



Hannover Life Re of Australasia Ltd's Appointed Actuary Report on

Proposed Part 9 Transfer of iptiQ Business from

Swiss Re Life & Health Australia Limited

August 2025

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## 1. Executive Summary

### Introduction

- 1.1. Hannover Life Re of Australasia Ltd (**HLRA** or **Company**) and Swiss Re Life & Health Australia Limited (**SRLHA**) (collectively the **Parties**) have entered into a Business Transfer Deed (**Transfer Deed**) for the acquisition of Swiss Re's iptiQ portfolio of life insurance policies by HLRA (**Proposed Transfer**), subject to APRA and court approvals, under Part 9 *Transfer and amalgamations of life insurance business* of the Life Insurance Act 1995 (Cth) (**Life Act**) (**Proposed Scheme**).
- 1.2. Under the Life Act, the appointed actuary must prepare an actuarial report provided to APRA. I, Jun Song, have prepared this report in my capacity as the appointed actuary of HLRA. Mr Stuart Mainland, the appointed actuary of SRLHA, has also prepared an actuarial report for SRLHA on the Proposed Transfer.
- 1.3. This report outlines my assessment of the key elements of the Proposed Transfer under the Transfer Deed and Proposed Scheme, in particular on the policy owner interest of HLRA's existing policy owners (**Existing Policies**) and the transferring SRLHA iptiQ portfolio of policies (**Transferring Policies**), on the areas of policy owner contractual benefits and rights, reasonable benefit expectations and benefit security.
- 1.4. In preparing this report, I have relied on certain data, information and documents which are outlined in Appendix D.
- 1.5. This report has been prepared in accordance with the professional requirements of the Actuaries Institute of Australia, in particular, The Code of Professional Conduct and Professional Standard 201 "Actuarial Advice to a Life Insurance Company or Friendly Society".

### Overview of HLRA

- 1.6. HLRA is a subsidiary of Hannover Rück SE (**HRSE**), a global reinsurer located in Hannover Germany, transacting in all lines of property & casualty and life & health business.
- 1.7. HLRA started its operation in Australia in 1994 and is a registered life insurance company regulated by APRA. The majority of the HLRA's current business is providing reinsurance solutions to life insurance companies in Australia and New Zealand.
- 1.8. The Company also issues direct-to-consumer life insurance policies, marketed, distributed and administered through various third-party arrangements, including contracts with Greenstone Financial Services (**GFS**) and Genus Life Insurance Services Pty Limited (**Genus**).
- 1.9. HLRA's direct-to-consumer policies are referable to the Australian Statutory Fund (**ASF**), where the assets and liabilities of ASF are managed separately to the Company's reinsurance business originating in Australia in the Australian Reinsurance Statutory Fund (**ARSF**) and reinsurance business originating in New Zealand in the Overseas Statutory Fund (**OSF**).
- 1.10. HLRA's business is governed and managed through various Board and management approved policies, frameworks, guidelines and procedures. These include, but not limited to, the Risk Management Framework, Internal Capital Adequacy Assessment Process, Investment Guideline and outward reinsurance arrangements. The operation of the policies, frameworks, guidelines and procedures form an integral part for HLRA in providing benefit security and fulfilling its obligations to policy owners.

### Proposed Scheme

- 1.11. Similar to HLRA's direct-to-consumer life insurance policies issued through third-party arrangements, SRLHA, through its iptiQ brand, has also issued direct-to-consumer

individual life insurance policies in Australia between 2008 and 2023, including arrangements also with GFS and Genus.

- 1.12. SRLHA ceased the issuing of new policies in Australia in 2023 and with the announcement of SRLHA's parent company in 2024 to divest its iptiQ portfolio globally, SRLHA has sought a life insurance company to transfer the policies under Part 9 of the Life Act.
- 1.13. Subject to APRA and court approvals, the Proposed Scheme proposes the transfer of Transferring Policies from SRLHA's Statutory Fund No.1 to HLRA's Australian Statutory Fund. The Parties propose 1 December 2025 as the effective date of the Proposed Transfer (**Effective Date**).
- 1.14. As part of the transfer of the policies:
  - There will be a transfer of certain assets and liabilities from SRLHA to HLRA in respect to the Transferring Policies;
  - SRLHA's existing third-party arrangements which are in full force and effect will be novated to HLRA;
  - HLRA will enter into two reinsurance arrangements with Hannover Re (Ireland) Designated Activity Company (**HRI**) and SRLHA;
  - HLRA will enter into a new administration services agreement with GFS in support of the future servicing of Advantagedge policy owners;
  - All costs associated with the Proposed Transfer will be incurred by SRLHA and HLRA.

#### Assessment of impact to HLRA Existing Policies

- 1.15. Based on my assessment detailed in this report, it is my opinion and conclusion that the Proposed Transfer will not result in any material adverse outcome for HLRA's Existing Policies.
- 1.16. There are no proposed changes to the policy terms and conditions or benefits and therefore, no impacts or implications to policy owner contractual rights and benefits of the Existing Policies.
- 1.17. There are no proposed changes to HLRA's operational policies, frameworks, capabilities, procedures, claims management and third-party arrangements and therefore, no impacts or implications on policy owner reasonable benefit expectations of the Existing Policies.
- 1.18. HLRA, for each of its statutory funds and at the entity level, will remain in a sound financial capital position, meeting all prudential and internal capital requirements and therefore, the benefit security will continue to be protected and appropriate for the Existing Policies.

#### Assessment of impact to Swiss Re Transferring Policies

- 1.19. Furthermore, it is my opinion and conclusion that the Proposed Transfer will also not result in any material adverse outcome for SRLHA's Transferring Policies.
- 1.20. There are no proposed changes to the policy terms and conditions or benefits and therefore, no impacts or implications to policy owner contractual rights and benefits of the Transferring Policies.
- 1.21. Policy owner reasonable benefit expectations of the Transferring Policies will not be adversely impacted within HLRA's operating environment through its application of operational policies, frameworks, capabilities, procedures, claims management and third-party arrangements.
- 1.22. Policy owner benefit security of the Transferring Policies will continue to be protected, appropriate and will not be adversely impacted within HLRA's investments, risk management, reinsurance and capital management frameworks.

## 2. Introduction

### Background

- 2.1. On 9 April 2025, the Parties entered into a Transfer Deed for the Proposed Transfer.
- 2.2. The Proposed Transfer will be given effect under Part 9 of the Life Act subject to the approval of the Federal Court of Australia.
- 2.3. SRLHA has written the iptiQ life insurance policies from Statutory Fund No. 1. The policies are proposed to be transferred to HLRA's Australian Statutory Fund.
- 2.4. The Transferring Policies are non-participating life risk products classified under section 9(1)(a) and 9(1)(e) of the Life Act.
- 2.5. The Transferring Policies have previously been issued and administered by SRLHA through various third-party distribution and administration agreements with GFS, Greenstone Enterprise Services Pty Ltd (**GES**), Freedom Insurance Pty Ltd (**Freedom**), Genus and Advantedge Financial Solutions Pty Ltd (**Advantedge**).

### Purpose of report

- 2.6. Section 191(2)(a) of the Life Act provides that an actuarial report must be provided to APRA for schemes under Part 9 of the Life Act.
- 2.7. I have prepared this report, in my capacity as the Appointed Actuary of HLRA.
- 2.8. The report outlines my assessment of the key elements of the Proposed Scheme, in particular on Existing Policies and the Transferring Policies under the Proposed Scheme, on the areas of policy owner contractual benefits and rights, reasonable benefit expectations and benefit security.

### Structure of report

- 2.9. Section 3 of this report outlines the corporate, financial, operating and business structure of HLRA.
- 2.10. Section 4 of this report provides an overview of the Transferring Policies and outlines the key aspects of the Transfer Deed, Proposed Transfer and the Proposed Scheme.
- 2.11. Section 5 of this report assesses the possible impacts of the Transfer Deed, Proposed Transfer and Proposed Scheme on the contractual benefits and rights, reasonable benefit expectations and benefit security of the Existing Policies.
- 2.12. Section 6 of this report assesses the possible impacts of the Transfer Deed, Proposed Transfer and Proposed Scheme on the contractual benefits and rights, reasonable benefit expectations and benefit security of the Transferring Policies.
- 2.13. Section 7 of this report summarises my opinion and conclusions.

### Glossary/Terminology

- 2.14. Abbreviations and defined terms used throughout this report are outlined in the table attached in Appendix A.

### Author of report and disclosures

- 2.15. I, Jun Song, have prepared this report in my capacity as the Appointed Actuary of HLRA.
- 2.16. I have been a permanent full-time employee of HLRA since 3 September 2012 and in my current role, since 1 April 2019. I also currently hold operational responsibilities of HLRA's actuarial valuation, reporting and project teams.
- 2.17. Prior to my employment with HLRA, I was employed as a pricing actuarial analyst by SRLHA for 2 years during the period 2008-2009.

