected to grow in line with the business, however the risk profile is expected to remain broadly similar.

Risk management

3.30 NN Poland has adopted a risk management system which is based on the 'three lines of defence' model. It includes the following components:

- risk strategy and appetite, aligned to the company's business strategy;
- risk tolerances, limits and triggers; and
- risk management policies and ongoing processes to identify, measure, monitor, manage and report risk.

3.31 The company has a Risk Management Function, whose main tasks include advising the company on issues that have a significant impact on the company's risk profile, monitoring the risk management system, analysing the risk profile and assessing new risks, conducting the ORSA, and reporting on risk exposure.

3.32 On an annual basis, NN Poland performs an ORSA to assess whether it has sufficient capital to meet solvency capital requirements over the business planning period under specific risk scenarios or stressed business conditions (which are designed based on the company's risk profile). The NN Poland Board takes an active role in the ORSA risk assessment (**"High Level Risk Assessment"**), reviews and approves the final conclusions drawn from the ORSA and agrees potential actions to be taken.

3.33 NN Poland uses a range of techniques to mitigate the risks to which it is exposed:

- Underwriting risks are managed through diversification and single exposure limits for each type of risk. Risk is also mitigated through the use of reinsurance.
- Market risks are primarily mitigated through the company's investment limits and investment policies.
- Counterparty risk is managed through the application of credit rating and concentration limits

- Liquidity risks are primarily mitigated by investing in a high-quality, liquid investment portfolio, and through holding a liquidity buffer to finance ongoing operations.
- Operational risks are primarily monitored and mitigated through various controls including: applying and monitoring operation controls and procedures, employing competent employees, using capable service providers, and identifying, reporting and analysing operational events and improving processes as required.
- Legal and regulatory risk is monitored by the Compliance Function and mitigated through the company's compliance risk management policy.

3.34 The key risk mitigating actions that NN Poland will take with respect to its business are set out above.

Capital management policy

3.35 NN Poland's Capital Policy and Targets, that have been approved by the NN Poland Board, are shown in the following table:

Table 9: NN Poland – Board-adopted solvency targets

Metric	Description	Solvency Ratio
Lower Bound	The Lower Bound is set to reduce the risk of the solvency ratio falling below 100%	130% of SCR
Commercial Capital Target ("**CCT**")	This is the target operating level of solvency.	140% of SCR

Source: NN Poland's Capital Policy and Targets

3.36 The policy states that if the solvency ratio falls below the Lower Bound, it is NN Poland Life's intention to restore the capitalisation to the Lower Bound. The company has informed me that this is a firm commitment made to the PFSA as part of the issuance of their insurance business license. In order to minimise the risk of a decrease in NN Poland's solvency ratio below 130%, the Company regularly monitors its SCR ratio and prepares short and long-term SCR coverage forecasts. If the Company assesses that there is an increased risk of the solvency ratio falling below 130% over a certain period of time, it initiates a process that ensures an injection of the capital through recapitalisation or a subordinated loan from the parent company.

3.37 In principle, excess capital above the CCT is intended to be paid as a dividend to the shareholder, although dividends are not currently being paid whilst NN Poland is in its growth phase.

Operational arrangements

3.38 In relation to its existing business, NN Poland carries out the majority of the administration and servicing of its policies in-house. The company has outsourced certain activities to NN Group entities and to selected other entities including:

- adjustment of claims under certain insurance agreements; this service is provided in Poland;
- consulting services related to the construction of investment portfolios and mandates, this service is provided in Poland;
- valuation of own assets; this service is provided in the Netherlands.

3.39 I have been advised by NN Poland that the administration and servicing of existing policies will not change as a result of the proposed transfer of business from MetLife Insurance.

3.40 As noted in paragraph 2.46 above, the Transferring Policies are currently administered by a services company based in Poland (Nationale-Nederlanden Usługi Finansowe sp z.o.o.). I have been advised by NN Poland that there will be no changes in policy service and administration as a result of the transfer.

3.41 NN Poland are assessing whether the administration of the Transferring Policies would in future continue to be carried out by the service company, or whether the administration would be carried out by the insurer itself. Regardless of the option chosen, NN have assured me that there will be no adverse impact on the Transferring Policies, regardless of which entity carries out the policy administration.

4 THE PROPOSED SCHEME

Introduction

4.1 The Transferring Policies will be transferred to NN Poland via the mechanism of the proposed Scheme, subject to the approval of the Court. I have been provided with a copy of the proposed Scheme and, in this section, I summarise its principal features.

Effective date

4.2 It is envisaged that the proposed Scheme will become effective and the transfer take place at 00:01 hours on 1 April 2023, or such other date as may be specified by the Court (the **"Effective Date"**). If the proposed Scheme does not become effective before 1 April 2023, or such later date as the Companies may approve and the Court may allow, it shall lapse.

Pre-conditions

4.3 The proposed Scheme is conditional on a number of conditions being fulfilled as set out in the Scheme, including:

- obtaining the agreement or deemed agreement (non-objection) of the Central Bank and the PFSA (see paragraph 4.8);
- satisfying all relevant pre-transfer policyholder notification requirements (see paragraph 4.12 below); and
- the sanction of the Court.

