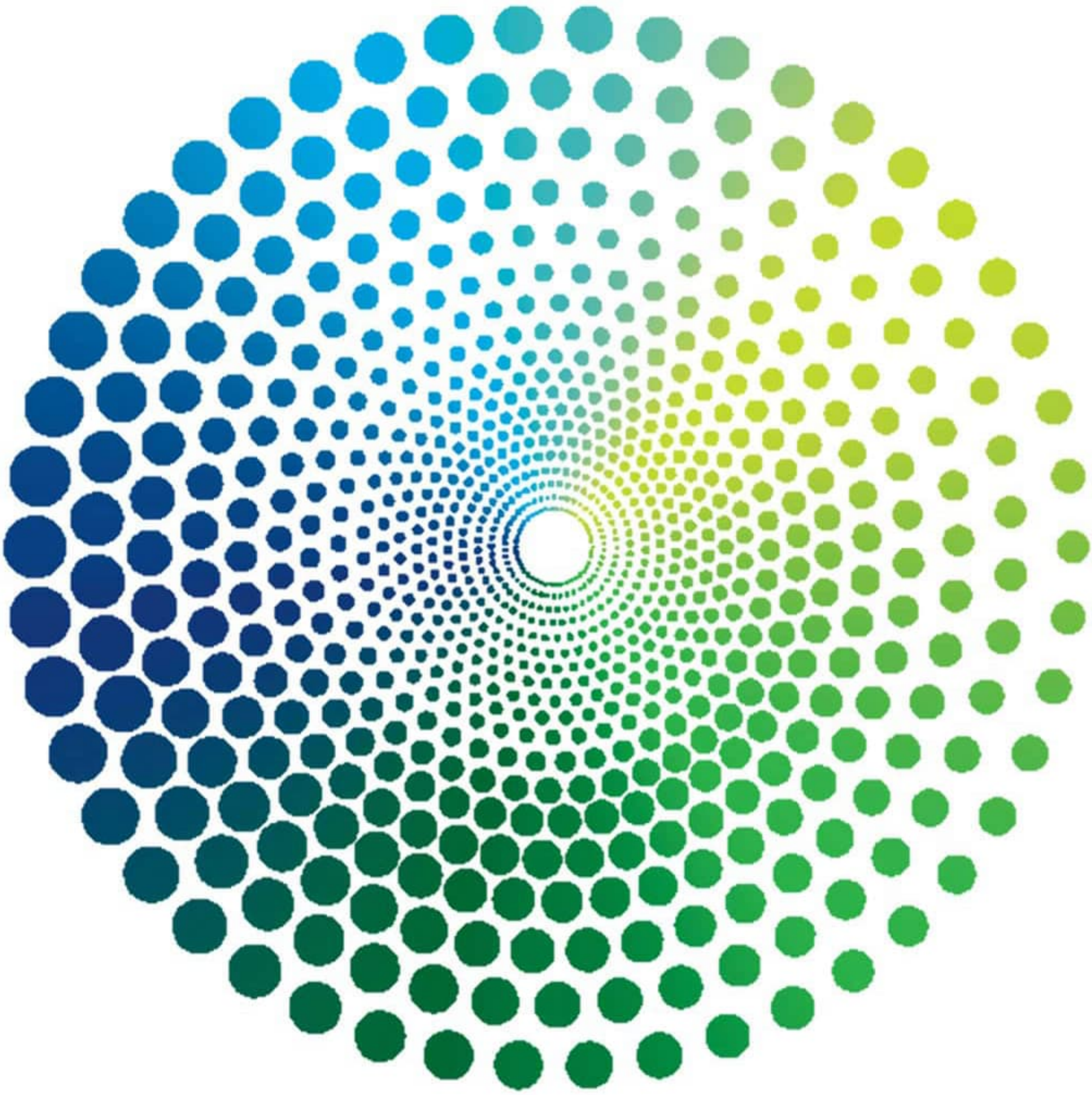
Deloitte.



Swiss Re Life & Health Australia Limited
Hannover Life Re of Australasia Limited

Independent Actuarial Report on the Proposed Scheme of Transfer

28 August 2025

MAKING AN IMPACT THAT MATTERS since 1845

Deloitte.

Deloitte SRT Pty Ltd
ACN 614 749 841
Quay Quarter Tower
50 Bridge Street
Sydney NSW 2000
www.deloitte.com.au

28 August 2025

Christopher Ong
Swiss Re Life & Health Australia Limited
Level 36, Two International Towers
200 Barangaroo Ave
Sydney NSW 2000

Patricia Berry
Hannover Life Re of Australasia Ltd.
Tower 1 Level 33
100 Barangaroo Ave
Sydney NSW 2000

Dear Christopher and Patricia

Re: Independent Actuarial Report for Part 9 Transfer

Swiss Re Life & Health Australia Limited ("SRLHA") and Hannover Life Re of Australasia Ltd ("HLRA") (the "Companies") have engaged me through Deloitte SRT Pty Ltd ("Deloitte") to prepare an independent actuarial report ("the Report") that provides an opinion in relation to implications for Policy Owners of the proposed transfer of SRLHA's direct life insurance business referable to SRLHA's Statutory Fund No. 1 to HLRA under Part 9 of the Life Insurance Act 1995 (Cth) ("the Proposed Scheme"). We have attached in Appendix D the letter of instruction provided to us.

In preparing my opinion regarding the Proposed Scheme, I considered the effect of the Proposed Scheme on the following areas for SRLHA and HLRA Policy Owners:

- Contractual benefits and other rights,
- Policy Owner reasonable benefit or other expectations,
- Benefit security (including capital position, investment strategy, reinsurance arrangements and risk management framework), and
- Any other matters that arose during my review of the Proposed Scheme which have the potential to impact on a relevant group of affected Policy Owners.

This report is subject to Reliances and Limitations which are set out in Section 8 of the Report.

Yours sincerely

Robert Daly

Robert Daly, Fellow of the Institute of Actuaries of Australia
Partner, Deloitte SRT

Contents

1 Executive Summary

1.1 Scope of report

Through Deloitte (“us”, “we”), Robert Daly (“I”, “me”) has been engaged by Swiss Re Life & Health Australia Limited (“SRLHA”) and Hannover Life Re of Australasia Ltd (“HLRA”) (both being the “Companies”) to prepare an independent actuarial report (“the Report”) that provides an opinion in relation to the implications for the Policy Owners of the proposed transfer under Part 9 of the Life Insurance Act 1995 (Cth) (“Life Act”) of SRLHA’s direct life insurance business referable to SRLHA’s Statutory Fund No.1 to HLRA (“the Proposed Scheme”).

The Proposed Scheme will principally impact the owners of policies transferring from SRLHA’s Statutory Fund No 1 (“SF1”) to HLRA’s Australian Statutory Fund (“ASF”) (the “SRLHA Policy Owners”) and the existing policy owners in HLRA’s ASF (the “HLRA Policy Owners”) as at the time that the Proposed Scheme takes effect (“Effective Time”).

The Proposed Scheme is anticipated to occur as at 1 December 2025. The assessments made in this report are based on audited financial information as of 31 December 2024.

In preparing my opinion regarding the Proposed Scheme, I considered the effect of the Proposed Scheme on the following areas for the affected HLRA and SRLHA Policy Owners:

- Contractual benefits and other rights,
- Reasonable benefit or other Policy Owner expectations,
- Benefit security (including capital position, investment strategy, reinsurance arrangements and risk management framework (“RMF”)), and
- Any other matters that arose during my review of the Proposed Scheme which have the potential to impact on either group of Policy Owners.

In preparing this Report, I have considered the interest of both affected Policy Owners and underlying beneficiaries.

In preparing the opinion, I have focused on the changes that arise because of the Proposed Scheme, rather than changes that might arise in the ordinary course of business.

