

**Portfolio Transfer**  
**EuroLife Insurance Company Limited**  
**NN Hellenic Life Insurance Company S.A.**

As at 30/6/2019

Ακριβές αντίγραφο από το  
Αρχείο της Εταιρείας



# Table of Contents

1. Introduction	2
2. Executive Summary	4
3. Overview of EuroLife	7
4. Overview of NN	11
5. Outline of Transfer	15
6. Impact of the Transfer	17
7. Policyholder communication	21
8. Appendices	22
Appendix A: Marios Schizas, CV	23
Appendix B: Scope	24
Appendix C: Sources of Data	25
Appendix D: Reliance and Limitations	26



# 1. Introduction

## 1.1 Purpose of the Report

I have prepared this report as an Independent Actuary ("IA") on the Transfer of EuroLife Ltd ("EuroLife") portfolio to NN Hellenic Life Insurance Company S.A. ("NN") for the purpose agreed under our engagement letter dated 20 June 2019. The transfer covers the life portfolio of EuroLife Kyprou Zois (the "Portfolio" or "KZ Portfolio" or "Transfer").

This Report describes the proposed transfer and discusses the possible effects on the relevant policyholder groups, including effects on solvency and levels of service. The Report is organised into the following sections:

- Section 1: Describes the purpose of the Report and the role of the Independent Actuary
- Section 2: Executive Summary and Conclusions
- Section 3: Provides relevant background information on EuroLife
- Section 4: Provides relevant background information on NN
- Section 5: Outline of the proposed transfer
- Section 6: Commentary on the impact of the transfer
- Section 7: Policyholder communication

This report has been prepared in accordance with the Cyprus Law, Insurance and Reinsurance Business and other Related Issue Law 38 (I) of 2016, Article 196 (1)(a) and we understand the reliance that may be placed on it by policyholders and other related parties such as the Cyprus Superintendent of Insurance in understanding the impact of the proposed transfer on the affected policyholders.

## 1.2 Independent Actuary

I, Marios Schizas, a Partner with Deloitte Actuarial Services (Deloitte), hereby confirm that I am a Fellow of the institute of Actuaries, having qualified as an actuary in 2004. I am also a Fellow of the Cyprus Association of Actuaries and acting as Appointed Actuary / Actuarial Function Holder for a number of Life Insurance and Reinsurance companies. My curriculum vita is included in Appendix A.

I have been appointed by EuroLife to act as an Independent Actuary in connection with the KZ portfolio transfer. NN has agreed to my appointment. The terms on which I was formally appointed as the Independent Actuary are set out in an engagement letter dated 20th of June 2019 and extract of my scope is included in Appendix B.

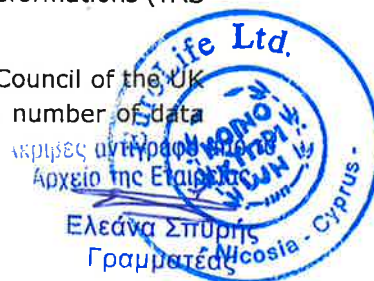
To my best knowledge, I have no conflicts of interest in connection with the parties involved in the proposed transfer and I consider myself able to act as an Independent Actuary on this transaction.

In reporting to the Court on the proposed transaction, my overriding duty lies with the Court.

## 1.3 Scope of the Report

This report has been prepared in accordance with the relevant UK Technical Standards (TASs) including the Technical Actuarial Standards on Reporting Actuarial Information (TAS R), Modelling (TAS M), Data (TAS D) and the Insurance TAS. Additionally, a specific TAS on Transformations (TAS T) has been adhered to in the production of the report.

This report constitutes an aggregate report as defined by the Financial Reporting Council of the UK in its Technical Actuarial Standard on reporting actuarial information, 'TAS R'. A number of data



sources have been used, exclusively provided by EuroLife and NN, to support the efforts of the Independent Actuary assessment. A full list of the material used in this assessment is provided in Appendix C.

To the extent possible, all material matters have been considered in the preparation of this report. Where material uncertainty exists, I have tried to indicate the extent that the existence of such uncertainty may influence the final results.

#### 1.4 Reliance and Limitations

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

This report has been prepared particularly for the use of the bodies or persons listed below:

- The Courts.
- Directors and senior management of EuroLife and of NN.
- Superintendent of Insurance in Cyprus ("Sol") or any government department of agency having responsibility for the regulation of NN, the policies written by them and/or their branches.
- Policyholders of NN.
- Policyholders of EuroLife.
- Policyholders in relation to the EuroLife portfolio to be transferred.
- Professional advisors of any of the above.

In compiling this report several sources of information have been considered which have been received exclusively from the management of EuroLife and NN, which are listed in Appendix B. I have placed reliance on the accuracy of all information received and should not be held liable for any conclusions drawn as a result of considering inaccurate data or information. Any tax implications have been taken directly from the tax experts of NN.

This Report has been produced for no other purpose other than to support my opinion as Independent Actuary.

No liability will be accepted by Deloitte, or me, for any application of this Report for the purpose for which it was not intended, nor for the results of any misunderstandings by any user of any aspect of the report. If other persons choose to rely in any way on the contents of this Report then they do so entirely at their own risk.

#### 1.5 Disclosures

This report may not be published or made available without my written consent, apart for the parties mentioned in the Reliance & Limitation section and making the report available for inspection by or circulation to policyholders as required by legislation or in order to meet any other specified legal requirements.

#### 1.6 Peer Review Process

Dimitris Dimitriou, Partner in Deloitte of similar seniority and experience has acted as peer reviewer on this engagement and is responsible for quality assurance.