4.4 Additionally, it is intended that certain distribution and ancillary agreements will be assigned by MetLife Insurance and assumed by NN Poland in advance of the transfer. The Scheme provides that if any such agreements (each a "Non-Transferred Agreement") have not been transferred by the Distribution Agreement Reference Date (as defined in the Scheme), the policies (together with the assets representing the technical provisions held by MetLife Insurance in respect of such policies) underwritten pursuant to, and/or administered under, these Non-Transferred Agreements will be excluded from the transferring business transferring on the Effective Date. The Scheme provides that if the benefit of any Non-Transferred Agreement is delivered, by way of Assignment and Assumption Agreement or otherwise, to NN Poland within six months after the Effective Date, any policy and any associated assets and liabilities relating to such Non-Transferred Agreement shall be transferred in accordance with the Scheme on the Subsequent Transfer Date (as defined in the Scheme). The Scheme also provides that MetLife Insurance and NN Poland will work together to effect the transfer of any residual assets and liabilities to NN Poland if any such residual assets and liabilities remain following the transfer process described above.

Business to be transferred

4.5 Subject to satisfying the necessary pre-conditions as set out in the proposed Scheme, the Transferring Policies are scheduled to be transferred in their entirety on the Effective Date to NN Poland, which will become the insurer of those contracts from the Effective Date.

4.6 Under the proposed Scheme, any rights, powers, obligations and liabilities of MetLife Insurance under, or by virtue of, such policies will be transferred to NN Poland. All property and assets held by MetLife Insurance in respect of the Transferring Policies will also be transferred to NN Poland.

4.7 Additionally, the books and records associated with the Transferring Policies will also transfer from MetLife Insurance to NN Poland.

EEA policies

4.8 Policies issued to any EEA-resident policyholders who reside outside Ireland cannot be transferred unless the relevant supervisory authority in the other EEA Member State has been notified of the transfer, and either agrees to it or does not object within three months from the notification. The Transferring Policyholders are resident in Poland, which is in the EEA. I understand that the Central Bank will notify the PFSA of the proposed transfer.

NN Poland's rights in relation to Transferring Policies

4.9 The proposed Scheme provides that, after the Effective Date of the transfer, NN Poland may:

- exercise any available discretions in relation to the Transferring Policies provided it does so in accordance with the principles that are from time to time in use in relation to such business in NN Poland; and
- modify the terms and conditions applicable to any Transferring Policy, in accordance with the principles that are from time to time in use in relation to such business in NN Poland,

subject in every case to the provisions of the applicable policy conditions and, where relevant, to the opinion of NN Poland's Head of Actuarial Function.

Costs of the proposed Scheme

4.10 Each of the Companies will bear its own costs incurred in connection with the preparation and carrying into effect of the proposed Scheme. No costs or expenses will be borne by policyholders of either of the Companies.

Modification or additions

4.11 Modifications and additions to the proposed Scheme, or further conditions to the proposed Scheme, may be imposed by the Court. Other additions and modifications to the proposed Scheme are permitted if NN Poland and MetLife Insurance both agree, subject to Court approval.

Policyholder communications

4.12 MetLife Insurance and NN Poland are satisfied that section 13(3)(b) of the Act does not require MetLife Europe to prepare a circular or other detailed notification to policyholders in this instance[8].

4.13 Notwithstanding the above, MetLife Insurance and NN Poland have agreed a proposed policyholder communication strategy for the Scheme, which will comprise of the following:

a. formal notices, in advance of the final High Court Hearing, in the relevant newspapers or other publications in Poland (as prescribed by the High Court) which will set out summary details of the Proposed Transfer and provide details of the websites and contact information for each of MetLife and NN Poland where additional details of the Proposed Transfer and the High Court process can be obtained;

b. an announcement, within 30 days from the Effective Date, in two Polish daily newspapers of countrywide circulation about the Proposed Transfer informing policyholders that they can terminate the policy within 3 months following the day of such announcement;

c. notices on the websites of either or both of MetLife and NN Poland;

d. all relevant documents with respect to the Proposed Transfer (including copies of the actuarial report) will be made available in English at the offices of MetLife Europe in Dublin and in Polish in the Polish offices of the Polish branch of an Irish incorporated MetLife services company MetLife Europe Services Limited ("MESL Europe") and the Polish offices of NN Poland;

e. MetLife will publish notice of the intention to make the High Court application in Iris Oifigiúil and, in advance of the hearing of the Petition, MetLife will publish a notice of the Proposed Transfer in two daily newspapers in Ireland;

f. communicating with any individual policyholder, or agent, of MetLife who requests particular information concerning the Proposed Transfer; and

g. any other actions or modifications on the above which the High Court may direct.

4.14 The proposed communication plan, as summarised above, is subject to any amendment directed by the Court.

[8] The Act notes that "…it shall not be necessary to transmit such statement and other documents to policy holders other than life, endowment, sinking fund, or bond investment policy holders…".

5 ASSESSMENT OF THE PROPOSED SCHEME

Introduction

5.1 In this section, I set out my assessment of the proposed Scheme.

Context of assessment

5.2 My assessment is conducted within the context of the proposed Scheme, and only the proposed Scheme, and considers its likely effects on the transferring policyholders of MetLife Insurance, the remaining policyholders of MetLife Insurance, and the existing policyholders of NN Poland. It is not within my remit to consider possible alternative schemes or to form a view as to whether this is the best possible scheme.