1.2 Summary of the Proposed Scheme

Subject to regulatory and court approvals, HLRA and SRLHA have agreed to transfer the SRLHA Statutory Fund No 1 policies (“Transferring SRLHA Policies”) along with certain associated contracts (”Transferring Contracts”), certain assets and liabilities by way of a scheme for the transfer of life insurance business under Part 9 of the Life Act under which:

- The insurance policies referable to SRLHA’s SF1 will be transferred to HLRA’s ASF. SF1 has been closed to new business from July 2023.
- All rights and liabilities under the policies referable to SF1, and related contracts, will transfer to ASF, and policies referable to SF1 will become referable to ASF.
- All costs associated with the Proposed Scheme will be borne by HLRA and SRLHA and will not be charged to Policy Owners.
- There are no Participating Policies in SRLHA or HLRA.
- After the transfer, there will be no policies left in SF1.

SRLHA and HLRA agreed a Business Transfer Deed on 9 April 2025 to arrange for the Proposed Scheme and for an associated reinsurance arrangement among other things. More details of the Proposed Scheme are provided in Section 5 and the Proposed Scheme is fully outlined in the Scheme Documents.

1.3 Approach

To assess how the Proposed Scheme may affect the contractual benefits and other rights, reasonable expectations and benefit security of Policy Owners, it is necessary to identify the activities and decisions that may impact Policy Owners. As there are aspects of the benefits provided where SRLHA or HLRA could apply discretion, I consider how SRLHA applied such discretions historically and my understanding of HLRA's future intentions in these areas.

In assessing the potential Policy Owner impact of the Proposed Scheme, I consider:

- The potential differences in management of policies in the future. This is assessed by understanding historical and intended management approach of SRLHA and HLRA respectively for the different groups of Policy Owners (including particularly product and pricing strategies, underwriting and claims management);
- The transition period, and potential impact on customer service levels, claims management and sales/lapse impacts;
- The management of risk and capital including Target Surplus and dividend policy and the resulting financial position/strength of HLRA post transfer.

1.4 Opinion on SRLHA Policy Owners

My opinions on the impact of the Proposed Scheme for SRLHA Policy Owners are based on the following observations:

1. There are no contractual changes to the Transferring SRLHA Policies, including premium rates, fees, benefits, and other terms and conditions.
2. SRLHA-SF1 is closed to new business and HLRA-ASF is open to new business. The Proposed Scheme will mitigate the risks related to a reducing pool of policies that can lead to increased premium rates due to limited risk diversification and fixed costs spread over a smaller policy count.
3. HLRA will not change premium rates for the SRLHA Policy Owners because of the Proposed Scheme. After the Effective Time, HLRA can change premium rates in accordance with the existing terms and conditions of the Transferring SRLHA Policies.
4. HLRA has largely similar underwriting and claims management philosophies compared to SRLHA.
5. HLRA already uses Greenstone Enterprise Services Pty Ltd (along with its associated entity Greenstone Financial Services Pty Ltd) and Genus Life Insurance Services Pty Ltd ("Genus") to administer certain of its policies. The same two providers administer most of the Transferring SRLHA policies and will continue to do so after the transfer, providing continuity for SRLHA Policy Owners. Once the Proposed Scheme takes effect Greenstone Financial Services Pty Ltd (GFS) will administer the Transferring SRLHA Policies that are currently administered directly by SRLHA and this will likely lead to improved administration.
6. Policy Owners will not be charged for the costs of the Proposed Scheme with these costs being met by the Shareholders of HLRA and SRLHA.
7. The capital position of HLRA after the Proposed Scheme is sound with the merged capital position indicating that after the Proposed Scheme benefit security is maintained.

8. SRLHA does not have any Participating Policies so there is no need to consider reasonable benefit expectations with regards to participation in profits of the entity.
9. After the transfer, there will be no remaining policies referrable to SF1.
10. SRLHA will issue a new reinsurance policy to HLRA, referable to SRLHA's Statutory Fund No.2 ("SF2"), to cover some of the Transferring SRLHA Policies. As this reinsurance policy is only a small part of SF2, it does not materially impact the existing Policy Owners' benefit security in SF2.

Given the above, I conclude that the Proposed Scheme will not materially adversely affect the SRLHA Policy Owners in respect of:

- Contractual rights,
- Reasonable benefit or other Policy Owner expectations, or
- Benefit security.

Other than the reinsurance policy of SF2 discussed above, I did not identify any other matters that could impact Policy Owners.

1.5 Opinion on HLRA Policy Owners

My opinions on the impact of the Proposed Scheme for existing HLRA Policy Owners are based on the following observations:

1. There are no changes to the existing HLRA policies or contracts.
2. There are no changes proposed to the products, product strategy, pricing, customer service levels or claims management processes for HLRA. The existing Policy Owners are expected to experience at least the same level of service with the same administration arrangements.
3. The Proposed Scheme will reduce surplus capital in HLRA's ASF, however after the transfer there remains surplus capital levels above regulatory and target capital requirements. HLRA's appointed actuary projects that this will continue to be the case over the next three years.
4. Policy Owners will not be charged for the costs of the Proposed Scheme with these costs being met by the Shareholders of HLRA and SRLHA.
5. HLRA does not have any Participating Policies so there is no need to consider reasonable benefit expectations with regards to participation in profits of the entity.

Given the above, I conclude that the Proposed Scheme will not materially adversely affect the existing HLRA Policy Owners in respect of:

- Contractual rights,
- Reasonable benefit or other Policy Owner expectations, or
- Benefit security.

I did not identify any other matters that could impact Policy Owners.

1.6 Reliances and limitations

In forming the opinions contained in this Report, I have relied on the accuracy and completeness of information provided to me by SRLHA and HLRA, both orally and in writing, without independently verifying it. The detailed reliances and limitations are set out in Section 8.

This Report should be considered in its entirety. This Executive Summary is intended to provide an overview of this Report and does not cover all the issues addressed in the Report.

This Report is solely for the purpose set out in the Scope (see Section 1.1 above) and is not to be used for any other purpose. This report has been prepared at the request of SRLHA and HLRA in accordance with the terms of our engagement letter dated 18 March 2025.

Third parties who use this Report acknowledge that they are not a party to the engagement letter dated 18 March 2025. Deloitte shall not be liable for any losses, claims, expenses, actions, demands, damages, liabilities, or any other proceedings arising out of any reliance by the third parties on this Report.

2 Introduction

2.1 Scope of report

I have been engaged through Deloitte by HLRA and SRLHA to prepare an independent actuarial report ("the Report") that provides an opinion in relation to the implications for Policy Owners of the proposed transfer under Part 9 of the Life Act of SRLHA's direct life insurance business referable to SRLHA's SF1 to HLRA's ASF ("the Proposed Scheme").

The Proposed Scheme is anticipated to occur as at 1 December 2025. The assessments made in this report are based on audited financial information as of 31 December 2024. The Proposed Scheme will affect the Transferring Policy Owners of SRLHA's Statutory Fund no 1 and the existing Policy Owners of HLRA's Australian Statutory Fund as at the time that the Proposed Scheme takes effect ("Effective Time").

In preparing my opinions regarding the Proposed Scheme, I consider the effect of the Proposed Scheme on the following areas for SRLHA and HLRA Policy Owners (as well as underlying beneficiaries):

- Contractual benefits and other rights,
- Reasonable benefit or other Policy Owner expectations,
- Benefit security (including capital position, investment strategy, reinsurance arrangements and Risk Management Framework), and
- Any other matters that arose during my review of the Proposed Scheme which have the potential to impact on either group of Policy Owners.