## 2. Executive Summary

### 2.1 Overview

This report sets out my findings, considerations and conclusions of my review in relation to the proposed transfer of EuroLife portfolio to NN. The main area of my consideration relates to the impact of the proposed transfer on the policyholder and beneficiaries expectations and security of the existing policyholders and beneficiaries of EuroLife and NN. Throughout this report, any reference to policyholders applies equally to the corresponding beneficiaries and insureds.

### 2.2 Approach

My approach to assessing the likely effects of the Transfer on policyholders is to:

- Understand the businesses of the companies affected by the Transfer.
- Understand the effect of the Transfer on the assets, liabilities and regulatory capital of the companies involved.
- Identify the groups of policyholders that would be affected.
- Consider the implications of the Transfer on the level of security provided to each group of policyholders.
- Consider other aspects of the impact of the Transfer for example policyholder service.

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

- EuroLife and NN Solvency II balance sheet and capital position as at 31 December 2018. I have also been provided with proforma Solvency II information illustrating the impact of the transfer as if it had occurred as at 31 December 2018.
- EuroLife and NN audited management accounts as at 31 December 2018.
- 2018 Own Risk and Solvency Assessment (ORSA) (including business plans for EuroLife and NN. The ORSA and business plans are not in the public domain therefore due to commercial sensitivities, I have not reproduced the detail of this data within the Report.

In forming my opinion based on this information, I have considered:

- The appropriateness of the methods used by each company to calculate the impact of the transferring portfolio
- The relative capital strength of the two companies

A list of all significant information provided is set out in Appendix B.

### 2.3 Key findings

In my review of the information received, the findings of my Report are summarised below:

- I have considered the capital strength of both EuroLife and NN respectively prior and post the Transfer and in respect of all groups of policyholders. I have based my analysis on the most recent audited financial information at 31 December 2018 including regulatory the quantitative reporting templates to the respective regulators.



The table below provides the capital and solvency position for EuroLife and NN pre (actual figures) and post transfer (estimated figures) as at 31 December 2018:

ALL FIGURES ARE IN €M	31 December 2018			
	EuroLife with portfolio Actual	EuroLife without portfolio Estimate	NN without portfolio Actual	NN with portfolio Estimate
Available Own Funds	129.12	128.47	184.08	184.08
Total eligible own funds to meet the SCR	129.12	128.47	179.91	179.91
Solvency Capital Requirement	53.50	52.88	102.96	103.10
Risk Appetite Target	175%	175%	125%	125%
Solvency Ratio	241.3%	242.9%	174.7%	174.5%

The proforma analysis above illustrates that there is strong Solvency II regulatory capital position in EuroLife and NN pre and post the Transfer.

Considering the impact of the Transferring portfolio on the main groups of policyholders separately, I note:

- For the remaining EuroLife policyholders post the transfer, EuroLife's solvency position based on the analysis provided is expected to remain strong and well above its risk appetite tolerance levels (175%) as the Transferring Portfolio is immaterial in the context of EuroLife's overall business.
- For the transferring EuroLife policyholders, they are moving into a company with a lower solvency position, however it is ahead of the risk appetite and they will be part of a larger company (member of group) that has a higher level of available capital resources and own funds.
- With respect to the existing policyholders of NN, I do not expect any material adverse impact on policyholder security as a result of the Transferring portfolio as I believe that NN has a sufficient level of capital in order to meet policyholder obligations following the transaction (as shown below).

ALL FIGURES ARE IN €M	31-Dec-18	
	NN pre transfer	NN post transfer
	Actual	Estimated
Total Assets	1,550	1,551
Technical Provisions	1,294	1,298
Other Liabilities	72	72
Total Liabilities	1,366	1,367
Available Assets	184	184
Total eligible own funds to meet the SCR	180	180
Solvency Capital Requirement		
Regulatory Minimum	103	103
Risk Appetite Target	125%	125%
Solvency Ratio	175%	175%

I have also considered the effects of the Transfer on the fair treatment of both EuroLife and NN policyholders, including Policyholders Reasonable Expectations ("PRE") focusing on the following aspects:

- The transferring policyholders' terms and conditions will remain unchanged as a consequence of the Transfer. There is no impact on EuroLife's remaining policyholders or on existing NN's policyholders' terms and conditions.
- The Reinsurance agreement which EuroLife has in place with regards to the portfolio is specifically excluded for the agreement.
- The costs and expenses associated with implementing the Transfer will be met by the companies as described in the transfer agreement and are not expected to have an adverse effect on the fair treatment of the policyholders.
- I am not aware of any disclosures or local legislative requirements, which confer any additional reasonable expectations over and above the contractual terms of the policies.

#### 2.4 Conditions prior to transfer

In forming my opinion, I have relied on a number of conditions that should be fulfilled prior to the implementation of the proposed transfer. These are:

- The Solvency II balance sheet for both NN and EuroLife should be updated and based on data and assumptions as at 30 September 2019 and submitted to the Independent Actuary in the fourth quarter of 2019. All assumptions used should be backed by experience investigation where applicable or relevant market experience where company experience is not statistically significant.
- Regulatory approval is granted from both the Cypriot and Greek regulators.
- The Boards of EuroLife and NN approve the proposed transfer as outlined in this report.

#### 2.5 Opinion

Having considered the impact of the Transfer on both the transferring policyholders of EuroLife, remaining policyholders of EuroLife and the existing policyholders of NN, it is my opinion that

- The Transfer will not have a material adverse effect on the security of benefits for any of the policyholders involved
- The Transfer will not have a material adverse effect on the reasonable expectations of any policyholders involved
- The Transfer will not have a material adverse effect on the policy servicing levels currently experienced by the policyholders of EuroLife and NN

My opinion in relation to EuroLife and NN policyholders is based on my review of all documentation provided by the management of both NN and EuroLife and regular discussions held with key team members of both Companies.