5.3 My assessment of the impact of the implementation of the proposed Scheme on the various affected policies is ultimately a matter of expert judgement regarding the likelihood and impact of future possible events. Given the inherent uncertainty of the outcome of such future events and that the effects may differ across different groups of policies, it is not possible to be certain of the effect on the policies.

5.4 A Scheme may have both positive and negative effects on a group of policies and the existence of detrimental effects should not necessarily imply that the Court should reject a Scheme as the positive effects may outweigh the negative effects or the negative effects may be very small.

5.5 In order to acknowledge this inherent uncertainty, and to be consistent with normal practice in these matters, the conclusions of the Independent Actuary in relation to transfers of insurance business are usually framed using a materiality threshold. If the potential impact under consideration is very unlikely to happen and does not have a significant impact, or is likely to happen but has a very small impact, then it is not considered to have a material effect on the policies.

5.6 The assessment of materiality will also take into account the nature of the potential impact so that, for example, the materiality threshold for a change that could have a direct financial impact on policyholders' benefits is likely to be lower than the materiality threshold for a change that does not have a direct financial impact.

Principles of assessment

5.7 The conditions to be met by the proposed Scheme are:

- that the security of policyholders' benefits will not be materially adversely affected; and
- that the proposed Scheme treats policyholders fairly and will not materially adversely affect their reasonable benefit expectations.

5.8 In the following paragraphs I assess the proposed Scheme in the context of security of policyholders' benefits, fair treatment and policyholders' reasonable benefit expectations. In addition, I have considered the impact of other miscellaneous aspects of the proposed Scheme as set out below. I do not believe that there are any other matters that I have not taken into account that might be relevant to my assessment of the proposed Scheme.

5.9 I consider the implications of the proposed Scheme separately for the following groups of policyholders:

- policyholders transferring from MetLife Insurance;
- policyholders remaining in MetLife Insurance; and
- existing (pre-Effective Date) policyholders of NN Poland.

Security of policyholders' benefits

INTRODUCTION

5.10 In assessing the implications of the proposed Scheme on the security of benefits for the various groups of policyholders, I have considered a number of factors including the risk profiles of the two Companies and the outlook for their respective future solvency development (including consideration of their strategic plans).

5.11 The security of policyholders' benefits is provided by the amount by which an insurer's assets exceed its liabilities. In addition, the regulatory regime for Irish insurers requires that this excess of assets over liabilities must in turn exceed a prescribed minimum level (which is calculated taking account of the risks to which the insurer is exposed), thus providing a minimum level of security (see paragraph 5.15 below).

5.12 The principal issue with regard to security of benefits therefore is whether or not the transferee company will have adequate resources following the completion of the proposed Scheme and whether this is likely to remain the case over time. This assessment must also have regard to the corresponding situation which would pertain should the proposed Scheme not be proceeded with.

5.13 In my view, the relevant factors to be considered are the outlook for the two Companies' respective solvency positions, their respective risk profiles and their capital management plans.

OVERVIEW OF THE PRUDENTIAL REGULATORY REGIME

5.14 In relation to prudential supervision, MetLife Insurance is supervised by the Central Bank, and NN Poland is supervised by the PFSA. However, as both insurers are EU-based, they are subject to the same prudential regulatory regime as set out in the Solvency II Regulations, which are EU-wide. There are some additional local requirements and guidelines issued by the Central Bank and PFSA, however I do not view these as creating a material difference in relation to policyholder protection.

5.15 In summary, the Solvency II Regulations require insurers to value their assets at market value, coupled with a requirement to value liabilities to policyholders on a best estimate basis with the addition of an explicit risk margin. The resulting excess of assets over liabilities (termed the insurer's "**own funds**") is then compared with a capital requirement, termed the Solvency Capital Requirement ("**SCR**"), which is a risk-based capital requirement, intended to ensure that the insurer can meet its obligations to policyholders over the following 12 months with a 99.5% probability. Both MetLife Insurance and NN Poland use the so-called Standard Formula approach to determining their respective SCRs.

5.16 In addition, under Solvency II, insurers are required to adopt risk management policies, capital management policies, and risk appetite statements (amongst other things), all of which aim to contribute to effective risk and capital management.

5.17 Furthermore, both insurers are required to conduct an ORSA on at least an annual basis and to report the findings to the Board and the Central Bank or PFSA. Every insurer is also required to publish detailed information on its recent performance and solvency position in its annual Solvency and Financial Condition Report ("**SFCR**").

POLICYHOLDER PROTECTION SCHEMES

5.18 In Ireland, policyholder protection is provided by the Insurance Compensation Fund (the "**ICF**"), which is primarily designed to facilitate payments to certain policyholders in relation to risks in Ireland where an Irish authorised non-life insurer goes into liquidation. The ICF does not cover risks written by insurers regulated by the CBI that are situated in another EEA member state, and therefore does not apply to the Transferring Policies.