I have reviewed the actuarial reports prepared by the Appointed Actuaries for each of SRLHA and HLRA for the Proposed Scheme ("the Actuarial Reports") titled "SRLHA Part 9 AA report_01 August 2025 draft tracked" and "HLRA Actuarial Report Final 2025.08.01.docx" and the proposed Scheme document ("the Scheme document") titled "Scheme Document". These documents describe the proposed scheme for the transfer of the direct life insurance business of SRLHA's SF1 to HLRA's ASF under Part 9 of the Life Act and the Actuarial Reports include an analysis of the impact on the affected Policy Owners' terms and benefit security. My opinions are based on the information provided in these documents, the documents specified in the Appendix, and a detailed question and answer process with SRLHA and HLRA staff. References to the capital position within this Report are written as if the Proposed Scheme were to have occurred on 31 December 2024.

In preparing this Report, I have focused on the changes that arise because of the Proposed Scheme, rather than changes that might arise in the ordinary course of business irrespective of the Proposed Scheme.

This Report has been prepared in compliance with the requirements of the Institute of Actuaries of Australia including the Code of Professional Conduct and Professional Standard 201, as well as with the Federal Court of Australia's (the "Court") 'Expert Evidence Practice Note (GPN-EXP)'.

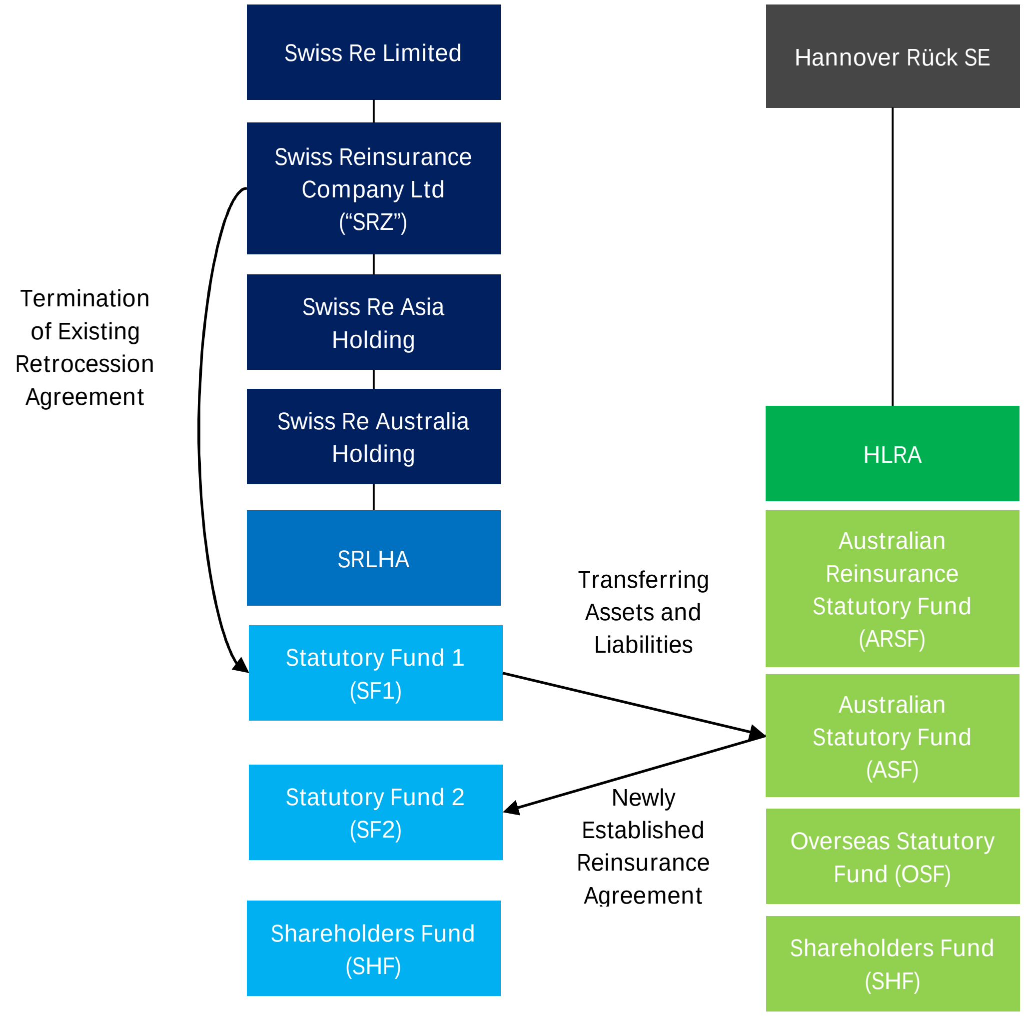
A glossary of terms is provided in Appendix A. All monetary amounts in this Report are denominated in Australian Dollars, unless otherwise stated.

2.2 Affected Interests of Policy Owners

The Proposed Scheme contemplates the transfer of policies referable to the transferor fund, being SRLHA's SF1, to the transferee fund, being HLRA's Australian Statutory Fund ("ASF") as shown in the following diagram.

This Report considers the impact of the Proposed Scheme on the interests of Policy Owners of SRLHA and HLRA (being the Companies affected by the Proposed Scheme), principally owners of policies transferring from SF1 to ASF (being the SRLHA Policy Owners), the existing policy owners in HLRA's ASF as at the Effective Time (being the HLRA Policy Owners) and the Policy Owners in SF2. Other Policy Owners of the Companies are not impacted by the Proposed Scheme as later discussed.

Figure 1 Proposed Scheme Structural Diagram



Prior to the Proposed Scheme, the retrocession arrangement between SRLHA and Swiss Reinsurance Company Ltd ("SRZ"), which covers the disability income benefits of the Transferring SRLHA Policies, will be recaptured. All the policies referrable to SF1 will be transferred to HLRA's ASF. There are no policies remaining in SRLHA's SF1 after the transfer and hence no remaining affected Policy Owners to consider.

In the other HLRA and SRLHA statutory funds, HLRA and SRLHA respectively have issued reinsurance policies to other insurance companies. These statutory funds are not affected by the Proposed Scheme and hence the Policy Owners referrable to these funds are not impacted by the Proposed Scheme.

Although not part of the Proposed Scheme, under the Business Transfer Deed, ASF is to arrange reinsurance with SRLHA, referable to SF2. This Report considers the impact on SF2 of this reinsurance.

2.3 The Independent Expert

SRLHA and HLRA have appointed me, Robert Daly, through Deloitte to perform an independent actuarial review of the Proposed Scheme. I understand that my report is intended to be an actuarial report on which the Proposed Scheme is based for the purposes of s 191(2)(a) of the Life Act.

As an independent actuary, I have led the team that has prepared this Report on the proposed Scheme for the transfer of SRLHA's direct life insurance business to HLRA.

I am a Fellow of the Institute of Actuaries of Australia, having qualified in 1999. I am a Partner of Deloitte Touche Tohmatsu, having joined Deloitte and been admitted as a Partner in 2023. I have been approved as "fit and proper" for, and have performed, Appointed Actuary roles in the life insurance sector. I am currently the Appointed Actuary of a friendly society that is unrelated to SRLHA and HLRA and is not involved in the Proposed Scheme.

The opinions I provide are based wholly or substantially on the specialised knowledge acquired through actuarial training and experience as a practitioner.

I have read, understood and complied with the Federal Court of Australia's Practice Note CM 7 on 'Expert witnesses in proceedings in the Federal Court of Australia'.

Neither I, nor my immediate family, hold any policies, investments, shareholdings or have any other financial interests with either of the Companies, nor have I advised on the Proposed Scheme.

Deloitte has previously provided and may continue to provide, a range of services to both Companies. However, it has not acted as external auditor or performed regulatory roles. Deloitte has not acted for the Companies in developing any aspects of the Proposed Scheme and has not carried out any of the calculations (nor the development of any of the underlying financial models) connected with the Proposed Scheme. I do not believe that any of these services previously provided by Deloitte compromise my ability to report independently on the Proposed Scheme.