- 2.18. I am a fellow member of the Actuaries Institute of Australia and bound by the Institute's code of conduct and professional standards. I am required by the Federal Court of Australia's Expert Evidence Practice Note (**GPN-EXPT**) to provide independent and impartial advice. In accordance with the Expert Evidence Practice Note, I have made all inquiries which I believe are desirable and appropriate, and that no matters of significance that I regard as relevant to my opinion have, to my knowledge, been withheld from the Federal Court of Australia.
- 2.19. As an employee of HLRA, a wholly owned subsidiary of the Hannover Re Group Germany, part of my remuneration includes potential short and long-term bonus, a value which depends on the financial performance of HRSE.

## 3. Overview of HLRA

### Entity overview

- 3.1. HLRA is a 100% owned subsidiary of HRSE based in Hannover, Germany. HRSE is a global reinsurer transacting in all lines of property & casualty and life & health business and is present on all continents with a network of more than 170 subsidiaries, branches and representative offices worldwide. HRSE had total assets of over EUR 68bn as of 30 June 2024 and a financial strength of AA- ("Very Strong") as measured by Standard & Poor's (**S&P**) rating.
- 3.2. HLRA is a registered life insurance company under section 21 of the Life Act. HLRA is regulated by APRA and has been operating in Australia since 1994. The Company had total assets of AUD 4,236m as of 31 December 2024 and also has a financial strength of AA- ("Very Strong") as measured by S&P.
- 3.3. HLRA's business in Australia includes direct to consumer individual life insurance policies, group insurance policies issued to corporate employers and superannuation trustees, as well as providing reinsurance solutions to life insurance companies on their individual and group insurance offerings.
- 3.4. Through this business model over the years, HLRA has developed capabilities across life insurance and reinsurance business, including amongst others, systems, product management, underwriting, claims, risk management and compliance.
- 3.5. In 2020, the Company made the strategic decision to divest its direct individual and group life insurance offerings, with the exception of the GFS distribution and administration agreement. HLRA currently only issues direct life insurance policies through the GFS agreement, but has maintained and continues to build on the direct insurance capabilities developed through the preceding business model. The Company continues to provide reinsurance solutions to life insurance companies in Australia.
- 3.6. As a subsidiary of HRSE, all permanent and temporary employees of HLRA are located in Australia.

### Statutory & Shareholder funds and business overview

- 3.7. In addition to the Shareholder's fund (**SHF**), HLRA operates three statutory funds, namely ARSF, ASF and OSF. A description of the life insurance business lines written out of HLRA's statutory funds are shown in the below table.

| Line of business |   |
|------------------|---|
| ARSF             | <u>Group risk</u><br>Reinsurance of lump sum death (including terminal illness), total and permanent disablement and group salary continuance benefits of life insurance companies issuing group insurance policies to superannuation fund trustees and corporate group plans in Australia. |
|                  | <u>Individual risk</u><br>Reinsurance of lump sum death (including terminal illness), total and permanent disablement, trauma and disability income benefits of life insurance companies issuing individual insurance policies in Australia.  |
|                  | <u>Annuities</u><br>Reinsurance of longevity benefits of life insurance companies issuing annuity policies in Australia.  |
| ASF              | <u>Group risk</u>   |

|     |   |
|-----|---|
|     | <p>Group insurance policies previously provided to superannuation fund trustees, corporate group plans and Enterprise Bargaining Agreements in Australia covering lump sum death (including terminal illness), total and permanent disablement and group salary continuance benefits.</p> <p>As at the date of this report, there is 1 active policy covering 1 insured member.</p> <p><u>Individual risk</u></p> <p>White-labelled direct to consumer individual life insurance policies issued through distribution agreements with GFS, ALI, Genus, InsureMeNow and WeSelect covering lump sum death (including terminal illness), total and permanent disablement, trauma and disability income benefits.</p> <p>The distribution agreements with ALI, Genus, InsureMeNow and WeSelect have been terminated and HLRA currently only underwrites new policies through GFS. As at 31 December 2024, there were 276,366 individual policies, of which 255,851 have been distributed through GFS.</p> |
| OSF | <p><u>Group risk</u></p> <p>Reinsurance of lump sum death (including terminal illness), total and permanent disablement, group crisis care and group salary continuance benefits of life insurance companies issuing group insurance policies to corporate group plans in New Zealand.</p> <p><u>Individual risk</u></p> <p>Reinsurance of lump sum death (including terminal illness), total and permanent disablement, trauma and disability income benefits of life insurance companies issuing individual insurance policies in New Zealand.</p>  |

## Risk management framework

- 3.8. In accordance with APRA CPS220 “Risk Management”, the Company has established a Risk Appetite Statement (**RAS**) and Risk Management Strategy (**RMS**), which are reviewed at least annually.
- 3.9. The RAS and RMS identifies HLRA’s key risks as being insurance risk, market risk, liquidity risk, counter-party risk, operational risk, compliance risk and strategic risk.
- 3.10. In addition to the Board and Board Charters, these risks are managed through three-lines of defence in accordance with HLRA’s RMS. This includes:
- First-line operationalisation of various Board and management approved guidelines, policies, procedures and controls;
  - A well resourced and experienced second-line Risk and Compliance team, providing on-going improvements in both the compliance control environment and the risk culture of the Company, input and challenges on risk considerations for material business matters and control testing of HLRA’s key risks; and
  - Third-line internal audit function.

## Capital position and ICAAP

- 3.11. Australian capital adequacy requirements are set out in APRA’s LPS 110 “Capital Adequacy” and associated standards. The Australian capital standards require the Company’s equity to be re-stated to determine the Capital Base on a prudential basis. A required Prescribed Capital Amount (**PCA**) is then determined. Both the Capital Base and the PCA are publicly disclosed.



- 3.12. APRA may impose as an addition to the PCA a further capital requirement to determine the Prudential Capital Requirement (**PCR**). As required by the prudential standards, the PCR is not publicly disclosed. The Capital Base must at all times exceed the PCR.
- 3.13. As at 31 December 2024, HLRA had a company total excess capital of AUD 205m above the PCA of AUD 242m. Each of the statutory funds, as well as the Company total, had excess capital also above the PCR and Board approved target surplus levels.
- 3.14. HLRA's capital position as at 31 December 2024 is shown in the below table.

| AUDm                      | ARSF | ASF  | OSF  | SHF | Total |
|---------------------------|------|------|------|-----|-------|
| Net Assets                | 419  | 107  | 45   | 21  | 593   |
| Regulatory adjustments    | -181 | 4    | -13  | -2  | -192  |
| Tier2 Capital             | 22   | 25   | 0    | 0   | 47    |
| Capital Base              | 260  | 137  | 32   | 19  | 448   |
| PCA                       | 182  | 50   | 10   | 0   | 242   |
| Excess capital            | 79   | 86   | 22   | 19  | 205   |
| Capital adequacy multiple | 143% | 272% | 311% |     | 185%  |

- 3.15. The Company's Capital Base comprises of Common Equity Tier 1 and Tier 2 capital. The Company's Tier 2 capital in the form of sub-ordinated debt from parent company HRSE is in the amount of AUD \$22m in ARSF and AUD \$25m in ASF. Both instruments have a maturity date of 15 June 2033.
- 3.16. As at 31 December 2024, the Company and all the statutory funds complied with the minimum requirements regarding the size and composition of the Capital Base as specified in LPS 112 "Capital Adequacy: Measurement of Capital", LPS 600 "Statutory Funds" and subsection 38(4) of the Life Act.
- 3.17. HLRA's capital management is performed through various Board approved frameworks and management procedures which include:
- Internal Capital Adequacy Assessment Process (**ICAAP**) stipulating the setting of the Target Surplus levels and Target Capital Ranges in light of a range of stress and scenario testing analysis of the Business Plan;
  - Recovery and Exit Plan setting out early warning and trigger framework and a suite of capital recovery options;
  - Enterprise-wide stress testing and scenario analysis policy establishing stress and scenario testing principles and guidelines, providing information about the potential impacts of severe but plausible financial and non-financial risk scenarios and sensitivities. The outcomes are used to identify any vulnerabilities and used to assess HLRA's ability to withstand changes in the operating environment and emerging risks; and
  - Additional stress and scenario testing as part of key management decision making process.

## Investment strategy

- 3.18. HLRA implements its investment policy through its investment manager, Ampega Asset Management GmbH. Ampega in turn, outsources its investment management functions in respect of HLR Aus to UBS Asset Management (Australia) Ltd.
- 3.19. As HLRA only issues life risk business in Australia and New Zealand, HLRA policy owners do not participate in the performance of the Company's investment portfolio and policy owner benefit levels are not dependent on Company's investment strategy. HLRA's investment considerations and decisions are centred around capital efficiency and meeting benefit obligations to policy owners.