5.19 In Poland, the Insurance Guarantee Fund (Ubezpieczeniowy Fundusz Gwarancyjny) covers claims related to obligatory insurance contracts and life insurance contracts. No policyholder compensation scheme exists for non-life policies of a non-compulsory nature.

5.20 Therefore, there is no impact of the transfer in relation to policyholder protection scheme for the Transferring Policies.

WINDING-UP LEGISLATION

5.21 I understand that, in the event of the winding-up of an Irish insurance company, insurance claims take absolute precedence over any other claim on the insurer, with respect to assets representing the Technical Provisions (subject to certain rules). Therefore, direct insurance creditors rank ahead of inwards reinsurance creditors with respect to assets representing the Technical Provisions and all other unsecured/non-preferential creditors in the event that an insurer is wound-up.

5.22 In Poland, I understand that in the event of the winding-up of an insurance company the assets covering the technical provisions calculated under Solvency II rules constitute a separate bankruptcy estate intended to satisfy claims stemming from the insurance contracts, reinsurance contracts and costs of liquidating that bankruptcy estate. The separate bankruptcy estate of an insurance undertaking is used to satisfy, in the order of priority: 1) the costs of liquidating the separate bankruptcy estate; 2) insurance claims[9]; and 3) reinsurance claims.

NN Poland's legal advisor has confirmed to me that the overall level of protection provided to policyholders by the winding-up regimes is similar in Ireland and Poland.

OVERVIEW OF THE CONDUCT OF BUSINESS REGULATIONS

5.23 The paragraphs above focus on matters of prudential regulation. However, when it comes to the regulation and supervision of conduct of business matters, these are the domain of the territory in which the business is written. The relevant conduct of business regulations vary from one territory to the next but both MetLife Insurance and NN Poland are required to comply with the Polish requirements in relation to the Transferring Policies.

5.24 As the Transferring Policies are written in Poland, they are subject to Polish dispute resolution regulations through the Financial Ombudsman in Poland. This will not change as a result of the Scheme.

METLIFE INSURANCE – SOLVENCY POSITION ALLOWING FOR TRANSFER

5.25 MetLife Insurance's ORSA also included a projection of the solvency position over 2023-2025 excluding the Transferring Policies, had the transfer taken place at the end of the first quarter of 2021.

5.26 This projection showed that the company's solvency position is marginally improved at end 2022 following the transfer. Whilst projected solvency coverage over 2023-2025 is lower than if the transfer had not occurred, it is expected to remain strong following the transfer.

NN POLAND – PROJECTED SOLVENCY DEVELOPMENT ALLOWING FOR TRANSFER

5.27 NN Poland have provided me with financial projections showing the projected solvency of the company, assuming that the transfer takes place in 2023.

5.28 These projections show the Transferring Policies arriving in 2023, and that the solvency coverage ratio at the first year-end following their arrival is projected to be in excess of the company's target solvency coverage ratio. The solvency ratio reduces from that at end-2022 due to the costs associated with the transfer and the increased SCR from the Transferring Policies.

5.29 This projection shows that the company's solvency position is expected to remain in excess of the board approved solvency coverage ratio target following the proposed transfer.

RISK PROFILES

5.30 In my view, any consideration of the solvency coverage position needs to be made in conjunction with an assessment of the potential future volatility of the coverage position as a result of differences in the Companies' risk profiles.

5.31 I have summarised the risk profiles of MetLife Insurance and NN Poland in section 2 and section 3 respectively. Another way of comparing the risk profiles of the two entities is to consider the relative mix of risks of each entity as determined by the SCR as shown in the following table:

[9] The claims of: (a) injured persons and beneficiaries of mandatory insurance agreements, and (b) the claims of persons insured, authorised and provided for under life insurance agreements, are paid by the Insurance Guarantee Fund and The Polish Office of Motor Insurers in accordance the Act of 22 May 2003 on Mandatory Insurances; Insurance Guarantee Fund and the Polish Office of Motor Insurers, within the limits established therein. Claims under insurance agreements that are not satisfied from the separate bankruptcy estate are listed in a plan to distribute bankruptcy estate funds, under the first category.

Table 10: Relative risk profiles as measured by the percentage of total SCR

	MetLife Insurance 31.12.2021	NN Poland 31.12.2021
Market Risk	19%	8%
Counterparty Default Risk	14%	6%
Health Underwriting Risk	0%	28%
Non-life Underwriting Risk	52%	48%
Operational Risk	15%	11%

Source: Author's calculations based on data provided by NN Poland and MetLife Insurance

5.32 The comparison in Table 10 shows that the relative proportion of the SCR is similar in relation to non-life underwriting risk and operational risk. Also, MetLife Insurance has a higher proportion of the SCR related to market and counterparty risk, and a lower proportion of health underwriting risk, compared to NN Poland.

5.33 Whilst both entities have a similar proportion of non-life underwriting risk, the underlying risks are somewhat different – the main risk for MetLife Insurance is unemployment risk from its ILOE business, whereas NN Poland is exposed to risks associated with its household insurance portfolio. However, in both cases these risks are materially reinsured.

5.34 Whilst there are some differences in the risk profiles of the entities, these are reflected in their capital requirements, which have been assessed under a common solvency regime. As I have noted above, both entities are projected to be well capitalised post transfer and therefore I conclude that the difference in their risk exposure will not have a materially adverse impact on the security of benefits of the different groups of policyholders.