2.4 Structure of the Report

The remainder of this Report is structured as follows:

- Section 3 provides an overview of the SRLHA business and the transferring statutory fund.
- Section 4 provides an overview of the HLRA business and the receiving statutory fund.
- Section 5 summarises the Proposed Scheme and the key changes which are likely to impact Policy Owners.
- Section 6 explains my view of the impact of the Proposed Scheme on the SRLHA Policy Owners.
- Section 7 explains my view of the impact of the Proposed Scheme on the HLRA Policy Owners.
- Section 8 provides the Reliances and Limitations that I place on my Report.
- Further detail is given in the Appendices, including a glossary and the documents relied upon in forming my conclusions.

3 Overview of SRLHA Business

SRLHA is a registered life insurance company under Section 21 of the Life Act and is prudentially regulated by APRA. SRLHA's ultimate owner is Swiss Re Limited, a publicly listed company on the Swiss Stock Exchange.

iptiQ ANZ was a separate unit within SRLHA and part of Swiss Re Group's iptiQ business unit with specialist direct life insurance expertise. iptiQ ANZ operates a digital Business to Business to Client ("B2B2C") business model, licensing consumer brands from brand partners.

The iptiQ ANZ business was managed by a dedicated team based in Sydney, who perform the core insurance functions including claims assessment, underwriting, managing relationships with the brand partners and overseeing the performance of TPAs.

3.1 Statutory Funds

SRLHA has two statutory funds and one shareholders' fund:

- **Statutory Fund 1 ("SF1"):** SF1 contains direct life risk insurance business written in Australia, managed by the iptiQ business unit. SRLHA ceased writing new direct life risk insurance business from 1 July 2023. All these policies are transferring as part of the Proposed Scheme.
- **Statutory Fund 2 ("SF2"):** SF2 contains SRLHA's Australian and overseas inward reinsurance business. All Policy Owners in SF2 are insurance companies, either regulated by APRA in Australia, or the Reserve Bank of New Zealand in New Zealand

For the 12 months ended 31 December 2024, the key financial metrics were:

Table 1 SRLHA Key Financial Metrics as at 31 December 2024

Measure ($m)	SF1	SF2	SHF	Total*
Profit after tax	33	26	0	59
In-Force annual premium	129	1,666	0	1,795
Assets	142	4,386	1	4,529
Net insurance contracts liabilities less net insurance contract assets	22	633	0	655

*Totals may not equal the sum of underlying figures due to rounding.

The assets shown are the assets determined under accounting rules and include investment, insurance/reinsurance and other assets.

The net insurance contract liabilities include the value of insurance/reinsurance contract liabilities and investment contract liabilities. The net insurance contract assets include the value of insurance/reinsurance contract assets.

3.2 Products and Pricing

The core insurance lines of business for SRLHA are shown in the table below.

Table 2 SRLHA Key Product Types

Product Type	Description	Statutory Fund	Status
Directly Marketed Individual Life Risk	Directly marketed individual life risk insurance policies with benefits such as death cover, total and permanent disability cover ("TPD"), critical illness or trauma cover, income protection cover resulting from sickness or an accident, child cover, accidental death cover and funeral cover. These were sold under a variety of third-party brands. Prior to closing to new business, SRLHA's direct business was distributed through marketing and distribution deals with a range of brand partners under Woolworths Group Limited ("Woolworths"), Medibank Private Limited ("Medibank" and "ahm" brands), Freedom Insurance Pty Ltd and AdvantEdge Financial Solutions Pty Ltd.	SF1	Closed to New Business from 1 July 2023
Australian Inward Reinsurance	Australian inward reinsurance business primarily consisting of lump sum death, total and permanent disability ("TPD"), trauma and disability income cover across both group and retail customers.	SF2	Open to New Business
New Zealand Inward Reinsurance	New Zealand inward reinsurance business primarily consisting of lump sum death, total and permanent disability ("TPD"), trauma and disability income cover across both group and retail customers.	SF2	Open to New Business

SRLHA's Appointed Actuary states that SRLHA's pricing philosophy is that any future decisions to adjust premium rates consider trends in claims experience, the competitive landscape and regulatory environment at the time of the review. Claims experience is monitored through regular financial reporting and experience investigations. The Product Disclosure Statements and policy documents that apply to SRLHA Policy Owners state how SRLHA can review customer premiums in the future.

In the past, SRLHA has increased premium rates for life policies to allow for increased claims and decreased premium rates on other products to provide better customer value.

3.3 Capital Position

APRA's Regulatory Capital requirements are outlined in general terms in the Appendix C, including descriptions of the Prescribed Capital Amount ("PCA"), Prudential Capital Requirement ("PCR"), Target Surplus and Target Capital.

The financial position of SRLHA as at 31 December 2024 is shown below including Net Assets, PCA and capital in excess of PCA and shows that significant assets in excess of PCA.

Table 3 SRLHA Capital Position as at 31 December 2024

Amount ($'m)	SF1	SF2	SHF	Total*
Net Assets	89	1,138	1	1,228
Regulatory Adjustments	(32)	(206)	0	(238)
Tier 2 Capital	0	0	0	0
Capital Base	**58**	**932**	**1**	**991**

Amount ($'m)	SF1	SF2	SHF	Total*
Asset Risk Charge	0	115	0	116
Insurance Risk Charge	20	189	0	209
Operational Risk Charge	4	33	0	37
Asset Concentration Risk Charge	0	0	0	0
Aggregation Benefit	(0)	(64)	0	(64)
Combined Scenario Adjustment	8	67	0	75
Prescribed Capital Amount (PCA)	**32**	**340**	**0**	**372**
Capital in Excess of PCA ($)	**26**	**592**	**1**	**618**
Capital Adequacy Multiple (%)	**181%**	**274%**	**>999%**	**266%**
Capital in Excess of PCA (excluding Tier 2 Capital)	**26**	**592**	**1**	**618**
Capital Adequacy Multiple (excluding Tier 2 Capital)	**181%**	**274%**	**>999%**	**266%**

*totals may not equal the sum of underlying figures due to rounding.

SRLHA does not hold any Tier 2 Capital, meaning all of its Capital Base is comprised of Tier 1 capital.

Because the PCR can include a supervisory adjustment in addition to the PCA, APRA requires that this item not be published.

SRLHA's Target Capital is set so that the Life Company will only breach the PCR because of a severe shock. SRLHA's projections over the next 3 years show that available assets remain more than Target Capital (as well as more than the PCR) before the Proposed Scheme.

3.4 Investment Strategy and Asset Allocation

SRLHA's investment strategy is reviewed annually, with any changes to investment limits requiring approval by a sub-committee of SRLHA's ANZ Life & Health Leadership Team and the SRLHA Board.

Assets are managed according to SRLHA's Investment Guidelines and Asset Liability Matching principles. SRLHA's business consists of a combination of short and long duration liabilities with the investment strategy calibrated to these durations.

SRLHA's investment strategy is to invest in high quality, short-term fixed interest investments and longer-term infrastructure debt and loans that broadly match the currency and duration of the retained liabilities. SRLHA's investment portfolio is weighted to higher grade investment securities, with half of the investments held in cash, government or semi-government bonds. The average credit rating of the non-government related corporate bonds is A (as rated by the external manager).

3.5 Claims Philosophy

SRLHA's claims philosophy for the iptiQ business is to assess claims fairly, consistently and efficiently, and to ensure that the Third Party Administrators ("TPAs") uphold the same philosophy. SRLHA makes all claim assessments and decisions with most of the administration related to claims management performed by TPAs.

SRLHA operates under the Life Insurance Code of Practice ("LICOP"), sharing responsibility with the TPAs to fulfil the LICOP obligations.