- 3.20. The Company's investment policy is determined by the Board and overseen by the Investment Strategy Committee. The applicable governance controls on HLRA's investment decisions are the Board approved Investment Guidelines and Derivative Risk Management Strategy and the Board endorsed Asset-Liability Matching Guideline of the Hannover Re Group.
- 3.21. HLRA's asset portfolios are managed separately for each of the three statutory funds and the shareholder's fund. The Company's asset liability matching is assessed at least every 6 months by the local Asset-Liability Committee (**ALCO**), with any proposed changes to the Strategic Asset Allocation (**SAA**) approved by the Investment Committee, subject to Actuarial Advice under the Company's Actuarial Advice Framework (**AAF**).
- 3.22. All investment assets are denominated in Australian dollars, with the exception of assets managed in the OSF which are denominated in New Zealand dollars.
- 3.23. Investments are held as cash on deposit, government securities, derivatives and other investment grade securities. The portfolios are heavily weighted towards high graded securities and derivative assets are held for hedging purposes only. The average rating of the investment portfolio is AA+.
- 3.24. Credit and concentration risks are managed by setting credit and concentration limits and ratings limits.

## Reinsurance management

- 3.25. HLRA's outward reinsurance arrangements aim to provide protection to policy owners against volatility from claims experience and investment markets and manage reinsurance in accordance with the requirements of APRA LPS230 "Reinsurance Management".
- 3.26. HLRA reinsures internally to related-party entities including HRSE and other subsidiaries within the Hannover Re Group. The Company also has reinsurance arrangements with external APRA regulated life insurance/reinsurance companies in Australia. As at the date of this report, all reinsurance arrangements are with entities of S&P rating A+ or higher.

## Expense level and allocation basis

- 3.27. HLRA apportions expenses in accordance with the requirements of sections 78, 79 and 80 of the Life Act and relevant APRA prudential requirements on an equitable basis.
- 3.28. Expenses are allocated to each of the Company's statutory funds ARSF, ASF, OSF and the general SHF. The expenses are further apportioned between policy acquisition, policy maintenance and investment expenses for each of the business lines, and allocated between ordinary and superannuation business for ARSF and ASF.
- 3.29. HLRA manages its expenses through a detailed budgeting process for each of the functional cost centres on both directly and non-directly attributable expenses, in accordance with future business plan and forecast, with appropriate considerations made for one-off technology investment and other project costs.

## Claims management

- 3.30. HLRA's claims philosophy is to provide a smooth path through the claims journey by assessing each claim on its own merit with integrity, compassion and fairness. The Company aims to achieve this through:
  - Customer centricity;
  - Open, proactive and empathetic communication;
  - Wellness services;

- Simplicity in process;
  - Timely and transparent process; and
  - Providing all stakeholders with a high standard of claims service.
- 3.31. The Company is licensed under an Australian Financial Services License (**AFSL**) for claims handling and is subscribed to the Life Insurance Code of Practice (**LICOP**). The claims team operates according to the Company's internal Claims Guide, Quality Assurance Framework and Competency Framework, which are regularly reviewed and updated. These include, amongst others:
- Service level standards;
  - Procedural fairness;
  - Outside Terms Committee process;
  - Quality verification assessment process and results;
  - Financial hardship and vulnerable customers;
  - Internal and external dispute resolution; and
  - Incident management.

#### Tax

- 3.32. Under the applicable tax rules, HLRA's income tax on shareholder profits are levied at a corporate tax rate of 30% for Australian business (ARSF and ASF) and 28% on a modified shareholder profit basis for New Zealand business (OSF).

#### Significant events subsequent to Financial Reporting date 31 December 2024

- 3.33. There were no significant changes in the state of affairs or events subsequent to Financial Reporting date 31 December 2024.

## 4. Proposed Transfer under the Transfer Deed and Proposed Scheme

### Background of Proposed Transfer

- 4.1. SRLHA, through its iptiQ brand, has issued direct-to-consumer individual life insurance policies in Australia since 2008. The policies were largely distributed and administered through various third-party arrangements with GFS, GES, Freedom, Genus and Advantage, with policies outside of the third-party arrangements being administered internally by SRLHA.
- 4.2. The policies issued by SRLHA were marketed and distributed under the brands including but not limited to Woolworths, Medibank, ahm, and Freedom.
- 4.3. SRLHA ceased the issuing of new policies in Australia in 2023 and with the announcement of SRLHA's parent company in 2024 to divest its iptiQ portfolio globally, SRLHA has sought a life insurance company to transfer the policies under Part 9 of the Life Act.
- 4.4. HLRA's has been issuing similar direct-to-consumer individual life insurance policies in Australia since 2009, through a distribution and administration agreement with GFS, marketed under various brands including Real, Australian Seniors Insurance Agency and Guardian.
- 4.5. Subject to approvals by APRA and the Federal Court of Australia, the Parties have entered into a Transfer Deed to propose the transfer of SRLHA iptiQ portfolio of life insurance policies to HLRA under Part 9 of the Life Act.

### Transfer date

- 4.6. The Parties are targeting the date of the transfer under the Proposed Scheme as 1 December 2025.

### Statutory funds

- 4.7. All SRLHA iptiQ portfolio of policies are referable to SRLHA's Statutory Fund No.1 (SF1).
- 4.8. It is proposed the policies be transferred to HLRA's ASF.

### Transferring Policies

- 4.9. The following table outlines the brands, distribution, administration and products of the proposed SRLHA Transferring Policies, details of which have been attached in Appendix B of this report.

| Brand        | Distributed | Administered | Products                                       | Issued between       |
|--------------|-------------|--------------|--|----------------------|
| Medibank/ahm | GFS         | GES          | Life insurance<br>Funeral<br>Income protection | Oct 2008 to Sep 2023 |
| Woolworths   | GFS         | GES          | Life insurance<br>Funeral                      | Aug 2011 to Jul 2023 |
| Freedom      | Freedom     | Genus        | Funeral  | Feb 2017 to Oct 2018 |
| Various      | Advantage   | SRLHA        | Life insurance                                 | Nov 2011 to Jun 2012 |

### Consequences of the transfer

- 4.10. Subject to approval by the Federal Court of Australia, on and from the Effective Date:
  - Transferring Policies are transferred from SRLHA to HLRA, and HLRA assumes all rights and liabilities in respect of the Transferring Policies;
  - HLRA assumes the Transferring Assets (defined below) and the Transferring Liabilities (defined below), including all rights, title, interests, liabilities, obligations and powers that have arisen or may in the future arise;

- HLRA is liable for and must assume, pay and indemnify SRLHA against any loss arising from the Transferring Liabilities;
- HLRA is to be substituted for SRLHA in all the Transferring Policies as if HLRA was, and at all times had been, a party to the Transferring Policies, and SRLHA will be released and discharged from all Transferring Liabilities; and
- Transferring Liabilities which immediately prior to the Effective Time were liabilities of SRLHA that were referable to SRLHA's SF1 as at the Effective Date will become liabilities of HLRA that are referable to the HLRA's ASF.

4.11. In addition, and without limiting paragraph 4.10, on the Effective Date:

- HLRA becomes the issuer and SRLHA ceases to be the issuer of the Transferring Policies.
- Transferring Policies cease to be SRLHA policy owners and become HLRA policy owners.
- The rights and liabilities of the Transferring Policies will be the same in all respects as they would have been if the applications on which the Transferring Policies were based on, had been made to, or accepted and issued by HLRA instead of SRLHA; and
- All references to SRLHA or SRLHA's SF1 in any Transferring Policies are replaced with HLRA or HLRA's ASF (as the case may be).

## Transferring Assets

4.12. The Transferring Assets from SRLHA to HLRA supporting the Transferring Liabilities are in the form of cash. The Transferring Assets do not include any of the excluded assets as defined in the Transfer Deed, one of which is any of SRLHA's tax assets.

4.13. The table below shows:

- The assets of SRLHA's SF1 and the assets of HLRA's ASF as at 31 December 2024 prior to the Proposed Transfer; and
- The assets of HLRA's ASF after the Proposed Transfer, as if the transfer had occurred on 31 December 2024.

| Assets as at 31 Dec 2024 (AUDm)                                     | SRLHA SF1 | HLRA ASF |
|---|-----------|----------|
| Prior to Proposed Transfer  | 128m      | 501m     |
| After Proposed Transfer, as if the transfer occurred on 31 Dec 2024 |           | 541m     |

## Transferring Liabilities

4.14. The Transferring Liabilities by SRLHA to HLRA include policy liabilities of the Transferring Policies, valued in accordance with SRLHA's valuation under the applicable Australian accounting and prudential standards, including but not limited to AASB17 and APRA LPS340 "Valuation of Policy Liabilities". It does not include any of the excluded liabilities as defined in the Transfer Deed, one of which is any of SRLHA's tax liabilities.

4.15. The Transferring Liabilities reflects SRLHA's best estimate view of the past and future policy liability obligations of the Transferring Policies, incorporating the latest economic and market conditions.