Marios Schizas  
Deloitte Actuarial Services Limited



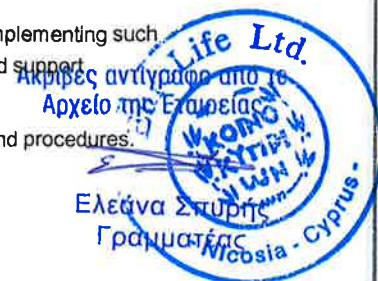
## 3. Overview of EuroLife

### 3.1 Structure and Background

EuroLife Limited is incorporated in Cyprus and is a company limited by shares. The Company operates predominantly in Cyprus and is a 100% subsidiary of the Bank of Cyprus (BoC) Group. EuroLife is licensed by the Insurance Companies Control Service ("ICCS") to operate as an insurance undertaking pursuing both life and non-life insurance activity (only in the Accident & Health Class).

EuroLife operates a management framework, which is designed to effectively assist decision making in order to control and assess the risks and opportunities within the business. This ensures that risk management is integrated within all the business processes. EuroLife has a number of Executive Committees, which meet on a regular basis to ensure compliance with the management framework. The following table lists the committees including the Board of Directors that are currently in place with their key roles:

Committees for SII compliance	Functionality / Role
CORPORATE GOVERNANCE	
Board of Directors	<ul style="list-style-type: none"> <li>· Setting the strategy, tone, culture and values of the Company.</li> <li>· Establishing the Company's internal control and risk management systems and monitoring their implementation and effectiveness.</li> <li>· Overseeing Senior Management and establishing sound business practices and strategic planning.</li> <li>· Defining and approving the Company's policies and procedures to ensure its sound operation and compliance with regulatory requirements, taking appropriate measure to address any deficiencies.</li> <li>· Reviewing management proposals on the desired risk strategy of the Company and assisting the Board in overseeing the effective implementation of risk strategy by management.</li> </ul>
Risk Committee	<ul style="list-style-type: none"> <li>· The oversight of the development, implementation and maintenance of the Company's overall Risk Management Strategy and Framework.</li> <li>· Review and approval of all Risk Management policies of the Company.</li> <li>· Determining the adequacy and effectiveness of the Company's Risk Management System and Risk Management Function.</li> <li>· Monitoring and reviewing reports to external stakeholders on risk matters.</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>· The effectiveness of the Company's system of internal controls.</li> <li>· The integrity of the Company's financial statements.</li> <li>· The effectiveness of the internal and external audit processes.</li> <li>· The Company's relationship with its external auditors.</li> <li>· The adequacy and effectiveness of the Company's Internal Audit Function and Compliance Function.</li> <li>· The adequacy of the communication between the Board, Management and the Control Functions.</li> <li>· Oversight of the operations of the Company and providing direction with regard to such operations.</li> </ul>
Senior Management Team	<ul style="list-style-type: none"> <li>· Defining the strategy and plans of the Company and implementing such through allocation of resources across business units and support functions of the Company.</li> <li>· Overseeing the implementation of Company policies and procedures.</li> </ul>





## Asset Liability Management (ALM) Committee

- Developing, reviewing and improving mechanisms and processes for an effective internal control system.
- Coordinating and managing the activities of the Company, apportioning duties to personnel and promoting accountability and reporting.
- Overseeing the prudent management of EuroLife's own-asset portfolio and ensuring that assets and liabilities are in accordance with the ALM targets and tolerance levels set out in the Company's ALM policy.
- Achieving the best possible return within its risk appetite limits.
- Recommending risk strategy/risk appetite for financial risks to the Risk Committee.

## Investment Committee

- Monitoring regulatory changes (capital, liquidity and other) and the consequences of those changes on the Company.
- Reviewing and adopting a capital management plan in accordance with the Company's Capital Management Policy, taking into account the size and nature of the risks undertaken, in order to ensure that the Company has adequate capital and liquidity.
- Setting, reviewing and monitoring compliance with investment policies, investment strategies and guidelines, investment processes and procedures.
- Setting and reviewing of asset allocation of EuroLife's unit linked funds based on market expectations.
- Ensuring proper risk management practices are applied and monitoring performance of external investment managers as against the Company Investment Policy.

## 3.2 Nature of Business written

EuroLife offers individual unit-linked products and simple term cover products, as well as individual accident and health products. It also offers life and accident cover on a group basis. Finally, the Company offers provision of services of administering Occupational Pension Scheme assets.

	Unit Linked Cover	Other Life Cover (Without Profit)	Health Similar to Life Techniques (SLT)	Health Non SLT (NSLT)
Individual Life cover –unit linked	♦			
Individual Life cover –non linked		♦		
Group Life cover		♦		
Disability benefits			♦	
Income protection benefits			♦	
Accidental Benefits			♦	
Medical expenses benefits				♦

The in-force portfolio as at 31 December 2018 included 74,282 individual and group life, and health policies corresponding to €106 million of annual premiums.

The following table shows a breakdown of EuroLife's annual premiums and cases as at 31 December 2018 for the in force business.

	31-Dec-18
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	Unit Linked Cover	Other Life Cover (Without Profit)	Health SLT benefits	Health NSLT	Total
Annual Premium (€m)	66	7	6	25	106
Cases	63,620	13,314		16,163	93,097

### 3.3 Risk Profile and Management

#### Overview of risks

EuroLife is exposed to a range of particularly those relating to life underwriting and market risk. An analysis of the company's SCR for the years 2018 and 2017 to its different constituents is shown below:

SOLVENCY CAPITAL REQUIREMENT		
MAIN RISK CATEGORY	YE2018 €'M	YE2017 €'M
Market risk	35	40
Counterparty risk	7	13
Life Underwriting risks	26	35
Health Underwriting risks	13	10
Total Basic SCR (after diversification)	57	69
Operational Risk	4	4
Loss Absorbing Capacity for Deferred Tax	(8)	(9)
Solvency Capital Requirement (SCR)	53	64
Total eligible own funds	129	140
SCR coverage ratio	241%	219%

Historically, EuroLife maintained a strong solvency capital position.