SRLHA follows the industry prescribed complaints handling process for claims which includes both an internal and external complaints process. Specifically, if a customer has a complaint regarding their claim they should contact:

- The relevant SRLHA partners who issued the policy, with the complaint then directed to SRLHA through the TPA.
- The Australian Financial Complaints Authority ("AFCA") if the complaint is not resolved to the customer's satisfaction.

SRLHA's internal claims complaints handling process includes seeking an external independent opinion for all claims disputes.

3.6 Policy Administration and Customer Service

The administration of SRLHA's direct channel business is predominantly outsourced to TPAs. These are Greenstone Enterprise Services Pty Ltd ("GES") and its associated entity Greenstone Financial Services Pty Ltd ("GFS"), as well as Genus Life Insurance Services Pty Ltd. SRLHA directly administers the AdvantEdge products for which there are 47 Policy Owners.

3.7 Expense Allocation

The iptiQ budgeted expenses are specified as part of the Service Cost Accounting ("SCA") allocation process which is managed by the Swiss Re Group. The SCA process is conducted annually to allocate both direct and indirect expenses to the various business units and legal entities within the Swiss Re Group. In addition to the indirect expenses allocated from the SCA process, additional expenses are allowed for by the SRLHA Valuation team to account for expenses paid directly by SRLHA, and therefore not captured by the SCA allocation process.

The overall expenses for SRLHA's iptiQ portfolio are categorised into:

- Direct Maintenance
- Claims Handling
- Indirect Maintenance

There are no acquisition expenses as the fund is closed to new business.

Expense assumptions are derived for Direct Maintenance and Claims Handling expenses for reserving purposes. These expenses assumptions are determined at a Product Group level (Lump Sum and Disability Income), with the dollar expenses allocated according to claim volumes.

3.8 Underwriting

While the issuing of new policies for direct business ceased on 1 July 2023, changes to existing in-force policies may involve the rewriting of a new policy for administrative reasons such as increase in sum assured.

3.9 Tax Status and Basis

SRLHA is subject to income tax determined in accordance with the tax rates applicable to each product. In Australia, the risk component of ordinary life and disability business and the fee income from savings type products is generally subject to tax at a rate of 30%, while a concessional rate of 15% applies to complying superannuation business. In New Zealand, business is subject to tax in accordance with the Income Tax Act 2007 at a rate of 28%.

3.10 Risk Management Framework

SRLHA is subject to and required to comply with APRA Prudential Standard CPS 220 Risk Management and operates a similar framework to most reinsurers. Key points are as follows:

- SRLHA's Board and Senior Management are accountable that SRLHA operates within its defined Risk Management Framework ("RMF").
- SRLHA's RMF consists of strategies, policies, procedures and controls to manage risks that the business faces.
- The risk appetite of SRLHA is documented in SRLHA's Risk Appetite Framework ("RAF") and represents the types and degree of risk that it is willing to accept in its strategic and business actions.
- Performance against the risk appetite targets, including exceptions, are reported to SRLHA's Board Risk Committee.
- The key business risk categories for SRLHA are managed through various management procedures and processes in the RMF
- These risks are managed through a three lines of defence model as is commonly used across insurers and reinsurers.
- SRLHA monitors across the risk landscape and reports material risks through quarterly risk reports to the Risk Committee of the Board. In addition to quantitative elements, the monitoring also includes an assessment of qualitative risk aspects.

3.11 Reinsurance Arrangements

SRLHA has intra-group retrocession arrangements with overseas entities within the Swiss Re Group to manage capital efficiently by diversifying its risks within the Swiss Re Group and reduce its exposures to claims volatility. One small external retrocession is also in effect.

SF1 has a reinsurance arrangement with SRZ where 100% of insurance risks for Australia Retail Disability Income and New Zealand Retail Disability Income are retroceded.

3.12 Dividend Policy

The Board can approve repatriation of capital more than that required to meet target capital as a dividend or some other form of capital return.

SRLHA's appointed actuary must provide advice before any proposed dividend. Under regulations, APRA' approval is required for any dividend payment exceeding the after-tax earnings of the company over the past 12 months.

4 Overview of HLRA Business

HLRA has operated in Australia since 1994, is a life insurance company registered under section 21 of the Life Act and is regulated by APRA. HLRA is wholly owned by Hannover Rück SE, a global reinsurer headquartered in Hannover, Germany that provides property & casualty and life & health insurance through over 170 subsidiaries, branches, and offices worldwide.

4.1 Statutory Funds

HLRA has three statutory funds and a shareholders' fund:

- **Australian Reinsurance Statutory Fund ("ARSF"):** Reinsurance lines of business include Group Risk, Individual Risk and Annuities.
- **Australian Statutory Fund ("ASF"):** Insurance lines of business include Group Risk and Individual Risk
- **Overseas Statutory Fund ("OSF"):** Reinsurance lines of business include Group Risk and Individual Risk with New Zealand insurance companies.

HLRA writes reinsurance treaties with insurance companies in the ARSF and writes insurance contracts direct with consumers in the ASF. Previously HLRA wrote group insurance contracts with superannuation trustees in the Australian Statutory Fund but no longer does this.

For the 12 months ended 31 December 2024, the key financial metrics were:

Table 4 HLRA Key Financial Metrics as at 31 December 2024

Measure ($m)	ARSF	ASF	OSF	SHF	Total*
Profit after tax	29	-19	10	1	20
In-Force annual premium	1,428	453	79	0	1,959
Assets	3,525	708	167	21	4,421
Net insurance contracts liabilities less net insurance contracts assets	2,915	406	92	0	3,413

*Totals may not equal the sum of underlying figures due to rounding.

The assets shown are the assets determined under accounting rules and include both investment, insurance/reinsurance and other assets.

The net insurance contract liabilities include the value of insurance/reinsurance contract liabilities and investment contract liabilities. The net insurance contract assets include the value of insurance/reinsurance contract assets.

In 2024, the ASF fund had a loss of $19m due to a strengthening of lapse and mortality assumptions partly offset by an increase in premium rates. The stronger assumptions were reflected in the insurance contract liabilities as at 31 December 2024.

4.2 Products and Pricing

The core insurance lines of business for HLRA are shown in the table below.

Table 5 HLRA Key Product Types

Product Type	Description	Statutory Fund	Status
Reinsurance of Australian Group Risk	Reinsurance for life insurance companies offering lump sum death benefits (including terminal illness), total and permanent disablement, and group salary continuance benefits to superannuation fund trustees and corporate group plans in Australia.	ARSF	Open to New Business
Reinsurance of Australian Individual Risk	Reinsurance for life insurance companies providing lump sum death benefits (including terminal illness), total and permanent disablement, trauma, and disability income benefits through individual policies in Australia.	ARSF	Open to New Business
Reinsurance of Australian Annuities	Reinsurance for longevity benefits offered by life insurance companies issuing annuity policies in Australia.	ARSF	Open to New Business
Insurance of Australian Group Risk	Group insurance policies in Australia previously offered to superannuation fund trustees, corporate group plans, and under Enterprise Bargaining Agreements included coverage for lump sum death benefits (including terminal illness), total and permanent disablement, and group salary continuance benefits.	ASF	Closed to New Business
Insurance of Australian Individual Risk	White-labelled life insurance policies, offering coverage for lump sum death benefits (including terminal illness), total and permanent disablement, trauma, and disability income benefits, sold directly to consumers through agreements with distributors.	ASF	Open to New Business
Reinsurance of New Zealand Group Risk	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.	OSF	Open to New Business
Reinsurance of New Zealand Individual Risk	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	OSF	Open to New Business

For large material business, HRLA aims to achieve profit margins in line with its internal economic capital model as required by the Hannover Re Global Underwriting Guidelines. This model estimates the allocated economic capital applicable to pandemics, mortality, morbidity, lapse and economic risks and requires margins to achieve a target post-tax return on economic capital. The economic capital factors include diversification of the risks within the Hannover Re Group. The underwriting guidelines are reviewed annually.