4.16. The value of the Transferring Liabilities is considered to be appropriate and materially consistent with the Transferring Assets backing the policy liability of the Transferring Policies.

## Third-party agreements

- 4.17. On and from the Effective Date, HLRA will be substituted for SRLHA in all distribution, administration, service and other agreements and deeds associated with the Transferring Policies (**Transferring Contracts**) which are in full force and effect immediately prior to the Effective Date.
- 4.18. HLRA will assume all assets, liabilities, rights, benefits and obligations of the Transferring Contracts in respect of the Transferring Policies on and from the Effective Date.
- 4.19. The list of the Transferring Contracts are included in Appendix C of this report.
- 4.20. SRLHA and Woolworths have agreed that Woolworths Life and Funeral Insurance products will be rebranded "Safeway Life Insurance", "Safeway Life Funeral Insurance" and "Safeway Life Insurance – Accident Only" (as applicable) which will also take effect from the Effective Time.

#### Reinsurance arrangements

- 4.21. As part of the Transfer Deed entered into by the Parties, HLRA and SRLHA will enter into a Reinsurance Agreement in accordance with APRA LPS230 "Reinsurance Management".
- 4.22. Under the Reinsurance Agreement, HLRA will cede and SRLHA will reinsure from the Effective Date, 100% of all outstanding claim liabilities of the Transferring Policies incurred prior to the Effective Date and 50% of the Medibank and Woolworth death (excluding funeral), TPD and trauma benefits on and after the Effective Date. The reinsurance arrangement will include an initial and on-going reinsurance premium payable by HLRA to SRLHA from HLRA's ASF.

#### Cost of transfer

- 4.23. All costs associated with the transfer will be paid by HLRA and SRLHA in accordance with the Transfer Deed. None of the costs associated with the transfer will be, directly or indirectly, borne by SRLHA's Transferring Policies or HLRA's Existing Policies.

#### Policy terms and conditions

- 4.24. There are no changes proposed to the policy terms and conditions of the SRLHA's Transferring Policies as part of the Proposed Scheme.
- 4.25. There will be no changes to the policy terms and conditions of any of HLRA's Existing Policies as a result of the Proposed Scheme.

#### Policy claims

- 4.26. Any person having a claim against or obligation to SRLHA in respect of the Transferring Policies will have the same claim against or obligation to HLRA irrespective of when that claim or obligation arose.

#### Applications

- 4.27. Any pending application which has not been accepted by SRLHA as at the Effective Date is to be treated as an application to HLRA for that policy on the same terms, and any policy resulting from such an application will take effect and be construed for all purposes as a policy issued by HLRA.
- 4.28. All proposals, applications, declarations and representations made to SRLHA, whether issued or entered into by SRLHA or HLRA, is taken to have been made to HLRA instead of SRLHA.

#### Proceedings

- 4.29. Any proceedings, including but not limited to complaints made to the Australian Financial Complaints Authority (**AFCA**), in respect to Transferring Policies that are in progress, or that commence, whether by or against SRLHA, in any court or tribunal or

before any entity dealing with complaints, must be continued by or against HLRA instead of SRLHA and must be amended to that effect.

## Authorities

- 4.30. All authorities, directions, mandates or instructions given to SRLHA to deduct premiums or fees payable in respect of the Transferring Policies, or to disclose or obtain information in the course of carrying on life insurance business, are deemed to be given to HLRA instead of SRLHA.

## Remediation matters

- 4.31. The Transfer Deed and the Proposed Scheme requires that HLRA continue to conduct any finalised and active remediations in substantially the same manner as SRLHA (unless SRLHA otherwise provides written consent).
- 4.32. HLRA is aware of remediation programs previously carried out by SRLHA, which have now been finalised with no current material active remediation programs in-flight. As with all remediation programs, there may still be customers in the future entitled to remediation.
- 4.33. On and from the Effective Date of the Proposed Transfer, HLRA will continue managing all remediation matters of the Transferring Policies in substantially the same manner as remediations conducted by SRLHA, ensuring consistency and continuity in the remediation process.

## Choosi

- 4.34. HLRA acknowledges that the Australian Securities and Investments Commission (**ASIC**) commenced proceedings against Choosi Pty Ltd (**Choosi**) on 2 June 2025 for allegedly misleading prospective customers of funeral and life insurance through its comparison services. ASIC has alleged that Choosi's comparison website only compared funeral and life insurance policies issued by HLRA (with one limited exception). These funeral and life insurance policies have been distributed for HLRA by GFS, being a company related to Choosi.
- 4.35. HLRA notes that it is not a party to these proceedings. Therefore, the proceedings are not expected to impact HLRA, HLRA's Existing Policies or SRLHA's Transferring Policies. As such, no additional reserves have been provisioned by HLRA for these proceedings.



## 5. Impact to HLRA Existing Policies

### Policy owner contractual rights & benefits

- 5.1. There are no proposed changes to the policy terms and conditions or the benefits of HLRA's Existing Policies as a result of the Proposed Transfer under the Transfer Deed and Proposed Scheme.
- 5.2. As such, in my opinion, there are no impacts or implications to the contractual rights and benefits of the HLRA Existing Policies.

### Policy owner reasonable benefit expectations

- 5.3. There are no proposed changes to any of the following aspects of HLRA's operations concerning the Existing Policies as a result of the Proposed Transfer under the Transfer Deed and Proposed Scheme:
  - Premium rates, including expense allocation basis and methodology;
  - HLRA operational systems and capabilities;
  - Third-party arrangements, including existing agreements between HLRA and GFS in relation to Existing Policies;
  - Claims philosophy, governance, policies and procedures; and
  - All other internal policies, frameworks and procedures.
- 5.4. As such, in my opinion, there are no impacts or implications on the policy owner reasonable benefit expectations of the HLRA Existing Policies.

### Benefit security

- 5.5. HLRA's investment strategy, risk management framework, reinsurance arrangements and capital management are an integral part of HLRA in providing benefit security to its policy owners and fulfilling contractual obligations. These are discussed in turn below.

#### Investment Strategy

- 5.6. As outlined in paragraph 3.20 of this report, HLRA's investments are managed by the Investment Strategy Committee through the Investment Guideline, Derivative Risk Management Strategy and the Hannover Re Group's Asset-Liability Matching Guideline. There are no proposed changes on these aspects as a result of the Proposed Transfer under the Transfer Deed and Proposed Scheme.
- 5.7. As outlined in paragraph 3.21 of this report, HLRA's investment portfolio is managed separately for each of the three statutory funds (ARSF, ASF, OSF) and the shareholder fund, through an assessment by HLRA ALCO at least every 6 months, which is implemented by the Company's Investment Strategy Committee subject to Actuarial Advice. There are no expected changes to the SAA for ARSF and OSF as a result of the Proposed Transfer under the Transfer Deed and Proposed Scheme.
- 5.8. As outlined in paragraph 3.18, HLRA policy owner benefit levels are not dependent on the Company's investment strategy and HLRA's investment considerations and decisions are centred around capital efficiency and meeting future policy owner liabilities. The ASF investment portfolio is expected to be reassessed after the Effective Date of the Proposed Transfer, with a new SAA, if applicable, to be implemented for ASF. I note however, that this will follow the same governance, procedure and approval by the Investment Strategy Committee, under the policies, frameworks and actuarial advice.
- 5.9. As such, no impacts or implications are expected on the investment portfolio aspects of the benefit security of the Existing Policies.

#### Risk management framework



- 5.10. There are no proposed changes to the overall risk management framework of HLRA as a result of the Proposed Transfer under the Transfer Deed and Proposed Scheme, including the RAS and RMS, no impacts or implications are expected on the risk management aspects of the benefit security of the Existing Policies.

## Reinsurance arrangements

- 5.11. There are no proposed changes to any of HLRA's existing reinsurance arrangements relating to the Company's Existing Policies as a result of the Proposed Transfer under the Transfer Deed and Proposed Scheme.
- 5.12. As outlined in paragraphs 4.21 and 4.22 of this report, the Transfer Deed entered into by the Parties includes a reinsurance arrangement where HLRA will cede and SRLHA will reinsure a certain proportion of policy liabilities in respect of the Transferring Policies from the Effective Date.
- 5.13. In addition, HLRA will expand its reinsurance arrangement with HRI to cede a certain portion of policy liabilities such that, after the reinsurance arrangements with both SRLHA and HRI, HLRA retains 25% of all benefits of the Transferring Policies from the Effective Date. The reinsurance of Transferring Policies to HRI forms part of HLRA's on-going reinsurance strategy for capital management.
- 5.14. Both SRLHA and HRI, part of the Swiss Re Group and Hannover Re Group respectively, has a financial strength rating of AA- by Standard and Poor's as at 31 December 2024.
- 5.15. The reinsurance agreements with SRLHA and HRI will be in accordance with APRA LPS230 "Reinsurance Management" and have been included as part of assessing the financial capital impacts to HLRA from the Proposed Transfer, detailed in paragraphs 5.16 to 5.21 below in this report.