#### Governance

The risk governance of EuroLife forms an integral part of the business and it is based on a "Three Line of Defense" model. Specifically, all risk management activities that are undertaken by the "First Line of Defense" (Business Units), are controlled by the "Second Line of Defense" and, primarily, by the RMF. The third line of defense is the Internal Audit Function, which acts as an independent control body with the purpose of providing assurance on the effectiveness of the company's risk management system.

The RMF performs a risk identification and assessment exercise with the use of a Risk Register, which reflects all the main risks arising from the company's activities and operations, including risks not covered or not fully covered by the SCR standard formula.

### 3.4 Operational arrangements

Core services such underwriting and policy management are generally provided in house. Currently the following critical functions or activities are outsourced:

- Internal Audit Function
- The handling and investigation of healthcare claims.

All outsourced activities are subject to EuroLife's Outsourcing Policy



EuroLife also provides services in Greece by exercising its right of freedom of services. Its Greek portfolio, namely "Kyprou Zois" (the "Portfolio"), currently operates on a run-off basis. The company has reached an agreement for this portfolio transfer (the "Transfer") to NN Hellenic Life Insurance Company S.A ("NN") operating in Greece.

### 3.5 Financial Profile

#### Audited Financial Results (IFRS)

The company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS). On an IFRS basis, the company had an after tax underwriting profit of €20,4m for the year ending vs of €14,5m in 2017.

#### Audited Solvency II results (Technical Provisions)

EuroLife complies with all the aspects of the Solvency II regulation as in the table below:

FINANCIAL POSITION		
MAIN RISK CATEGORY	YE2018 €'M	YE2017 €'M
Investments (other than assets held for Unit Linked)	133	133
Investments (assets held for Unit Linked)	400	408
Other assets	63	75
<b>Total assets</b>	<b>596</b>	<b>616</b>
Technical Provisions	427	449
Other Liabilities	40	27
<b>Total liabilities</b>	<b>467</b>	<b>476</b>
Own Funds	129	140

All of the Own Funds capital held is Tier 1 unrestricted capital.

### 3.6 Own Risk and Solvency Assessment (ORSA)

I have considered EuroLife's most recent ORSA report but have not reproduced or challenged the detail in this report.

The ORSA is useful in terms of understanding the company's business plan, the risks inherent in the business and the stability of the Solvency II capital position over time. ORSA considers various stress scenarios arising from the company's risk profile.

Under each scenario, the Solvency coverage ratio remains well above EuroLife's solvency ratio tolerance (set at 175%) over the projection period.

In summary, the financial strength of the company remains robust under each scenario over the projection period.

I have no issues to note from my review of the ORSA prepared by EuroLife.

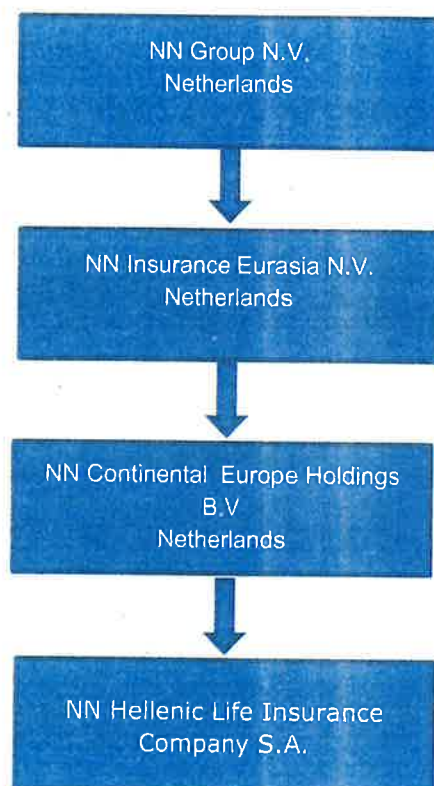




## 4. Overview of NN

### 4.1 Structure and Background

NN Hellenic Life Insurance Company S.A. (NN) is 100% subsidiary of NN Continental Europe Holdings B.V, which is based in The Hague, the Netherlands. The main shareholder of NN is NN Group N.V., a company listed in the Euronext N.V. stock exchange.



### 4.2 Nature of Business written

NN a broad range of lines of businesses including:

- health insurance,
- insurance with profits participation
- index linked and unit linked insurance,
- Other life insurance.

An analysis of the premium written for the business in force as at 31 December 2018 by product line is set out below:

ALL FIGURES ARE IN €M	31-Dec-18				
	Health Insurance	Insurance with profits	Index linked and unit linked	Other life	Total
Premium Written (Net)	79	91	189	17	376
Gross	119	91	189	29	428
Reinsurance	40			5	45



Currently, NN has 48 sales offices and a sales network with 1,152 insurance consultants.