CAPITAL MANAGEMENT PLANS

5.35 As set out in sections 2 and 3 respectively, the capital management policies of MetLife Insurance and NN Poland are relatively similar in respect of target solvency levels. In summary, MetLife Insurance intends to operate to a normal target solvency coverage level of 145-150% (with a heightened attention range of 125-145%), whereas NN Poland operates to a commercial target solvency coverage level of 140% (with a lower bound of 130%). In both cases, any dividend proposals must have regard to the target solvency coverage levels, as informed by the most recent ORSA projections.

5.36 The capital management policies of both Companies are governed by their respective boards. Any changes to these would require board approval, and would be supported by an ORSA approved by the board. The Companies have informed me that no substantive changes are currently planned.

CONSIDERATION OF DIFFERENT GROUPS OF POLICYHOLDERS

5.37 As noted in paragraph 5.9, it is necessary to consider the position separately for each group of policyholders. In the following paragraphs I set out my analysis of the implications of the proposed Scheme for:

- policyholders transferring from MetLife Insurance (the "**Transferring Policies**");
- policyholders remaining in MetLife Insurance; and
- existing (pre-Effective Date) policyholders of NN Poland.

5.38 Based on my assessment of the outlook for the solvency position of the two Companies, together with my assessment of the Companies' respective risk profiles and capital management plans, the implications of the transfer for the security of benefits of each of the categories of policyholders are considered further in paragraphs 5.39 to 5.50 below.

Policyholders transferring from MetLife Insurance

5.39 My assessment of the position for those policyholders transferring to NN Poland from MetLife Insurance is that they would be moving to another EU-authorised and supervised insurer, which has materially the same prudential supervision requirements.

5.40 Whilst there are some differences in the level of solvency coverage and risk profiles between the two entities, NN Poland is projected to be well capitalised and with a similar level of policyholder protection offered under the EU-wide prudential supervision regime. I note that the target solvency levels of both companies are similar and that their capital management policies are subject to similar governance.

5.41 In my opinion, for the reasons set out above, the security of benefits for the transferring MetLife Insurance policyholders will not be materially adversely affected by the proposed Scheme.

Policyholders remaining in MetLife Insurance

5.42 The impact on the proposed Scheme on the policyholders remaining in MetLife Insurance is very minor. The solvency position of MetLife Insurance is projected to be strong following the transfer and, in addition, the transfer will not materially impact on the company's risk profile.

5.43 In my opinion, for the reasons set out above, the security of benefits for the remaining MetLife Insurance policyholders will not be materially adversely affected by the proposed Scheme.

NN Poland's policyholders

5.44 The NN Poland policyholders will be impacted by the proposed Scheme as the assets and liabilities of the Transferring Policies will transfer into NN Poland.

5.45 The Transferring Policies will naturally shift the risk profile of NN Poland's business towards health underwriting risks. NN Poland currently writes some short-term health insurance business, albeit on a smaller scale, and therefore has experience of managing products that cover risks arising from critical illness, hospitalisation and accidents.

5.46 The Transferring Policies are distributed through a different distribution channel to that through which NN's current new business is sold, which does bring some additional sales compliance risks. However, NN Poland has in the past sold health policies via direct sales, and other NN entities in Poland also have similar experience, which does mitigate this risk. Additionally, as required by the Solvency II regime, NN Poland has a Risk Management Function in place which will ensure any new risks are managed. Furthermore, NN Poland have informed me that they intend to enter into a reinsurance treaty for the transferring policies, whereby 50% of the risk will be ceded on a quota-share basis.

5.47 Furthermore, the services company that administers the Transferring Policies has been purchased by NN Group and therefore there will be no change in administration for this business, and hence no additional operational risk is expected. I note that the entity that carries out the administration may change as noted in paragraph 3.41 above.

5.48 However, although the proposed transfer has some impact on the company's risk profile, it also brings benefits for NN Poland's existing policyholders. The central financial projections adopted by the NN Poland Board and submitted to the PFSA, envisage a strong and growing level of solvency coverage following the transfer.

5.49 NN Poland's existing policyholders will also benefit from economies of scale resulting from the further expansion of the company's business, which will help to address one of the main risks identified in the company's ORSA report.

5.50 In my opinion, for the reasons set out above, the security of benefits for the existing NN Poland policyholders will not be materially adversely affected by the proposed Scheme.

SUMMARY & CONCLUSIONS – SECURITY

5.51 On the basis of the information provided to me, and having considered the alternative scenario of the transfer not taking place, I am satisfied that the proposed Scheme will not result in a material adverse impact on the security of policyholders' benefits in the case of the Transferring Policies, the policyholders remaining in MetLife Insurance post-transfer, and NN Poland's existing policyholders.

Fair treatment and policyholder benefit expectations

INTRODUCTION

5.52 I must also consider whether the proposed Scheme treats policyholders fairly and consider the effect of the proposed Scheme on policyholders' reasonable benefit expectations.