## Capital management

- 5.16. The following table summarises HLRA's capital position pre and post the Proposed Transfer under the Transfer Deed and Proposed Scheme based on the 31 December 2024 position, including the reinsurance arrangements to be entered into by HLRA with SRLHA and HRI.

### Pre transfer

| AUDm  | ARSF | ASF  | OSF  | SHF | Total |
|---|------|------|------|-----|-------|
| Net Assets                                  | 419  | 107  | 45   | 21  | 593   |
| Regulatory adjustments                      | -181 | 4    | -13  | -2  | -192  |
| Tier2 Capital                               | 22   | 25   | 0    | 0   | 47    |
| Capital Base                                | 260  | 137  | 32   | 19  | 448   |
| PCA   | 182  | 50   | 10   | 0   | 242   |
| Excess capital                              | 79   | 86   | 22   | 19  | 205   |
| Capital adequacy multiple                   | 143% | 272% | 311% |     | 185%  |
| Excess capital (excluding Tier2)            | 57   | 61   | 22   | 19  | 158   |
| Capital adequacy multiple (excluding Tier2) | 131% | 222% | 311% |     | 165%  |

### Post transfer

| AUDm                   | ARSF | ASF | OSF | SHF | Total |
|------------------------|------|-----|-----|-----|-------|
| Net Assets             | 419  | 97  | 45  | 21  | 583   |
| Regulatory adjustments | -181 | 4   | -13 | -2  | -192  |
| Tier2 Capital          | 22   | 25  | 0   | 0   | 47    |
| Capital Base           | 260  | 127 | 32  | 19  | 438   |
| PCA                    | 182  | 61  | 10  | 0   | 253   |

|  |      |      |      |    |      |
|--|------|------|------|----|------|
| <b>Excess capital</b>                              | 79   | 66   | 22   | 19 | 185  |
| <b>Capital adequacy multiple</b>                   | 143% | 208% | 311% |    | 173% |
| <b>Excess capital (excluding Tier2)</b>            | 57   | 41   | 22   | 19 | 139  |
| <b>Capital adequacy multiple (excluding Tier2)</b> | 131% | 167% | 311% |    | 155% |

5.17. It can be noted that post the transfer using the 31 December 2024 position:

- Net Assets and Capital Base will reduce by AUD 10m for ASF and the Company total, primarily driven by the initial reinsurance premium payable to SRLHA for the reinsurance arrangement entered into by HLRA of the Transferring Policies;
- Prudential minimum capital requirement PCA will increase by AUD 11m for ASF and the Company total; and
- HLRA's Excess capital and Capital adequacy multiple will reduce by AUD 20m and 64% respectively for ASF and by AUD 20m and 12% for the Company total.

5.18. Based on the 31 December 2024 position, HLRA will continue to meet the prudential minimum capital requirement for all statutory funds and at the entity level post the Proposed Transfer.

5.19. The Company will also continue to meet the minimum requirements regarding the size and composition of the Capital Base as specified in LPS 112 "Capital Adequacy: Measurement of Capital", LPS 600 "Statutory Funds" and subsection 38(4) of the Life Act.

5.20. Each of the statutory funds, as well as the Company as a whole, will have excess capital above the PCR and Board approved target surplus levels under ICAAP after the Proposed Transfer.

5.21. HLRA, for each of its statutory funds and at the entity level, will remain in a sound financial capital position, meeting all prudential and internal capital requirements. The benefit security of HLRA's Existing Policies will continue to be protected and appropriate after the Proposed Transfer.

## 6. Impact to SRLHA Transferring Policies

### Policy owner contractual rights & benefits

- 6.1. There are no proposed changes to the policy terms and conditions or the benefits of SRLHA's Transferring Policies as a result of the Proposed Transfer under the Transfer Deed and Proposed Scheme.
- 6.2. As such, in my opinion, there are no impacts or implications to the contractual rights and benefits of the SRLHA Transferring Policies.

### Policy owner reasonable benefit expectations

- 6.3. The areas of policy owner premiums, administration systems and capabilities, claims management and other considerations of the policy owner reasonable benefit expectations of the SRLHA Transferring Policies are discussed in turn below.

#### Policy owner premiums

- 6.4. The policy owner premium rates of the SRLHA Transferring Policies will remain unchanged on the Effective Date as a result of the Proposed Transfer under the Transfer Deed and Proposed Scheme.
- 6.5. Any future product pricing considerations and changes to the policy owner premiums of the Transferring Policies under the terms of SRLHA's Transferring Contracts immediately prior to the Effective Date, will continue with HLRA after the Effective Date.
- 6.6. Both SRLHA and HLRA are subsidiaries of global reinsurance companies and incorporate global diversification benefits in its pricing considerations. Whilst the Transferring Policies will be under HLRA's pricing governance and philosophy after the Effective Date, this will be subject to similar considerations of expected future claims and market conditions, as well as being subject to the same applicable legislation and prudential requirements of both SRLHA and HLRA.
- 6.7. HLRA proactively manages its retail life insurance business, similar to SRLHAA, by regularly monitoring claims and policy lapse experience. HLRA has an internal pricing governance, framework and processes and considers customer impacts in its repricing decisions. Similar to SRLHA's approach, HLRA collaborates with third-party administrators to review commission rates to potentially minimize price increases for policyowners.
- 6.8. Consistent with some of HLRA's existing third-party arrangements, HLRA plans to formalise the approach to repricing of Transferring Policies premium rates by including claims ratio triggers in the distribution and administration agreements being novated from SRLHA to HLRA.
- 6.9. Considering the above paragraphs 6.4, 6.5, 6.6, 6.7 and 6.8, the likelihood of any future premium rate changes of the Transferring Policies by HLRA on and after the Effective Date of the transfer, would not be materially different compared to if the transfer did not occur.
- 6.10. As such, the policy owner reasonable benefit expectation in relation to premiums is unchanged pre and post the Proposed Transfer for the Transferring Policies.

#### Administration systems and capabilities

- 6.11. The administration of policies issued by SRLHA under Medibank, Woolworths, Freedom and ahm brands are currently provided by GFS, GES and Genus. Under the Transfer Deed executed by the Parties and the Proposed Scheme, all Transferring Contracts in full force and effect will be novated to HLRA on and from the Effective Date, and HLRA will assume all assets, liabilities, rights, benefits and obligations of the Transferring Contracts in respect of the Transferring Policies. There will be no changes to the

administration practices, capabilities or customer service levels for the Medibank, Woolworths, Freedom and ahm policies as a result of the Proposed Transfer under the Transfer Deed and Proposed Scheme.

- 6.12. For the policies distributed by Advantedge and currently administered by SRLHA, HLRA will be entering into a binding letter of agreement with GFS, which will bind HLRA and GFS to amend the existing administration agreement between HLRA and GFS, to include the future administration of Advantedge policies from the Effective Date. All costs associated with the administration of Advantedge policies, including the transition to the administration system provided by GFS, will be paid by HLRA and will not be, directly or indirectly, borne by SRLHA's Transferring Policies. It is reasonable to assume that this will be beneficial for the Advantedge policy owners in the future administration, servicing and maintenance for the policy owners after the Effective Date of the Proposed Transfer.
- 6.13. Outside the third-party arrangements HLRA will be entering into through the novation of the Transferring Contracts and the new administration servicing of Advantedge policies by GFS, as outlined in paragraphs 3.3, 3.4 and 3.5 of this report, HLRA has developed and has continued to build on its direct insurance capabilities across the relevant functional areas through the growth of the existing partnership with GFS.
- 6.14. Considering the above paragraphs 6.11, 6.12 and 6.13, the policy owner benefit expectations as it relates to administration and customer servicing will not be adversely impacted as a result of the Proposed Transfer under the Transfer Deed and Proposed Scheme for the Transferring Policies.