### 4.3 Risk Profile and Management

#### Overview of risks

NN is exposed to a range of risks as follows:

- Market risk such as interest rate risk and equity risk
- Counterparty risk (exposures to banks, reinsurers and deposit accounts)
- Life underwriting risk such as lapse and expense risk
- Health Underwriting risk
- Operational risks mainly arising from management and staff e.g. process execution, compliance risk

The table below sets out the audited SCR by risk module for the year end 31 December 2018:

SOLVENCY CAPITAL REQUIREMENT		
MAIN RISK CATEGORY	YE2018 €'M	YE2017 €'M
Market risk	50	46
Counterparty risk	7	10
Life Underwriting risks	52	52
Health Underwriting risks	20	21
Total Basic SCR (after diversification)	91	90
Operational Risk	12	12
Solvency Capital Requirement (SCR)	103	102
Total eligible own funds	180	212
SCR coverage ratio	175%	209%
MCR	32	31
Minimum Capital Requirement (MCR) coverage ratio	508%	646%

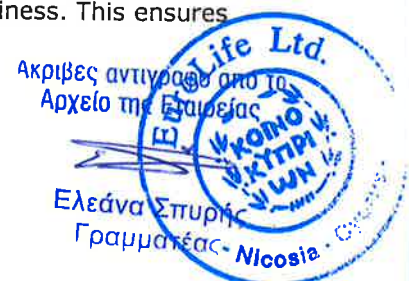
SCR remained stable as it was increased by 1% over the year. Market Risk increased by €4m, which was offset by a reduction of €3m in counterparty default risk and €1m in health underwriting risk, respectively.

The increase in market increase was mainly due to corporate bonds whereas the decrease in counterparty risk was mainly due to the reduced exposure in current accounts in banks with low credit rating.

#### Governance

The Board oversees these risks.

Specifically NN operates a management framework, which is designed to effectively assist decision making in order to control and assess the risks and opportunities within the business. This ensures that risk management is integrated within all the business processes.





As well as the Board of Directors who bears the ultimate responsibility for the implementation of the risk management Framework there is Committee specifically responsible for the non-financial risks such as Operational risk, Legal risk, Reputational risk, Compliance risk.

Given the risk management framework in place, the company's risk profile and the current level of available assets in excess of the company's minimum solvency margin requirement, the risk of insolvency and any risk to the security of the benefits should be considered remote.

#### 4.4 Operational arrangements

Core management functions are carried out in house including the roles of the Actuarial Function, Compliance, Internal Audit and Risk function Officers, with some reliance on group internal outsourcers. This is likely to remain largely the same following the implementation of the proposed transfer unless efficiencies will be identified that will require diversion from the existing model. In such cases it is expected that the company will benefit from economies of scale and ultimately this will be reflected on customer support hence it is not expected to compromising existing client servicing and support.

#### 4.5 Financial Profile

##### Audited Financial Results (IFRS)

The table below summarises NN's financial results for the year-end 2018 (comparison figures also shown):

INCOME STATEMENT		
MAIN RISK CATEGORY	YE2018 €'M	YE2017 €'M
Gross earned Premium	408	400
Reinsurance	(45)	(48)
Investment and other income	9	40
Management fees and commissions	29	26
Claims	(196)	(208)
Movement in Technical Reserves	(109)	(112)
Other expenses	(94)	(97)
Profit before tax	2	1
Tax	(16)	7
Profit after tax	(14)	8

Even though the Company's profit before tax has doubled for the year, the gradual decreased of the tax rate imposed from 2019 onwards negatively affected deferred tax leading to a deferred tax liability of €16m in compared to a deferred tax asset of €7m in 2017.

#### Audited Solvency II results

The table below shows the Company's financial position under the Solvency II regime:

FINANCIAL POSITION		
MAIN RISK CATEGORY	YE2018 €'M	YE2017 €'M
Investments (other than assets held for Unit Linked)	754	750
Investments (assets held for Unit Linked)	638	550
Other assets	158	162
<b>Total assets</b>	<b>1,550</b>	<b>1,462</b>
Technical Provisions	1,294	1,173
Other Liabilities	71	72
<b>Total liabilities</b>	<b>1,366</b>	<b>1,245</b>
Available assets	184	216

Own Funds have decreased by 15% mainly due to the increase in Technical provisions resulting from the impact from new business, review of the assumptions used in best estimate calculation and the lower than expected investment management fees.

#### 4.6 Own Risk and Solvency Assessment (ORSA)

I have considered NN's most recent ORSA report but have not reproduced or challenged the detail in this report.

One key purpose of preparing an ORSA is to identify plausible threats to a satisfactory financial condition, actions that lessen the likelihood of those threats, and actions that would mitigate a threat if it materialised.

The projected regulatory view of capital is expected to be comfortably in excess of 100% over the planning time horizon

Furthermore, the stress testing and the scenario analysis, that NN has conducted to test the robustness of its capital base, do not raise significant concerns regarding its resilience to withstand the economic impact of shocks over the planning horizon.

I have no issues to note from my review of the ORSA prepared by NN.





# 5. Outline of Transfer

## 5.1 Background

EuroLife will transfer to NN, Policies relating to insurance risks or obligations that are situated in Greece and that have been sold and maintained under the trade name "Kyprou Zois" (the "Portfolio") and that are in force according to the terms of such policies, as at 01.01.2018. Therefore, NN will undertake the Portfolio with all relevant rights and obligations, subject to the implementation of all legal procedures set out under Greek Law and Cyprus Law.

## 5.2 Transferring policies & associated liabilities

EuroLife will transfer all the insurance liabilities of its business written and administrated in Greece under the trade name of Kyprou Zois, including any outstanding liabilities relating to risks that have already crystalized such as pending claims, to NN via a court approved legal process. The portfolio transfer will be retroactively with effective date as at the 1<sup>st</sup> of January 2018.

According to the agreement the two companies involved, agree that the total consideration for the Transfer of the Portfolio will be paid by NN to EuroLife a fixed sum of €150.000 ("the Portfolio Price").

However due to the retroactive effect of the agreement, the companies have agreed to proceed to a settlement of amounts (receivables minus costs) relating to the portfolio during the period of the effective date (set as the 1<sup>st</sup> of January 2018) and the completion date.