5.53 In the case of the proposed Scheme, this involves consideration of:

- contractual obligations to policyholders;
- any changes that would be caused to the tax treatment of policyholder premiums and/or benefits;

- any areas where the Companies are required to exercise discretion in relation to the fulfilment of their contracts with their policyholders. Such areas of discretionary powers may include: the ability to vary the level of non-guaranteed charges; and the ability to vary premiums on policies with reviewable premium, amongst others; and
- the levels of customer service to policyholders.

5.54 There is no statutory regulation in relation to policyholders' reasonable expectations ("**PRE**"), although the Central Bank does require the Head of Actuarial Function to set out, in his or her annual report to the Board on technical provisions, his or her interpretation of PRE and how these have been considered in establishing the technical provisions. The SAI has stated, in ASP INS-2, the need to consider PRE when assessing a proposed transfer of business.

GENERAL

5.55 Under the terms of the proposed Scheme:

- NN Poland may exercise such discretions in respect of the Transferring Policies as are available to it under the terms and conditions of those policies, in accordance with the applicable principles and having regard, as appropriate, to such considerations as apply in relation to such business in NN Poland.
- NN Poland may modify the terms and conditions applicable to any of the Transferring Policies in accordance with the applicable principles, and having regard, as appropriate, to such considerations as apply in relation to such business in NN Poland.

5.56 In the following paragraphs, I set out my views on the impact of the proposed Scheme on the fair treatment and reasonable benefit expectations of the various groups of policyholders.

POLICYHOLDERS TRANSFERRING FROM METLIFE INSURANCE

Contractual obligations

5.57 Given the relevant terms of the proposed Scheme as set out above, the terms and conditions of the Transferring Policies will not be impacted by the proposed Scheme.

Tax treatment of premiums and benefits

5.58 MetLife Insurance has confirmed that there is no impact of the Scheme on the tax treatment of premiums and benefits for the Transferring Policies as well as the policies remaining in MetLife Insurance post-transfer.

5.59 NN Poland has confirmed that the proposed Scheme will have no tax implications for its existing (pre-Effective Date) policyholders.

5.60 I have relied on the information provided to me in this regard.

Exercise of discretion

5.61 The main areas where there is discretion applied in fulfilling the Transferring Policies are in relation to:

- updates to premiums and benefits of the renewable products, and
- claims management

5.62 In relation to the ability to exercise discretion in respect of aspects of the terms and conditions applicable to the Transferring Policies, I note that the proposed Scheme stipulates that the exercise of such discretion by NN Poland post-transfer must have regard to the principles generally applied in NN Poland for such business. MetLife Insurance has informed me that it has not exercised any discretionary powers on the Transferring Policies in the past in relation to aspects of their terms and conditions such as the level of charges levied.

5.63 NN Poland has confirmed to me that they will have due regard to MetLife Insurance's past practices in relation to the exercise of discretion in respect of the Transferring Policies.

Customer service

5.64 The Transferring Policies are administered by a services company based in Poland. This company has been purchased by NN Group and therefore there will be no change in administration for this business. I note that the entity that carries out the administration may change as noted in paragraph 3.41 above.

5.65 Therefore, based on the information provided, it seems reasonable to conclude that the administration arrangements for the Transferring Policies will be almost entirely unchanged should the proposed Scheme proceed.

5.66 In my opinion, for the reasons set out above, the fair treatment and reasonable benefit expectations of the transferring MetLife Insurance policyholders will not be materially adversely affected by the proposed Scheme.

POLICYHOLDERS REMAINING IN METLIFE INSURANCE

5.67 There will be no change arising from the proposed Scheme to the terms and conditions of the policies of those policyholders remaining in MetLife Insurance, nor will there be any changes to the way in which MetLife Insurance will exercise its discretionary powers. MetLife Insurance has informed me that there will be no adverse tax consequences and there will be no change to the administration and customer service arrangements.

5.68 In my opinion, for the reasons set out above, the fair treatment and reasonable benefit expectations of the remaining MetLife Insurance policyholders will not be materially adversely affected by the proposed Scheme.

NN POLAND’S POLICYHOLDERS

5.69 There will be no change arising from the proposed Scheme to the terms and conditions of the policies of existing (pre-Effective Date) policyholders in NN Poland, nor will there be any changes to the way in which NN Poland will exercise its discretionary powers. There will be no adverse tax consequences and there will be no change to the administration and customer service arrangements.

5.70 In my opinion, for the reasons set out above, the fair treatment and reasonable benefit expectations of the existing (pre-Effective Date) NN Poland policyholders will not be materially adversely affected by the proposed Scheme.

Miscellaneous aspects

CLASSES OF BUSINESS FOR WHICH NN POLAND IS AUTHORISED

5.71 NN Poland is authorised by the PFSA to transact non-life insurance business in Classes 1, 2, 8, 9, 13, 14, 16, 18 under the Solvency II Regulations. The Transferring Policies are written under Classes 1 and 2 and therefore NN Poland does not require authorisation for any additional Classes in order to accept the Transferring Policies.