## Claims management

- 6.15. Paragraphs 3.30 and 3.31 of this report outline HLRA's claims philosophy, governance, policies, frameworks and quality assurance procedures. The Company is licensed under an AFSL for claims handling and is subscribed to LICOP.
- 6.16. SRLHA has adopted and applies materially similar claims philosophy, governance, policies, frameworks and quality assurance procedures to that of HLRA. SRLHA is also licensed under an AFSL for claims handling and is subscribed to LICOP.
- 6.17. HLRA's claims philosophy, governance, policies, framework, processes and quality assurance procedures will not change as a result of the Proposed Transfer under the Transfer Deed and Proposed Scheme. The Company's current claims management approach will be extended to the Transferring Policies on and from the Effective Date.
- 6.18. APRA periodically releases life insurance claims and disputes statistics and the latest as at 31 December 2024, was published on 15 April 2025. Some of the statistics for HLRA, SRLHA and the life insurance industry totals are shown in the below tables.

| Individual (Non-advised) |                | Claims Finalised | Claims Admitted | Admitted %                           |
|--------------------------|----------------|------------------|-----------------|--------------------------------------|
| Death                    | HLRA           | 412              | 370             | 89.8%                                |
|                          | SRLHA          | 79               | 71              | 89.9%                                |
|                          | Industry Total | 1,364            | 1,252           | 91.8%                                |
| Funeral                  | HLRA           | 5,815            | 5,786           | 99.5%                                |
|                          | SRLHA          | 168              | 168             | 100.0%                               |
|                          | Industry Total | 15,368           | 15,330          | 99.8%                                |
| Individual (Non-advised) |                | Disputes lodged  | Resolved        | Dispute lodgement ratio <sup>1</sup> |
| Death                    | HLRA           | 41               | 39              | 27                                   |
|                          | SRLHA          | 11               | 11              | 19                                   |
|                          | Industry Total | 108              | 96              | 22                                   |
| Funeral                  | HLRA           | 234              | 229             | 133                                  |
|                          | SRLHA          | 0                | 0               | 0                                    |

|  |                |     |     |    |
|--|----------------|-----|-----|----|
|  | Industry Total | 304 | 289 | 55 |
|--|----------------|-----|-----|----|

<sup>1</sup> Number of disputes per 100,000 insured lives

6.19. It can be noted that the claim admittance rates between SRLHA, HLRA and the industry total, is generally comparable. Whilst the dispute lodgement ratio is generally comparable between SRLHA (where statistic is available), HLRA and the industry total for the death benefit, the APRA statistics indicate that the dispute lodgement ratio for HLRA is particularly higher than the industry average for the funeral benefits. The higher funeral benefit dispute lodgement ratio for HLRA has been due to changes in regulation regarding dispute reporting, a prudent approach in recording of complaints, past staff turn-overs and claim evidence requirements which have since been revised. It can also be noted that HLRA, consistent with the industry average, admits over 99% of funeral claims assessed.

6.20. As such, the policy owner benefit expectations as it relates to claims handling processes and outcomes will not be adversely impacted for the Transferring Policies.

#### Underwriting

6.21. SRLHA's underwriting for iptiQ is limited to incremental benefit changes, addition of new covers and new insured lives to existing policies, assessed against SRLHA's philosophy and standards. The process is centred around a simplified process and backed by evidence-based research, with no medical or financial evidence required.

6.22. HLRA follows a similar underwriting philosophy to SRLHA for its direct life insurance business. Underwriting decisions are handled by HLRA's experienced local underwriting team and HLRA plans to adopt SRLHA's underwriting rules for Transferring Policies, pending risk assessment by HLRA, with maintained focus on continuity for customers.

6.23. HLRA's underwriting is expected to continue with a fair and reasonable process and outcome for customers and as such, the policy owner benefit expectations as it relates to underwriting will not be adversely impacted for the Transferring Policies.

#### Product and policy maintenance

6.24. SRLHA ensures iptiQ products remain fit for purpose, meet customer needs and comply with legal and regulatory requirements. Annual reviews are conducted and product improvements which do not increase premiums are automatically passed to policyowners. No future product changes are planned, except which may otherwise be required to satisfy legislative or regulatory requirements.

6.25. HLRA regularly monitors and reviews product design and performance biannually, considering customer experience and performance. Consistent with SRLHA's philosophy, HLRA automatically passes product improvements which do not increase premiums for customers.

6.26. As such, the policy owner benefit expectations as it relates to product and policy maintenance will not be adversely impacted for the Transferring Policies.

#### Other considerations

6.27. As outlined in paragraphs 4.26 to 4.30 of this report, the Parties have agreed through the Transfer Deed and the Proposed Scheme, that HLRA will assume on and from the Effective Date, all elements of the Transferring Policies claims, pending applications, internal and external dispute proceedings and authorities.

6.28. The nature of the products and benefits of SRLHA's Transferring Policies are similar and comparable to HLRA's own individual policies issued through GFS. In addition, HLRA has existing third-party arrangements with GFS and Genus, both parties to SRLHA's Transferring Contracts. Hence it is reasonable to expect synergies and general

efficiency gains for HLRA for the on-going servicing and management of the Transferring Policies after the Effective Date.

Overall conclusion

6.29. In my opinion, the policy owner reasonable benefit expectations of the Transferring Policies will not be adversely impacted by the Proposed Transfer under the Transfer Deed and Proposed Scheme.

## Benefit security

6.30. In assessing the benefit security of the Transferring Policies as a result of the Proposed Transfer under the Transfer Deed and Proposed Scheme, the following areas have been considered, which are discussed in turn below:

- The capital position of SRLHA as at 31 December 2024, in comparison to the capital position of HLRA if the Proposed Transfer occurred on 31 December 2024;
- Composition and quality of capital;
- Capital management, ICAAP and target surplus approach;
- Risk management strategy; and
- Other considerations.

Capital position and financial impacts

6.31. SRLHA's capital position as at 31 December 2024 is shown in the below table.

| AUDm                      | SF1  | SF2   | SHF | Total |
|---------------------------|------|-------|-----|-------|
| Net Assets                | 89   | 1,138 | 1   | 1,228 |
| Regulatory adjustments    | -32  | -206  | 0   | 238   |
| Capital Base              | 58   | 932   | 1   | 991   |
| PCA                       | 32   | 340   | 0   | 372   |
| Excess capital            | 26   | 592   | 1   | 618   |
| Capital adequacy multiple | 181% | 274%  |     | 266%  |

6.32. HLRA's capital position as at 31 December 2024 after the Proposed Transfer, if the transfer occurred on 31 December 2024 is outlined in paragraph 5.16 of this report, which is reproduced below.

| AUDm  | ARSF | ASF  | OSF  | SHF | Total |
|---|------|------|------|-----|-------|
| Net Assets                                  | 419  | 97   | 45   | 21  | 583   |
| Regulatory adjustments                      | -181 | 4    | -13  | -2  | -192  |
| Tier2 Capital                               | 22   | 25   | 0    | 0   | 47    |
| Capital Base                                | 260  | 127  | 32   | 19  | 438   |
| PCA   | 182  | 61   | 10   | 0   | 253   |
| Excess capital                              | 79   | 66   | 22   | 19  | 185   |
| Capital adequacy multiple                   | 143% | 208% | 311% |     | 173%  |
| Excess capital (excluding Tier2)            | 57   | 41   | 22   | 19  | 139   |
| Capital adequacy multiple (excluding Tier2) | 131% | 167% | 311% |     | 155%  |

6.33. The post transfer capital position of HLRA as at 31 December 2024 detailed in paragraphs 5.16 to 5.21 for the assessment of the policy owner benefit security of HLRA's Existing Policies, equally applies to the policy owner benefit security considerations of SRLHA's Transferring Policies.

6.34. It can be noted that both SRLHA and HLRA have a strong and sound capital position as at 31 December 2024. Both at the entity total level and the referable statutory funds of the Transferring Policies being SRLHA's SF1 and HLRA's ASF, satisfies the



requirements of the prudential capital requirements with a healthy level of excess capital and capital adequacy multiples.

- 6.35. The policy owner benefit security of the Transferring Policies, relating to the financial strength positions of SRLHA and HLRA, is not expected to be adversely impacted as at the Effective Date as a result of the Proposed Transfer.

## Composition and quality of capital

- 6.36. SRLHA's SF1 capital base comprises entirely of Common Equity Tier1 capital, which is the highest quality and form of capital under APRA's prudential capital requirements.
- 6.37. HLRA's ASF capital base of 127m is comprised of 102m of Common Equity Tier1 and 25m of Tier2 capital, the latter of which is in the form of sub-ordinated debt from HRSE maturing in 2033.
- 6.38. Whilst Tier2 capital is not as secure or readily available as Common Equity Tier1 capital, Tier2 capital still provides an important additional financial safety net to policy holders of a statutory fund, which helps to ensure HLRA is able to continue to operate in a sound manner under adverse environments potentially resulting in unexpected financial outcomes.
- 6.39. As outlined in paragraph 5.19 of this report, the Company will continue to meet the minimum requirements regarding the size and composition of the Capital Base as specified in LPS 112 "Capital Adequacy: Measurement of Capital", LPS 600 "Statutory Funds" and subsection 38(4) of the Life Act after the Proposed Transfer.
- 6.40. This includes, as required by the prudential standards, a non-viability trigger in which upon determination of non-viability, the Tier 2 loan is written off and replaced with immediate and unequivocal addition to Common Equity Tier1 capital.
- 6.41. It is also worth noting that HLRA's ASF Common Equity Tier1 capital in itself, meets all the requirements of the minimum prudential capital requirements and the internal target surplus levels approved by the Board. In the absence of Tier2 capital, HLRA's ASF policy owners would continue to be protected with excess capital of 41m and capital adequacy multiple of 167% as at 31 December 2024 after the Proposed Transfer.
- 6.42. Considering paragraphs 6.36 to 6.41 above, the policy owner benefit security of the Transferring Policies, relating to the composition and quality of HLRA's capital, is not adversely impacted as a result of the Proposed Transfer.