HLRA did increase premium rates in 2020 and 2024 for parts of their portfolio with these increases reflecting more claims than anticipated for these portfolios.

For less material business, economic capital is not modelled, and profit margins are set to broadly reflect the capital pricing requirements and reviewed from time to time.

4.3 Capital Position

APRA's Regulatory Capital requirements are outlined in general terms in Appendix C, including descriptions of the Prescribed Capital Amount ("PCA"), Prudential Capital Requirement ("PCR"), Target Surplus and Target Capital.

The financial position of HLRA as at 31 December 2024 is shown below including Net Assets, PCA and capital in excess of PCA and shows significant assets in excess of PCA.

Table 6 HLRA Capital Position as at 31 December 2024

Amount ($'m)	ARSF	ASF	OSF	SHF	Total*
Net Assets	**419**	**107**	**45**	**21**	**593**
Regulatory Adjustments	(181)	4	(13)	(2)	(183)
Tier 2 Capital	22	25	0	0	47
Capital Base	**260**	**137**	**32**	**19**	**448**
Asset Risk Charge	41	23	3	0	67
Insurance Risk Charge	66	8	6	0	
Operational Risk Charge	62	13	3	0	78
Asset Concentration Risk Charge	0	0	0	0	0
Aggregation Benefit	(23)	(5)	(2)	0	(29)
Combined Scenario Adjustment	36	11	2	0	47
Prescribed Capital Amount (PCA)	**182**	**50**	**10**	**0**	**242**
Capital in Excess of PCA ($)	**79**	**86**	**22**	**19**	**205**
Capital Adequacy Multiple (%)	**143%**	**272%**	**311%**	**>999%**	**185%**
Capital in Excess of PCA (excluding Tier 2 Capital)	57	61	22	19	158
Capital Adequacy Multiple (excluding Tier 2 Capital)	**131%**	**222%**	**311%**	**>999%**	**165%**

*totals may not equal the sum of underlying figures due to rounding.

Unlike SRLHA, HLRA does hold Tier 2 Capital in addition to its Tier 1 Capital. According to LPS 112, Tier 1 Capital comprises the highest quality components of capital that fully satisfy certain conditions. Tier 2 Capital includes other components of capital that, to varying degrees, are lower quality than Tier 1 Capital but nonetheless contribute to the overall strength of a life company and its capacity to absorb losses

Because the PCR can include a supervisory adjustment in addition to the PCA, APRA requires that this item not be published.

HLRA's Target Capital is set so that the Life Company will only breach the PCR because of a severe shock. HLRA's basis for Target Capital assumes a more severe shock than SRLHA's basis. HLRA's projections over the next 3 years show that available assets remain more than Target Capital (as well as more than the PCR).

4.4 Investment Strategy and Asset Allocation

HLRA has an investment policy, established by the Board and overseen by the Investment Strategy Committee, and investment guidelines effective from 1 April 2024. HLRA also follows a Derivative Risk Management Strategy, approved on 16 November 2022, and a group asset liability management guideline. HLRA implements its investment policy via Ampega Asset Management GmbH, which delegates management to UBS Asset Management (Australia) Ltd. Custodial services are provided by Hongkong and Shanghai Banking Corporation ("HSBC") Custody Nominees (Australia) Limited.

The adequacy of asset-liability matching is reviewed quarterly and reported to the local Asset-Liability Committee, comprising the Appointed Actuary, General Manager – Finance, Financial Controller, and Deputy Chief Actuary. Any changes to the investment strategy are proposed to the Investment Committee for approval. The Investment Committee meets twice a year to review investment strategy.

Key Features of HLRA's Investment Policy are:

- Separate portfolios are managed for each statutory fund and for the shareholders' fund.
- Credit and concentration risks are managed by setting issuer limits which vary by investment category.
- Investment in Australian shares can be made within specific limits.

The investment guidelines only permit the holding of derivative assets for hedging purposes.

Investments are held as cash on deposit, bills, government securities, derivatives and other investment grade securities. The portfolios are weighted towards high graded securities. HLRA hedges its inflation exposures through inflation-linked bonds and inflation swaps.

4.5 Claims Philosophy

HLRA's claims philosophy is to provide a seamless experience by assessing each claim individually with integrity, compassion, and fairness. This is achieved through a customer-focused approach, proactive and empathetic communication, wellness services, simplified processes, and timely, transparent procedures, all aiming to deliver a high standard of service.

Operating under an Australian Financial Services License (AFSL) for claims handling, HLRA adheres to the LICOP. The claims team follows an internal Claims Guide, Quality Assurance Framework, and Competency Framework, which are regularly updated. These include service level standards, procedural fairness, the Outside Terms Committee process, quality verification assessments, considerations for financial hardship and vulnerable customers, internal and external dispute resolution, and incident management.

HRLA does most of the claim handling except where GFS performs straightforward claims acceptance for funeral policies (denials are referred to HLRA). HLRA does not use any overseas agents for claim assessment.

Complaints relating to premiums and coverage are managed by TPAs, while claims-related complaints are handled by HLRA. Disputes and claims resolutions processes are in line with RG271. Complaints are handled internally, with access to a panel of external legal experts for advice if required.

4.6 Policy Administration and Customer Service

The administration of HLRA's direct channel business is primarily outsourced to Greenstone Enterprise Services Pty Ltd and its associated entity Greenstone Financial Services Pty Ltd and Genus Life Insurance Services Pty Ltd. Some smaller, closed products are administrated by the original distributor (e.g. Australian Life Insurance Distribution Pty Ltd) and the legacy group business is directly administered by HLRA.

4.7 Expense Allocation

Expenses are allocated to each of HLRA's statutory funds (ARSF, ASF, OSF) and HLRA's shareholders' fund. 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.

HLRA manages its expenses through a detailed budgeting process for each of the functional cost centres for both directly and non-directly attributable expenses in accordance with the future business plan, with appropriate considerations made for one-off technology investment and other project costs.

4.8 Underwriting

HLRA's direct life insurance business is managed by employees located in Australia, who primarily perform the core insurance functions including claims assessment and underwriting. GFS performs minor underwriting for funeral products. HLRA does not use any overseas agents for underwriting.

4.9 Tax Status and Basis

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).

4.10 Risk Management Framework

HLRA is subject to and required to comply with APRA Prudential Standard CPS 220 Risk Management and operates a similar framework to most reinsurers. Key points are as follows

- HLRA has established a Risk Appetite Statement (RAS) and a Risk Management Strategy (RMS), both reviewed annually. These documents detail the company's primary risks: insurance, market, liquidity, counter-party, operational, compliance, and strategic risks.
- Risk management is structured into three lines of defence as is commonly used across insurers and reinsurers.
- HRLA has a high-risk appetite for insurance and strategic decision risks, a medium risk appetite for market, business process, data quality, customer conduct, information security, business continuity, service provider, and external fraud risks and a low risk appetite for liquidity, counterparty, technology, personnel, internal fraud, compliance, strategic execution, and reputational risks.
- The risk and compliance function, led by the Chief Risk and Compliance Officer (CRCO), includes a Senior Risk Officer, Senior Compliance Officer, Senior Risk & Reporting Officer, Compliance Officer, Client Resolution Manager, and Claims Complaints Manager. This team is accountable for the compliance control environment and overall risk culture.
- The CRCO reports directly to both the Board Risk Committee and the Board and submits quarterly reports to the Board Risk Committee detailing compliance with the risk appetite, capital status, risk management framework effectiveness, regulatory context, and risk culture. These reports also include incident reporting, highlighting major incidents and resolutions.