The net off amount will be calculated based on a methodology that has been agreed between the two companies.

The following table summarises the characteristics of the transferring policies as at the effective date (1/1/2018):

Product Type	Gross Reserves IFRS4	No. of Insureds	Premium Size
	YE2017 €m	YE2017	YE2017 €m
Group Life	0,5	23.558	1,2
Individual Life	0,4	111	0,07
Outstanding Claims	0,9		
	1,8	23.669	1,2

As illustrated above, the bulk of the transferred business is on a yearly renewable group life basis.

## 5.3 Assets Transferred

The portfolio transfer assumes to transfer insurance assets and liabilities of EuroLife Kyprou Zois plus a settlement of amounts (receivables minus costs) relating to the portfolio during the period of the effective date.

## 5.4 Transfer receivables and costs

The costs in relation to the transfer (such as expenses, taxes and contributions of all kinds) will not be directly or indirectly transferred to the policyholders of EuroLife or NN.

The costs will be calculated from the effective date of the agreement until the completion date of the agreement based on a formula agreed between the two companies and they will be offset against



the receivables (e.g. premiums) during the same period. If the balance (i.e. premiums minus costs) is positive will be payable by EuroLife to NN on completion date, else, if negative will be payable by NN to EuroLife.



## 6. Impact of the Transfer

### 6.1 Introduction

As the Independent Actuary, the key areas in my opinion that I need to consider for the different groups of policyholders that could potentially be affected by the Portfolio Transfer namely the transferring policyholders, the remaining EuroLife policyholders and the existing NN policyholders, are:

- Security of policyholder's benefits, which have been assessed by considering the financial strength of the both companies i.e. solvency position pre and post transfer and the impact on risk profile of each company.
- Policyholder expectations including policy-servicing levels provided to transferring policyholders by NN after the transfer compared to those currently enjoyed.
- Treating customers fairly
- Tax implications

### 6.2 Security of policyholders' benefits

#### 6.2.1 Financial position

In this section, I describe the effect of the agreement on each group of policyholders with regards to security levels.

Policyholder security could be adversely affected by the transfer if benefits post transfer become less secure as a direct consequence of the transfer itself. However, I have not carried out a quantitative assessment of whether the security is affected based on any one specific quantifiable measure as it is not possible to quantify all the aspects of policyholder security. Instead, I have applied reasoned judgment based on the interplay of factors involved to consider whether policyholders should be any more concerned for the security of their benefits after the transfer.

The main factor taken into consideration was the solvency coverage ratio

#### EuroLife remaining policyholders

As shown in section 3.3 the policyholders of EuroLife benefit from the security of capital resources as measured in its 31 December 2018 regulatory templates to the local regulator of €129m compared with a statutory SCR of €53m and a solvency coverage ratio of 241% i.e. EuroLife is well-capitalised.

Also based on the ORSA projections (which include the assumption of Kyprou Zois portfolio transfer) EuroLife's solvency coverage is expected to remain stable over the planning horizon. It should be noted that the transferring portfolio is immaterial for EuroLife.

Based upon my review of EuroLife's financial information I have no cause to doubt the reasonableness of the SCR and solvency coverage as at 31 December 2018 or the projected SCR and solvency coverage and I therefore conclude that EuroLife's remaining policyholders will not be material adversely affected by the transaction.

#### Transferring policyholders and NN existing policyholders

Similarly, to EuroLife, the transferring portfolio is immaterial in the context of NN.

The following tables summaries the projected Solvency position of NN pre and post transfer as at proposed transaction date as provided by NN management:



ALL FIGURES ARE IN €M	31-Dec-18	
	NN pre transfer	NN post transfer
	Actual	Estimated
Total Assets	1,550	1,551
Technical Provisions	1,294	1,296
Other Liabilities	72	72
Total Liabilities	1,368	1,367
Available Assets	184	184
Total eligible own funds to meet the SCR	180	180
Solvency Capital Requirement		
Regulatory Minimum	103	103
Risk Appetite Target	125%	125%
Solvency Ratio	175%	175%

The key assumptions used to derive the above table include the following:

- The cash is immediately invested in Greek Treasury Bills.
- The contract boundaries for the bulk of the business transferred is one.

As it can be seen from the table above, the impact of the transfer is not material. The net asset position and regulatory capital requirement coverage ratio remains broadly unchanged.

Even though the transferring policyholders are moving into a company with lower regulatory solvency capital requirement coverage ratio, they will be part of a much larger company that has a higher level of available capital resources and own funds.

Therefore, based on the analysis conducted, I am of the opinion that NN is sufficiently capitalised in order to meet policyholder obligations over the course of the run off the transferring portfolio and the existing liabilities of NN.

### 6.2.2 Risk profile changes

#### EuroLife remaining policyholders

With the implementation of the transfer, the risk profile of EuroLife is not expected to change due to the small size of the transferring portfolio.

#### Transferring policyholders and NN existing policyholders

Similarly, the risk profile of NN is not expected to change, as the size of the portfolio is immaterial in the context of NN.