POLICYHOLDER COMMUNICATIONS

5.72 The proposed communications plan is summarised in paragraphs 4.12 to 4.14. MetLife’s legal advisors note that individual direct communication with each policyholder is not required by Irish law in respect of any groups of policyholders associated with this proposed transfer. Notwithstanding this, MetLife Insurance and NN Poland have agreed a proposed policyholder communication strategy for the Scheme, which, in summary, will comprise of the following:

- providing formal notices of the transfer, including where additional information about the transfer can be found, in the relevant newspapers or other publications in Poland;
- including notices of the transfer on the websites of either or both of MetLife Insurance and NN Poland;
- making available all relevant documents with respect to the proposed transfer (including copies of the actuarial report) at the Companies’ offices;
- publishing a notice of the proposed transfer in two daily newspapers in Ireland;
- communicating with any individual policyholder, or agent, of MetLife who requests particular information concerning the proposed transfer; and
- any other actions or modifications that the High Court may direct.

5.73 The Companies’ rationale for not sending a policyholder circular directly to the Transferring Policyholders is that: (a) providing non-Irish policyholders with a circular tailored to the specific requirements of the 1909 Act would likely cause confusion; (b) their Polish legal advisors note that the proposed communications approach goes beyond the local requirements and market practice with respect to policyholder notification in Poland; and, (c) I have concluded that neither the security of benefits nor the fair treatment and reasonable benefit expectations of those policyholders will be materially adversely affected by the proposed Scheme.

5.74 The Companies’ rationale for not sending a policyholder circular directly to the remaining MetLife Insurance policyholders and all existing policyholders of NN Poland is that I have concluded that neither the security of benefits nor the fair treatment and reasonable benefit expectations of those policyholders will be materially adversely affected by the proposed Scheme.

5.75 Given the nature of the Transferring Policies and my conclusions as set out in section 5 of this Report, the proposed communications plan does not seem unreasonable from my perspective. I note that the communication plan is subject to any amendment directed by the Court.

EFFECT ON PREVIOUS SCHEMES

5.76 I have been informed by MetLife Insurance that the Transferring Policies have not been subject to any previous schemes of transfer.

COSTS OF THE PROPOSED SCHEME

5.77 Each of the Companies will bear its own costs incurred in connection with the preparation and carrying into effect of the proposed Scheme. No costs or expenses will be borne by policyholders of either of the Companies. I confirm that I have no objections to this arrangement.

MATTERS NOT CONSIDERED

5.78 I do not believe that there are any material relevant issues that have not been considered in this report.

6 CONCLUSIONS ON THE PROPOSED SCHEME

6.1 I confirm that I have considered the effects of the proposed Scheme on the following groups of policyholders:

- policyholders transferring from MetLife Insurance;
- policyholders remaining in MetLife Insurance; and
- existing (pre-Effective Date) policyholders of NN Poland.

6.2 I further confirm that I do not consider further subdivisions to be necessary.

6.3 In summary, I am satisfied that the implementation of the proposed Scheme would not have a material adverse effect on

- the security of benefits under the policies of MetLife Insurance and NN Poland;
- the reasonable expectations of the policyholders of MetLife Insurance and NN Poland with respect to their benefits; and
- the standards of administration, service, management and governance that apply to the MetLife Insurance and NN Poland policies.

Andrew Kay

Andrew Kay
Fellow of the Society of Actuaries in Ireland

12 January 2023

7 APPENDIX A – LIST OF PRINCIPAL DATA SOURCES

7.1 In carrying out my work and producing this report, reliance has been placed upon, but not limited to, the following information. All items have been provided directly to me by either MetLife Insurance or NN Poland unless otherwise noted.

Legal documents

- Constitution of MetLife Insurance
- Constitution of NN Poland
- The Scheme and other related legal documents (provided by MetLife Insurance on 10 January 2023)
- Email notification to the Central Bank from MetLife Insurance in respect of the proposed Scheme dated 10 January 2023

Reports from the Heads of Actuarial Function

- Report from the Head of Actuarial Function to the Board of MetLife Insurance in respect of the year ended 31 December 2021
- Report from the Head of Actuarial Function to the Board of NN Poland in respect of the year ended 31 December 2021

Solvency & Financial Condition Reports

- Solvency and Financial Condition Report (SFCR) for MetLife Insurance for the year ended 31 December 2021
- Solvency and Financial Condition Report (SFCR) for NN Poland for the year ended 31 December 2021
- Solvency and Financial Condition Report (SFCR) for NNLife TUNŻiR S.A. for the year ended 31 December 2021
- Solvency and Financial Condition Report (SFCR) for NN Poland Life for the year ended 31 December 2021
- Solvency and Financial Condition Report (SFCR) for NN Group for the year ended 31 December 2021

Own Risk & Solvency Assessment (ORSA) Reports

- ORSA Report for MetLife Insurance dated 8 December 2021
- ORSA Report for NN Poland dated December 2021

Directors' Reports and Financial Statements

- Directors' Report and Financial Statements for MetLife Insurance for the financial year ended 31 December 2021
- Directors' Report and Financial Statements for NN Poland for the financial year ended 31 December 2021

Product documentation

- Sample policy documents for the Transferring Policies

Other documents

- Capital Management Policy for MetLife Insurance dated December 2022
- Capital Management & Dividend Policy for NN Poland dated March 2018

Correspondence

- E-mail correspondence with MetLife Insurance in relation to the proposed Scheme
- E-mail correspondence with NN Poland in relation to the proposed Scheme