## Capital management, ICAAP and target surplus

- 6.43. HLRA's capital management framework, including ICAAP, setting of the target surplus, Recovery and exit planning and Enterprise-wide stress testing and scenario analysis policy ensures a prudent and timely approach to the Company's on-going capital management, providing benefit security to all policy owners across the three statutory funds. This applies to the direct-to-consumer individual life insurance policies in ASF, which include a range of products and policy owners that are similar to those under the SRLHA Transferring Policies being proposed to be transferred to ASF.
- 6.44. HLRA's target surplus above the PCR requirement is reviewed at least annually in line with the Company's risk appetite, business planning and stress testing of financial and non-financial risks for each of the three statutory funds and for the company as a whole on a prospective basis. The resilience of HLRA's capital balance sheet is further tested through regular testing of extreme but plausible stressed scenarios.
- 6.45. SRLHA's approach to capital management through its own ICAAP, target surplus and stressed scenario testing is broadly aligned to HLRA.

- 6.46. HLRA's overall capital management framework is considered to be appropriate for the size and nature of HLRA's business, risk appetite, material risks and business plan for the Existing Policies. This will continue to remain appropriate for the Transferring Policies after the Proposed Transfer and meet the relevant prudential requirements and regulatory expectations.
- 6.47. Considering paragraphs 6.43 to 6.46 above, the policy owner benefit security of the Transferring Policies, relating to HLRA's overall capital management framework in providing the benefit security on a prospective basis, is not adversely impacted as a result of the Proposed Transfer.

## Risk management strategy

- 6.48. HLRA's approach and framework for risk management has been outlined in paragraphs 3.8, 3.9 and 3.10 of this report. It covers all material risks of the Company including the direct-to-consumer individual life policies in ASF, which are similar in nature and products of the SRLHA Transferring Policies being proposed to be transferred to ASF. There is a strong, positive risk culture embedded throughout all levels and functional areas of HLRA.
- 6.49. HLRA's overall approach to risk management is considered to be appropriate for the size and nature of HLRA's business, risk appetite, material risks and business plan for the Existing Policies. This will continue to remain appropriate for the Transferring Policies after the Proposed Transfer and meet the relevant prudential requirements and regulatory expectations.
- 6.50. SRLHA's approach to risk management through its own risk management framework and associated policies and procedures is broadly aligned to HLRA.
- 6.51. As such, the policy owner benefit security of the Transferring Policies, relating to HLRA's overall risk management framework in responding to changes to the Company's operating environment, is not adversely impacted as a result of the Proposed Transfer.

## Other considerations

- 6.52. As outlined in paragraphs 5.6 to 5.9 and paragraphs 5.12 to 5.15, HLRA's approach to investment management and reinsurance also forms an integral part of HLRA providing benefit security to its policy owners and fulfilling contractual obligations.
- 6.53. The assessment of the policy owner benefit security of HLRA's existing policies on its approach to investment management and reinsurance equally applies to the policy owner benefit security considerations of SRLHA's transferring policies. HLRA will continue to operate within the governance, frameworks and procedures in terms of its approach to investment and reinsurance decisions, which is considered to be appropriate in providing continued policy owner benefit security for the combined HLRA existing policies and SRLHA transferring policies.

## Overall conclusion

- 6.54. In my opinion, the Proposed Transfer under the Transfer Deed and Proposed Scheme will not adversely impact the policy owner benefit security of the Transferring Policies and will continue to be protected, appropriate following the Proposed Transfer.

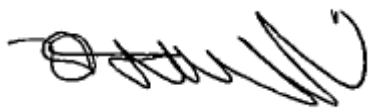


## 7. Appointed Actuary Opinion

- 7.1. Based on my assessment detailed throughout this report, it is my opinion that the transfer of SRLHA's iptiQ portfolio of policies to HLRA under Part 9 of the Life Act will not prima facie result in any unfairness or materially adverse outcomes for HLRA's Existing Policies and SRLHA's Transferring Policies, on and from the Effective Date, as a result of the Proposed Transfer under the Transfer Deed and Proposed Scheme.
- 7.2. More specifically for HLRA's Existing Policies, as a result of the Proposed Transfer:
- There are no proposed changes to the policy terms and conditions or benefits and therefore, no impacts or implications to policy owner contractual rights and benefits.
  - There are no proposed changes to HLRA's operational policies, frameworks, capabilities, procedures, claims management and third-party arrangements and therefore, no impacts or implications on policy owner reasonable benefit expectations.
  - HLRA, for each of its statutory funds and at the entity level, will remain in a sound financial capital position, meeting all prudential and internal capital requirements and therefore, the benefit security will continue to be protected and appropriate.
- 7.3. More specifically for SRLHA's Transferring Policies, as a result of the Proposed Transfer:
- There are no proposed changes to the policy terms and conditions or benefits and therefore, no impacts or implications to policy owner contractual rights and benefits.
  - Policy owner reasonable benefit expectations will not be adversely impacted within HLRA's operating environment through its application of operational policies, frameworks, capabilities, procedures, claims management and third-party arrangements.
  - Policy owner benefit security will continue to be protected, appropriate and will not be adversely impacted within HLRA's investments, risk management, reinsurance and capital management frameworks.

## 8. Reliance and Limitations

- 8.1. This report has been prepared based on my assessment of the operating environment and financial positions of HLRA and SRLHA as at 31 December 2024. The key data and information relied upon is outlined in Appendix D, which is not an exhaustive list and further includes, but is not limited to, verbal and written communication with the management of HLRA and SRLHA.
- 8.2. I have not independently verified the data and information provided and have relied upon the completeness and accuracy of all data and information used in forming my conclusions contained in this report.
- 8.3. My conclusions in this report are on the basis of the circumstances as at the date of this report, which is considered to be materially accurate and represents the operating environment and financial positions of HLRA and SRLHA on the proposed Effective Date of the transfer. My opinions set out in the report are based on potential changes that could arise as a result of the Proposed Transfer under the Transfer Deed and Proposed Scheme and not potential changes that could arise in the ordinary course of business irrespective of the transfer.
- 8.4. This report should be read and considered in its entirety.
- 8.5. This report has been prepared in accordance with The Code of Professional Conduct and Professional Standard 201 "Actuarial Advice to a Life Insurance Company or Friendly Society" of the Actuaries Institute of Australia.



Jun Song FIAA, FNZSA

Appointed Actuary of Hannover Life Re of Australasia Ltd

28 August 2025

## 9. Appendix A – Glossary of terms

| Abbreviation/Term        | Meaning   |
|--------------------------|---|
| <b>AAF</b>               | Actuarial Advice Framework  |
| <b>Advantagedge</b>      | Advantagedge Financial Solutions Pty Ltd  |
| <b>AFCA</b>              | Australian Financial Complaints Authority   |
| <b>AFSL</b>              | Australian Financial Services License   |
| <b>ALCO</b>              | Asset-Liability Committee   |
| <b>APRA</b>              | Australian Prudential Regulation Authority  |
| <b>ARSF</b>              | HLRA's Australian Reinsurance Statutory Fund  |
| <b>ASF</b>               | HLRA's Australian Statutory Fund  |
| <b>ASIC</b>              | Australian Securities and Investments Commission  |
| <b>Board</b>             | HLRA board of directors   |
| <b>Choosi</b>            | Choosi Pty Ltd  |
| <b>Transfer Deed</b>     | Business transfer deed executed between Swiss Re Life & Health Australia Limited and Hannover Life Re of Australasia Ltd dated 9 April 2025 |
| <b>Effective Date</b>    | 1 December 2025   |
| <b>Existing Policies</b> | HLRA existing policies immediately prior to the Effective Date of the Proposed Scheme transfer  |
| <b>Freedom</b>           | Freedom Insurance Pty Ltd   |
| <b>GES</b>               | Greenstone Enterprise Services Pty Ltd  |
| <b>Genus</b>             | Genus Life Insurance Services Pty Limited   |
| <b>GFS</b>               | Greenstone Financial Services Pty Ltd   |
| <b>GPN-EXPT</b>          | Federal Court of Australia's Expert Evidence Practice Note  |
| <b>HLRA or Company</b>   | Hannover Life Re of Australasia Ltd   |
| <b>HRB</b>               | Hannover Re (Bermuda) Ltd   |