NN will not be exposed to any new risks (as captured by the standard formula). There are similarities between the risk exposures in EuroLife relative to those in NN in regards to the type of business written and investment held. For the purpose of this report, we have considered that SCR and its components accurately reflect the risk profile of NN and EuroLife as shown below:



SOLVENCY CAPITAL REQUIREMENT		
In €M	NN Before transfer YE2018	EUROLIFE before transfer YE2018
Market risk	50	35
Counterparty default risk	7	7
Life underwriting risk	52	26
Health underwriting risk	20	13
Diversification Benefits	(37)	(24)
Basic Solvency Capital Requirements	91	57
Operational risk	12	4
Loss absorbing capacity of deferred taxes		(8)
Solvency Capital Requirements	103	53

The following table presents the SCR contributors of NN and EuroLife as at YE2018 as percentages:

PERCENTAGE OF UNDIVERSIFIED BSCR FOR EACH MODULE		
In €M	NN EXCL.PORTFOLIO YE2018	EUROLIFE INC.PORTFOLIO YE2018
Market risk	35,5%	45,4%
Counterparty default risk	4,9%	9,0%
Life underwriting risk	36,9%	33,7%
Health underwriting risk	14,2%	16,8%
Operational risk	8,5%	5,1%
Loss absorbing capacity of deferred taxes		(10%)

Given the small size and the nature (mostly yearly renewable) of the portfolio it is expected that the position for NN pre and post portfolio transfer would be pretty similar as the notional components of the transferring portfolio are relatively immaterially and will cause minor changes to the over composition of NN risk characteristics.

NN's risk profile and the current level of available assets in excess of the company's minimum solvency margin requirement, the risk of insolvency and any risk to the security of benefits is remote.

### 6.3 Policyholders reasonable expectations

#### 6.3.1 Introduction

Policyholders tend to form expectations of benefits that will be received in the future. Part of these expectations relate to the actual receipt of benefits upon claim and part relate to the actual amounts



to be received. Policyholder expectations can be formed from the very outset of a policy based on the initial policyholder documentation and communication.

### 6.3.2 PRE considerations

The benefits payable under the transferring portfolio are straightforward in nature (i.e. mainly fixed death benefit); therefore, the areas to consider are as follows:

- Security of benefits: the transferring policyholders have a reasonable expectation that their benefits are secure and will be payable if they make a claim post transfer.
- Entitlement of benefits: it is not expected that there will be any change to the entitlement of the benefits because of the transfer and hence to policyholder reasonable expectations of the same. According to the agreement between the companies, following the transfer, NN shall substitute EuroLife in the capacity of insurer in the contracts transferred.
- Policy service standards: transferring policyholder have a reasonable expectation that the services received will be provided in a professional manner and those benefits and enquiries will dealt promptly. There may be some minor changes to claims thresholds, reporting lines and some additional reports, but otherwise processes and procedures for claims handling and customer services are expected to remain largely as they currently are at EuroLife level.

### 6.4 Treating customers fairly

The treatment of policyholders will not be impacted in any way from the implementation of the proposed transfer and I am satisfied following discussions with the management at both ends the current fair treatment of policyholders will continue following the completion of the transfer.

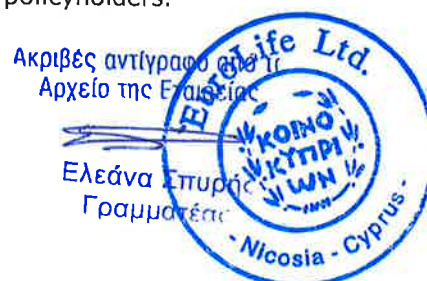
### 6.5 Tax Implications

I have been informed that the transfer is not expected to have tax implications that would materially adversely affect any policyholders impacted by the portfolio transfer. I have therefore assumed that the Transfer will not give rise to a tax liability of a material amount

### 6.6 Conclusion

Considering the impact of the proposed transfer on policyholders of EuroLife and NN, it is my opinion that:

- At the proforma date there is a strong Solvency II regulatory capital position in both EuroLife and NN pre and post the Portfolio Transfer for all the policyholders concerned. Transferring policyholders are moving into a company with a lower regulatory solvency capital requirement coverage ratio, however they will be part of a larger company with higher level of available capital sources and own funds.
- The policyholder reasonable expectations, contractual obligations and tax treatment of transferring policyholders will not be affected as a result of the Transfer
- Service quality of transferring policyholders will not be adversely affected as a result of the proposed Transfer
- The Transfer will not have a material adverse effect on the security of the transferring policyholders, remaining EuroLife policyholders or existing NN policyholders.



## 7. Policyholder communication

EuroLife Management have informed me that approval will be sought from the Regulator so that they will not be required to issue individual notifications to EuroLife policyholders of the proposed transfer. Instead, an announcement will be published in the Government Gazette as well as in a daily or weekly financial newspaper notifying the intended transfer (including a summary of the Independent Actuary Report).

Given the relative size of transferring portfolio and that the post transfer situation will not affect the risk profile and capitalisation level of either company I have no objection to this.

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## Appendices

# Appendix A: Marios Schizas, CV

Marios is a Partner of Deloitte Actuarial Services Limited in the Nicosia Office. He is a consulting actuary, specialising in life insurance related projects covering insurance and reinsurance clients in Cyprus, Malta, UK and the Middle East. Previously, Marios worked in the UK for Tillinghast Towers-Perrin, Ernst & Young and Bank of America. He has experience in mergers & acquisitions mainly in the UK and is registered as an Appointed Actuary to a number of jurisdictions including Cyprus. Marios is a Fellow of the Institute of Actuaries UK, having qualified in 2004 and he is also a Fellow of the Cyprus Association of Actuaries. He also holds a BSc in actuarial Science from the London School of Economics.