8 APPENDIX B: GLOSSARY OF TERMS

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

Term	Definition
1909 Act, The	The Assurance Companies Act 1909
Appointed Actuary	An actuary appointed to an Irish life assurance company pursuant to Section 34 of the Insurance Act 1989. (Note that the Appointed Actuary role no longer exists following the transition to Solvency II on 1 January 2016)
ASP	Actuarial Standard of Practice
BEL	Best Estimate Liability. One of the components of the technical provisions under Solvency II. The BEL is calculated by projecting the expected future obligations of the insurer over the lifetime of the insurance contracts using the most up-to-date financial information and best-estimate actuarial assumptions. The BEL represents the present value of those projected cash-flows
Central Bank, The	The Central Bank of Ireland, which is the supervisory authority with responsibility for the prudential supervision of MetLife Insurance
Companies, The	MetLife Insurance and NN Poland, collectively
Court, The	The High Court of Ireland
EEA	The European Economic Area. The EEA comprises the EU plus Iceland, Liechtenstein and Norway
Effective Date, The	00:01 hours on 01 April 2023, or such other date as may be specified by the Court
EU	The European Union
Freedom of establishment	The right of an insurer located in one EEA member state to underwrite a risk located in another EEA member state by establishing a permanent presence in that EEA member state (typically a branch)
Freedom of services	The right to provide business services on a cross-border basis within the EEA. For insurance contracts, this means that the contract can be underwritten by an insurer based in an EEA member state that is different from the member state where the risk is located
FSAI	Fellow of the Society of Actuaries in Ireland
GAAP	Generally Accepted Accounting Principles
Head of Actuarial Function	The person, as nominated by the company's board of directors and approved by the Central Bank, with overall responsibility for the tasks called out for the actuarial function under Solvency II and the additional responsibilities introduced by the Central Bank
Independent Actuary	Mr Andrew Kay, a Fellow of the Society of Actuaries in Ireland and a Principal with Milliman
Independent Actuary's report	This report
NN Poland	Nationale-Nederlanden Towarzystwo Ubezpieczen S.A.
MCR	Minimum Capital Requirement. One of the regulatory capital requirements under Solvency II. Usually lower than the SCR. The MCR defines the point of intensive regulatory intervention. The MCR calculation is simpler, more formulaic and less risk-sensitive than the SCR calculation
MetLife	MetLife, Inc.
MetLife Insurance	MetLife Europe Insurance dac
Milliman	Milliman Ltd., Consultants & Actuaries, 7 Grand Canal Street Lower, Dublin 2
ORSA	Own Risk and Solvency Assessment. The ORSA is a risk management tool, which is required under Solvency II, to assess the overall solvency needs of the firm taking into account the firm's own assessment of its particular risk profile
Own funds	Broadly speaking, the excess of an insurer's assets over its liabilities on a Solvency II basis
Passporting	The colloquial term for Freedom of Establishment and/or Freedom of Services
Proposed Scheme, The	The legal scheme of transfer by which it is proposed that the Transferring Policies and their associated assets and liabilities be transferred from MetLife Insurance to NN Poland. Under the relevant provisions of the 1909 Act (see), the proposed scheme requires the approval of the Court

PFSA	Polish Financial Supervision Authority (Komisja Nadzoru Finansowego, “PFSA” or “KNF”), which is the supervisory authority with responsibility for supervision of NN Poland
QRTs	Quantitative Reporting Templates. These are specific forms which insurers must complete on a regular basis under Solvency II. Some QRTs are required to be produced quarterly and more are required to be produced annually. Some of the annual QRTs are public (typically appended to the SFCR)
Risk Margin	The risk margin is an amount, in addition to the BEL, designed to bring the technical provisions up to the amount that another insurer (or reinsurer) would be expected to require in order to take over and discharge the insurance liabilities in an arm’s length transaction
SAI	The Society of Actuaries in Ireland
SCR	Solvency Capital Requirement. One of the regulatory capital requirements under Solvency II. Intended to represent the amount required to ensure that an insurer’s assets continue to exceed its liabilities over a one year time frame with a probability of 99.5%
SFCR	Solvency and Financial Condition Report. This is a public document which all insurers are required to produce on an annual basis under Solvency II. Insurers are required to publish their SFCRs on their websites. In addition, the Central Bank also maintains a public repository of all Irish insurers’ SFCRs
Solvency II	The regulatory regime for insurers which came into force on 1 January 2016 aimed at harmonising insurance regulation across all EEA countries
Solvency II Regulations, The	The European Union (Insurance and Reinsurance) Regulations 2015 (S.I. No 485 of 2015)
Standard Formula	A standardised calculation method for determining the SCR. Insurers are required to calculate their SCR using either the Standard Formula or an approved Internal Model
Supplementary report	A further report to be prepared by the Independent Actuary prior to the final Court hearing. The purpose of the supplementary report is to provide an update for the Court on the Independent Actuary’s conclusions in light of any significant events subsequent to the date of the finalisation of this report
Technical provisions	The value of the insurance liabilities of an insurer, as determined for regulatory purposes. Under Solvency II, the Technical Provisions comprise the BEL and the Risk Margin
Transferring Policies	The policies that are proposed to be transferred from MetLife Insurance to NN Poland under the proposed Scheme