4.11 Reinsurance Arrangements

HLRA's ASF has implemented reinsurance arrangements to manage volatility from claims experience and investment markets, in accordance with APRA Prudential Standard LPS 230 "Reinsurance Management." All outward reinsurance arrangements are quota share proportional treaties. Many of these arrangements relate to the group schemes that used to be written in this fund and remain in force in case of late reported claims.

HLRA also has reinsurance arrangements with entities within the Hannover Re Group and external APRA regulated life insurance and reinsurance companies.

4.12 Dividend Policy

HLRA's ICAAP states that capital repatriation (such as dividend payments) is only considered when its Capital Base is more than the upper limit of its target capital range. Dividend payments require consideration of the Hannover Re Group Asset Liability Management Guideline and HLRA's current and forecast financial and capital position.

HLRA's appointed actuary must provide advice before any proposed dividend. Under regulations, APRA' approval is required for any dividend payment exceeding the after-tax earnings of the company over the past 12 months.

5 The Proposed Scheme

This section of the Report outlines the details of the Proposed Scheme and the plans made in areas that impact contractual terms and rights, Policy Owner expectations and benefit security. Sections 6 and 7 discuss the implications of the Proposed Scheme for the affected Policy Owners.

5.1 Strategic Rationale

SRLHA withdrew from new business for directly issued life risk insurance on 1 July 2023.

As HLRA maintains a continued focus on growing its portfolio of direct life risk insurance business in Australia through its distribution agreement with GFS, HLRA can combine the Transferring SRLHA Policies with its growing portfolio and, in HLRA's view, improve economies of scale.

5.2 Scheme under Part 9 of the Life Act

SRLHA and HLRA have agreed in the Business Transfer Deed to arrange for the Proposed Scheme and for an associated reinsurance arrangement among other things. Prior to the Proposed Scheme taking effect, SRLHA will also recapture an existing retrocession arrangement (which is with an overseas entity in the Swiss Re Group) that covers the disability income benefits of the Transferring SRLHA Policies.

The Proposed Scheme is to be undertaken under Part 9 of the Life Act. If the Proposed Scheme is confirmed by the Federal Court of Australia, the Transferring SRLHA Policies with their associated rights, liabilities and obligations will be transferred to HLRA at the Effective Time. The Proposed Scheme will consist of the following:

- HLRA becomes the issuer of the Transferring SRLHA Policies, and SRLHA ceases to be the issuer. SRLHA SF1 Policy Owners will become HLRA ASF Policy Owners. The rights and liabilities of SRLHA SF1 Policy Owners will remain unchanged, as if:
    - The applications for a Transferring Life Policy had been made to, or accepted by, HLRA instead of SRLHA.
    - The Transferring SRLHA Policies had originally been issued by HLRA instead of SRLHA (subject to the variations outlined in the Scheme Document).
- As SRLHA SF1 is closed to new business, there will be no new applications for new policies made to or received by SRLHA prior to the Effective Time. Any policy alterations requested by existing SRLHA Policy Owners prior to the Effective Time that have not been actioned by that time will be passed on to HLRA and treated as a request to HLRA.
- Any policy benefits payable by SRLHA prior to the Effective Time, which remain unpaid at the Effective Time, will become a liability of HLRA. In general terms these include, but are not limited to:
    - Any historic disabled lives payments, outstanding claim payments or claims payable prior to the Effective Time, that are unpaid as at the Effective Time.
    - Claims payable after the Effective Time, where the policy was 'in-force' on the Effective Time, will be transferred to HLRA, regardless of whether the actual date of claim of the life insured occurred prior to the Effective Time.
- Any other policy payment liabilities will follow consistent rules.
- HLRA will assume any liability to a Policy Owner that becomes payable after the Effective Time as a result of any action, error or omission of SRLHA, for example a previous policy administration error.

- SRLHA will transfer all Transferring Liabilities from SRLHA SF1 to HLRA ASF. In summary, the Transferring Liabilities mean:
    - all of the claims, losses, liabilities and costs of SRLHA under the Transferring SRLHA Policies; and
    - all of the claims, losses, liabilities and costs of SRLHA of any kind under the Transferring Contracts,

  excluding:
    - all current tax liabilities of SRLHA referable to the transferring life insurance business, including current tax liabilities arising in connection with the Proposed Scheme;
    - any liability owing by transferring life insurance business to any Swiss Re Group member, other than under Transferring Contracts or the Transferring SRLHA Policies; and
    - any liabilities of SRLHA under the Business Transfer Deed.
- SRLHA will transfer all Transferring Assets from SRLHA SF1 to HLRA ASF. In summary, the Transferring Assets means:
    - the rights and benefits of SRLHA under the Transferring SRLHA Policies immediately prior to the Effective Time;
    - the rights and benefits of SRLHA under Transferring Contracts;
    - the incurred claims Investment assets; and
    - the transferring records,

  excluding:
    - premium amounts in respect of the Transferring SRLHA Policies to the extent those premium amounts are referable to the period prior to the Effective Time;
    - the excluded records;
    - SRLHA intellectual property and any other intellectual property rights relating to or connected with SRLHA intellectual property;
    - any IT systems;
    - any right, licence, lease or interest in any properties used by SRLHA in operating the transferring life insurance business;
    - any tax assets;
    - any employees of the Swiss Re Group;
    - assets supporting the insurance reserves of SRLHA other than the incurred claims investment assets; and
    - the rights and benefits of SRLHA under the Business Transfer Deed.

The associated reinsurance agreement will become effective between HLRA (Australian Statutory Fund) and SRLHA (Statutory Fund No. 2) on the Effective Time and will cover:

- 50% quota share reinsurance on the death, TPD and trauma benefits for the Medibank and Woolworths lines of business.
- 100% reinsurance of outstanding claims liabilities (IBNR, RBNA and DLR) for claims incurred prior to the Effective Time for all Transferring SRLHA Policies.

5.3 Financial Implications

We received reports from HLRA and SRLHA as detailed in Appendix B, including the Financial Condition Reports and ICAAP Reports, which contained audited financial results and projections for HLRA and SRLHA entities. The results in this section are based on the information in the reports we received. Although we have not independently verified this information, we gained comfort with the results presented through reading explanations in the reports and seeking clarifications through discussions with the HLRA and SRLHA Appointed Actuaries. We note that these results were produced through a Finance and Actuarial driven process which includes significant review and challenge by each Company's Management and the Board and external auditors for each company as part of their internal processes.

5.3.1 SRLHA Net Assets

The tables below show the net assets of the SRLHA statutory and shareholders' funds as if the transfer occurred as at 31 December 2024.

Table 7 Financial Implications for SRLHA Net Assets as of 31 December 2024

Fund	Before Transfer ($m)	After Transfer ($m)	Change ($m)
Assets			
SF1	142	86	(56)
SF2	4,386	4,426	40
SHF	1	1	-
Total Assets	**4,529**	**4,513**	**(16)**
Liabilities			
SF1	53	17	(36)
SF2	3,248	3,291	43
SHF	0	0	-
Total Liabilities	**3,301**	**3,308**	**7**
Net Assets	**1,228**	**1,205**	**(23)**

The changes to the amounts are due to the following:

- SRLHA SF1 is to transfer Incurred Claims Asset to HLRA ASF of $56m but also to reduce liabilities by $36m.
- The remaining liabilities in SF1 related to tax and other liabilities that are excluded from the transfer.
- SRLHA SF2 is to receive an initial premium from HLRA ASF for the new reinsurance contract and establishes insurance contract assets with an overall reduction in net assets of $3m.

5.3.2 HLRA Net Assets

The tables below show the net assets of the HLRA statutory and shareholders' funds as if the transfer occurred as at 31 December 2024.