## Experience

Marios is an experienced life actuary with exposure in a lot of European and Middle East markets. He participated in M&A transactions in the UK and Europe and is the Appointed Actuary of a number of life insurers and reinsurers. The following summarise the main experience items:

- Appointed Actuary Roles in a number of jurisdictions
- Actuarial reserve review responsibility for a number of insurance and Takaful companies
- Modelling and Financial reporting work for local and international insurance and reinsurance companies
- Embedded Value reporting responsibility for listed and unlisted insurance companies
- Solvency II assistance in all three pillars for EU registered insurance companies
- Involved in the modelling of a number of M&A transactions and inherited estate projects in the UK market
- Product design and profit testing of investment and protection products

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## Appendix B: Scope

The role of the Independent Actuary will be to consider and to report to the Court on the proposed Transfer, primarily from the perspectives of the transferring policyholders of EuroLife, the remaining policyholders of EuroLife and the existing policyholders of NN and to opine as to whether any policyholders' interests could be in any way (either directly or indirectly) adversely affected by the proposed Transfer.

The Independent Actuary will have direct involvement from the time of agreement to the terms in this engagement, in respect to the portfolio transfer project to the completion of the transfer. The following tasks summarise the involvement:

- (i) Attend kick-off and other meetings to understand the background, get the perspectives of the key stakeholders, discuss known issues and any data limitations, etc.;
- (ii) Recognise any limitations and identify alternative sources;
- (iii) Review the existing documentation and financial analysis;
- (iv) Meet with the EuroLife and NN project team to understand in depth the proposed changes and to consider the impact on the different classes of policyholder;
- (v) Engage with EuroLife and NN project team to perform an analysis of the risks to the successful conclusion of the project and the actions that can be put into place to mitigate them;
- (vi) Review documentation provided on the underlying assumptions and results around the financial modelling work, including sensitivity analyses;
- (vii) Produce draft reports in respect of the transfers of business for EuroLife and NN to review and we will reflect EuroLife's and NN's comments within these draft reports, as appropriate;
- (viii) Comment on the relative capital strength of the organisations before and after transfer on the current solvency regulations and also the potential Solvency II impacts;
- (ix) Provide these agreed draft reports to the Sol if so requested, and answer any specific queries they may have;
- (x) Finalise the Independent Actuary's Report(s) following the comments from the regulators;
- (xi) Allow for the impact of updated financial analysis to the extent that this is available;
- (xii) Prepare a summary of the Independent Actuary's Report(s), which will be submitted to the Courts prior to the hearing;
- (xiii) Independent Actuary to respond to NN queries and provide additional information where required in a timely manner; and
- (xiv) Attendance at the Court (if required).

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## Appendix C: Sources of Data

The following list summarises the main information used in the analysis and conclusions presented throughout this report. Reliance has also been placed on other documents, correspondence and discussions between Deloitte, EuroLife and NN management.

Number	Filename	Description
1	2018-solvency-and-financial-condition-report_website	SFCR of EuroLife for 2018
2	Validated-S.02.01.01 - item 3	EuroLife's QRT's 2018 template - Solvency II Balance sheet
3	Validated-S.06.02.01 - item 9	EuroLife's QRT's 2018 template - List of assets
4	Validated-S.23.01.01 - item 3	EuroLife's QRT's 2018 template -Own funds
5	Validated-S.25.01.01 - item 3	EuroLife's QRT's 2018 template - Solvency Capital Requirement
6	Validated-S.26.01.01	EuroLife's QRT's 2018 template - Market risk
7	Validated-S.26.02.01	EuroLife's QRT's 2018 template - Counterparty default risk
8	Validated-S.26.03.01	EuroLife's QRT's 2018 template - Life underwriting risk
9	Validated-S.26.04.01	EuroLife's QRT's 2018 template - Health underwriting risk
10	Validated-S.26.05.01	EuroLife's QRT's 2018 template - Non Life underwriting risk
11	Validated-S.26.06.01	EuroLife's QRT's 2018 template -Operational risk
12	Validated-S.26.07.01	EuroLife's QRT's 2018 template - Simplifications
13	Kyprou Zois Portfolio Transfer Agreement 13022019 clean version	KZ Portfolio transfer agreement between EuroLife and NN
14	201906 EuroLife Ltd Engagement Letter	EuroLife Engagement Letter with Deloitte
15	ORSA Report_2018_FINAL	EuroLife ORSA Report 2018
16	Actuarial Report 31.12.2018 Solvency II - item 5	EuroLife Actuarial Function Report 2018
17	2017-solvency-and-financial-condition-report---website	EuroLife SFCR 2017
18	2017-solvency-and-financial-condition-report---website	EuroLife SFCR 2018
19	05. Actuarial Function Report Template 2018	NN Actuarial Function Report 2018
20	07-08. NN Hellas ORSA 2018 Final	NN ORSA Report 2018
21	NN_Hellas_Solvency_Financial_Condition_Report_2018	NN SFCR 2018
22	NN_Hellas_Solvency_Financial_Condition_Report_2017 (website)	NN SFCR 2017
23	Copy of 03. Solvency II (SII) balance sheet and solvency position - before the transfer	QRT's 2018 template (including S02.01.01, S23.01.01, S25.01.01)
24	Copy of 03. Solvency II (SII) balance sheet and solvency position -after the transfer	QRT's 2018 template (including S02.01.01, S23.01.01, S25.01.01)
25	02. Financial Statements 2018	NN Financial Statements 2018

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## Appendix D: Reliance and Limitations

Deloitte relied on the information and data provided to us, both written and verbal, by Prime Insurance Company Limited. We are not in a position to verify or audit this information in detail. Where possible we do perform basic consistency and reasonability checks, but we are reliant on the providers of this information for accuracy and completeness.

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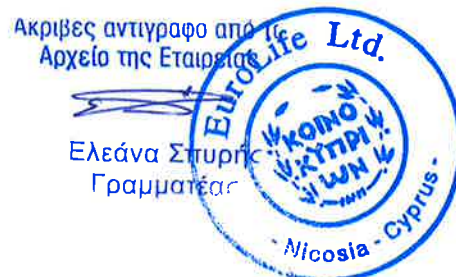
Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

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