|                              |   |
|------------------------------|---|
| <b>HRI</b>                   | Hannover Re (Ireland) Designated Activity Company   |
| <b>HRSE</b>                  | Hannover Rück SE  |
| <b>ICAAP</b>                 | Internal Capital Adequacy Assessment Process  |
| <b>LICOP</b>                 | Life Insurance Code of Practice   |
| <b>Life Act</b>              | Life Insurance Act 1995 (Cth)   |
| <b>LPS</b>                   | Life Prudential Standard  |
| <b>NobleOak Life</b>         | NobleOak Life Limited   |
| <b>NobleOak Services</b>     | NobleOak Services Limited   |
| <b>OSF</b>                   | HLRA's Overseas Statutory Fund  |
| <b>Parties</b>               | Hannover Life Re of Australasia Ltd and Swiss Re Life & Health Australia Limited  |
| <b>PCA</b>                   | Prescribed Capital Amount as required under LPS110  |
| <b>PCR</b>                   | Prudential Capital Requirement as required under LPS110   |
| <b>Proposed Scheme</b>       | Draft scheme of the Parties proposal, subject to APRA and court approvals, to transfer SRLHA's iptiQ portfolio of policies to HLRA under Part 9 of the Life Act |
| <b>Proposed Transfer</b>     | The proposed transfer SRLHA's iptiQ portfolio of policies to HLRA as agreed in the Transfer Deed and outlined in the Proposed Scheme                            |
| <b>RAS</b>                   | HLRA's Risk Appetite Statement  |
| <b>Reinsurance Agreement</b> | Reinsurance treaty entered into between HLRA and SRLHA effective from 1 December 2025 in respect of the transferring policies.                                  |
| <b>RMS</b>                   | HLRA's Risk Management Strategy   |
| <b>S&amp;P</b>               | Standard & Poor's   |
| <b>SAA</b>                   | Strategic Asset Allocation  |
| <b>SF1</b>                   | SRLHA's Statutory Fund No.1   |
| <b>SHF</b>                   | HLRA's Shareholders Fund  |
| <b>SRLHA</b>                 | Swiss Re Life & Health Australia Limited  |

|                                 |  |
|---------------------------------|--|
| <b>Transferring Assets</b>      | The rights and benefits of SRLHA under the transferring policies immediately prior to the Effective Date   |
| <b>Transferring Contracts</b>   | Contracts as attached in Appendix C  |
| <b>Transferring Liabilities</b> | All of the claims, losses, liabilities and costs of SRLHA under the transferring policies immediately prior to the Effective Date                              |
| <b>Transferring Policies</b>    | Life policies (within the meaning of the Life Act) issued by SRLHA which are referable to SRLHA's Statutory Fund No.1 immediately prior to the Effective Date. |

## 10. Appendix B – Details of Transferring Policies

| Brand       | Product Code | Product                      | Issue Date from | Issue Date to | Policies |
|-------------|--------------|------------------------------|-----------------|---------------|----------|
| Advant-Edge | CPL/CPS      | Choice Protect               | 22/11/2010      | 22/06/2012    | 16       |
|             | FPL/FPS      | Fast Protect                 | 22/11/2010      | 22/06/2012    | 4        |
|             | PPL/PPS      | Loan Protect                 | 22/11/2010      | 22/06/2012    | 27       |
| ahm         | AHD          | Life Insurance               | 3/08/2018       | 1/07/2023     | 1,917    |
|             | AHS          | Life insurance Express       | 10/12/2018      | 26/09/2023    | 228      |
| Freedom     | FEL          | Essential Life               | 30/06/2017      | 2/10/2018     | 675      |
|             | FLP          | Loan Protection              | 22/05/2017      | 2/10/2018     | 13       |
|             | FPL          | Premium Life                 | 30/06/2017      | 2/10/2018     | 223      |
|             | FPP          | Protection Plan              | 1/02/2017       | 2/10/2018     | 7,673    |
| Medibank    | MAO          | Income Protection (Accident) | 15/07/2011      | 19/12/2018    | 260      |
|             | MAP          | Accidental Death Insurance   | 7/10/2008       | 19/12/2018    | 1,259    |
|             | MEL          | Essential Life               | 28/03/2018      | 18/05/2018    | 126      |
|             | MFI          | Funeral Insurance            | 17/10/2015      | 1/07/2023     | 1,862    |
|             | MIP          | Income Protection            | 15/07/2011      | 27/09/2021    | 2,565    |
|             | MLI          | Life Insurance               | 12/03/2014      | 1/07/2023     | 15,326   |
|             | MTL          | Life Insurance               | 25/05/2009      | 11/03/2014    | 17,041   |
|             | MTZ          | Life Insurance               | 7/10/2008       | 24/05/2009    | 43       |
| Woolworths  | WAC          | Life Insurance - Accident    | 19/05/2016      | 12/12/2018    | 181      |
|             | WAI          | Life Insurance - Accident    | 26/08/2011      | 18/05/2016    | 562      |
|             | WFI          | Funeral Insurance            | 26/09/2016      | 1/07/2023     | 859      |
|             | WFL          | Life Insurance               | 14/12/2015      | 1/07/2023     | 5,624    |
|             | WLI          | Life Insurance               | 26/08/2011      | 13/12/2015    | 4,849    |

## 11. Appendix C – Transferring Contracts

| Name  | Parties  | Date   |
|---|--|--|
| <b>Distribution and Administration Agreement</b>                          | SRLHA<br>GFS   | 13 December 2019 (as amended on 24 November 2021, 5 April 2023 and 30 June 2023)   |
| <b>Life Insurance Services Agreement</b>                                  | SRLHA<br>Medibank                                    | 11 December 2019 (as amended by the Life Insurance Change No. 1, the Proposed Variation to LISA and Marketing Plan dated 3 February 2020 and the Variation to the Marketing Plan dated 6 March 2020) |
| <b>Triparty Expenses Letter</b>   | SRLHA<br>Medibank<br>GFS                             | 18 December 2023   |
| <b>Life Insurance Services Alliance Agreement</b>                         | SRLHA<br>Woolworths<br>GFS<br>GES                    | 26 August 2011 (as amended on 24 October 2011, 16 July 2012, 26 August 2016, 13 May 2019 and 22 April 2023 and as terminated on 1 July 2023)   |
| <b>Life Insurance Services Alliance Approved Sub-contractor Agreement</b> | SRLHA<br>Woolworths<br>GFS<br>GES<br>Choosi          | 11 March 2014 (as amended in December 2017)  |
| <b>Life Insurance Administration Agreement</b>                            | SRLHA<br>NobleOak Services<br>Genus                  | 1 June 2019 (as amended on or around 23 September 2020, 1 April 2022 and 11 February 2025)   |
| <b>Fee &amp; Arrangements Deed</b>  | SRLHA<br>NobleOak Life<br>NobleOak Services<br>Genus | 1 June 2019 (as amended on or around 23 September 2020)  |
| <b>Deed of Indemnity</b>  | SRLHA<br>NobleOak Life                               | 1 June 2019  |
| <b>Co-operation and Contribution Agreement</b>                            | SRLHA<br>GFS   | 19 December 2013   |
| <b>Distribution Agreement</b>   | SRLHA<br>Advantedge Financial Solutions              | 22 November 2010   |
| <b>Deed of Termination and Assignment</b>                                 | SRLHA<br>Advantedge Financial Solutions              | Undated  |

## 12. Appendix D – Key data and information relied upon

| Provided by    | Information  | Dated         |
|----------------|--|---------------|
| HLRA           | Actuarial Valuation Report as at 31 Dec 2024   | 31 Dec 2024   |
|                | Claims Guide   | 17 Sep 2024   |
|                | Derivative Risk Management Strategy  | 16 Nov 2022   |
|                | Enterprise-wide stress testing and scenario analysis policy  | 21 Feb 2025   |
|                | 2024 Expense apportionment   | Oct 2024      |
|                | Financial Condition Report as at 31 Dec 2024   | 10 Mar 2025   |
|                | Financial Statement as at 31 Dec 2024  | 31 Dec 2024   |
|                | Asset Liability Matching Guideline   | 1 Apr 2024    |
|                | 2025 ICAAP Report  | 20 Mar 2025   |
|                | ICAAP Summary Statement  | 31 Mar 2025   |
|                | Investment Guideline   | 1 Apr 2024    |
|                | Quality Assurance Framework as at 31 Dec 2022  | 23 Dec 2022   |
|                | Recovery and Exit Plan   | 7 Dec 2023    |
|                | Draft Reinsurance Agreement with HRI   | 4 Mar 2025    |
|                | Risk Appetite Statement  | 20 Nov 2024   |
|                | Risk Management Strategy   | 20 Nov 2024   |
|                | Management attestations regarding impact of Proposed Transfer on HLRA existing policies under section 5 of this report | N/A           |
| SRLHA          | Actuarial report by Mr Stuart Mainland   | August 2025   |
|                | ANZ ICAAP Summary Statement  | January 2025  |
|                | ANZ RMS  | January 2025  |
|                | 3 year capital projections   | February 2025 |
|                | Details of Transferring Policies in Appendix B   | February 2025 |
| HLRA and SRLHA | Business Transfer Deed   | 9 Apr 2025    |
|                | Reinsurance Agreement between the Parties  | 9 Apr 2025    |
|                | Proposed Scheme  | 7 Feb 2025    |