Table 8 Financial Implications for HLRA Net Assets as at 31 December 2024

Fund	Before Transfer ($m)	After Transfer ($m)	Change ($m)
Assets			
ARSF	3,525	3,525	-
ASF	708	698	(10)
OSF	167	167	-
SHF	21	21	-
Total Assets	**4,421**	**4,411**	**(10)**
Liabilities			
ARSF	3,106	3,106	-
ASF	601	601	-
OSF	121	121	-
SHF	0	0	-
Total Liabilities	**3,828**	**3,828**	**-**
Net assets	**593**	**583**	**(10)**

The change to net assets is due to the initial reinsurance premium payment of $10m from HLRA to SRLHA under the reinsurance arrangement entered into by HLRA for the Transferring SRLHA Policies.

HLRA are working through the detailed accounting approach for the transfer and are presently offsetting reinsurance assets against insurance liabilities when presenting liabilities. HLRA expects the final accounting outcome to show a change in net assets of $10m or less.

5.4 Capital Implications

The tables in this section outline the capital position of the HLRA and SRLHA statutory funds and shareholders' funds pre- and post-transfer as if the transfer occurred as at 31 December 2024.

Table 9 SRLHA Capital Position Pre-Transfer

Capital Position Pre-Transfer ($'m)	SRLHA SF1	SRLHA SF2	SRLHA SHF	SRLHA Total
Net Assets	**89**	**1,138**	**1**	**1,228**
Less: Regulatory Adjustments to Net Assets	32	206	0	238
Tier 2 Capital	0	0	0	0
Capital Base	**58**	**932**	**1**	**991**
Prescribed Capital Amount (PCA)	32	340	0	372
Capital in Excess of PCA ($)	26	592	1	618
Capital Adequacy Multiple (%)	**181%**	**274%**	**>999%**	**266%**
Capital in Excess of PCA (excluding Tier 2 Capital)	26	592	1	618
Capital Adequacy Multiple (excluding Tier 2 Capital)	181%	274%	>999%	266%

Table 10 SRLHA Capital Position Post-Transfer

Capital Position Post-Transfer ($'m)	SRLHA SF1	SRLHA SF2	SRLHA SHF	SRLHA Total	SRLHA Change
Net Assets	**69**	**1,135**	**1**	**1,205**	**(23)**
Less: Regulatory Adjustments to Net Assets	32	203	0	235	(3)
Tier 2 Capital	0	0	0	0	0
Capital Base	**36**	**932**	**1**	**970**	**(21)**
Prescribed Capital Amount (PCA)	4	357	0	361	(11)
Capital in Excess of PCA ($)	32	575	1	608	(10)
Capital Adequacy Multiple (%)	**900%**	**261%**	**>999%**	**268%**	**2%**
Capital in Excess of PCA (excluding Tier 2 Capital)	32	575	1	608	(10)
Capital Adequacy Multiple (excluding Tier 2 Capital)	**900%**	**261%**	**>999%**	**268%**	**2%**

For SRLHA, I observe:

- The net assets decrease by $23m as explained above.
- The PCA reduces with the transfer of the business. There remains a small PCA due to capital charges that continue for several years even without policies in the fund.
- Overall, this results in an increase in the capital adequacy multiple for SF1.
- The required capital in SF2 increases to allow for the new reinsurance arrangement with HLRA resulting in a small reduction to the capital adequacy multiple for SF2.

Table 11 HLRA Capital Position Pre-Transfer

Capital Position Pre-Transfer ($'m)	HLRA ARSF	HLRA ASF	HLRA OSF	HLRA SHF	HLRA Total
Net Assets	**419**	**107**	**45**	**21**	**593**
Less: Regulatory Adjustments to Net Assets	181	(4)	13	2	192
Tier 2 Capital	22	25	0	0	47
Capital Base	**260**	**137**	**32**	**19**	**448**
Prescribed Capital Amount (PCA)	**182**	**50**	**10**	**0**	**242**
Capital in Excess of PCA ($)	79	86	22	19	205
Capital Adequacy Multiple (%)	**143%**	**272%**	**311%**	**>999%**	**185%**
Capital in Excess of PCA (excluding Tier 2 Capital)	57	61	22	19	158
Capital Adequacy Multiple (excluding Tier 2 Capital)	**131%**	**222%**	**311%**	**>999%**	**165%**

Table 12 HLRA Capital Position Post-Transfer

Capital Position Post-Transfer ($'m)	HLRA ARSF	HLRA ASF	HLRA OSF	HLRA SHF	HLRA Total	HLRA Change
Net Assets	**419**	**97**	**45**	**21**	**583**	**(10)**
Less: Regulatory Adjustments to Net Assets	181	(4)	13	2	192	0
Tier 2 Capital	22	25	0	0	47	0
Capital Base	**260**	**127**	**32**	**19**	**438**	**(10)**
Prescribed Capital Amount (PCA)	**182**	**61**	**10**	**0**	**253**	**11**
Capital in Excess of PCA ($)	79	66	22	19	185	(19)
Capital Adequacy Multiple (%)	**143%**	**208%**	**311%**	**>999%**	**173%**	**(12%)**
Capital in Excess of PCA (excluding Tier 2 Capital)	57	41	22	19	139	(19)
Capital Adequacy Multiple (excluding Tier 2 Capital)	**131%**	**167%**	**311%**	**>999%**	**155%**	**(10%)**

For HLRA, I observe:

- Only ASF is impacted by the transfer.
- Net assets and Capital Base reduce by $10m due to the reduction in assets due to the payments to SRLHA under reinsurance (see Table 8 for details).
- The PCA increases by $11m due to the additional transferred business.
- The capital adequacy multiple will reduce by 64% for ASF and by 12% for the HLRA entity as a whole as a result of the transfer.

HLRA's Appointed Actuary has concluded that HLRA's capital position, at statutory fund and entity level, will be above HLRA's internal target capital levels immediately after the Proposed Scheme and is projected to remain so.

5.5 Parent Financial Strength Implications

I note that the ultimate parents of SRLHA and HLRA, Swiss Re Limited and Hannover Rück SE respectively, have the following credit ratings as at the time of this Report:

Table 13 Parent Company Financial Strength

	Swiss Re Limited	Hannover Rück SE
Standard & Poor's	AA- (very strong)	AA- (very strong)
A.M. Best	A+ (superior)	A+ (superior)

Given there are no capital transfers from the parents, there is unlikely to be any change to the credit rating or the financial strength of the parent companies as a consequence of the Proposed Scheme.

5.6 Contractual Policy Term Implications

The Proposed Scheme does not modify any contractual policy terms and as such all contractual benefits and rights (including surrender value bases) under the Transferring SRLHA Policies will remain unchanged. Nor are there any changes to existing HLRA policies because of the Proposed Scheme.

5.7 Product and Pricing Implications

The Proposed Scheme or the Business Transfer Deed does not change the premium rates of the Transferring SRLHA Policies.

Any future product pricing considerations and changes to the premiums of the Transferring SRLHA Policies will be subject to the existing terms and conditions in effect immediately prior to the Effective Time.

Whilst the Transferring SRLHA Policies will be under HLRA's pricing governance and philosophy after the Effective Time, they 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.

Pursuant to the Business Transfer Deed, there will be an update to the Woolworths Alliance and Medibank LISA products whereby the Insurer may only amend the Premium rates (or policy fee) where the experience for a class of Life Insurance Product(s) shows a Loss Ratio exceeding certain level. The Loss Ratio is defined as incurred claims as a ratio of premiums net of all charges, commission and TPA fees. This limits the ability of HLRA to reprice these products once the Transfer occurs if the loss ratio remains below the threshold level.

5.8 Investment Strategy Implications

HLRA Policy Owners benefit levels are not dependent on HLRA's investment strategy and HLRA's investment considerations and investment decisions are centred around capital efficiency and meeting future Policy Owners liabilities.

The ASF investment portfolio is expected to be reassessed after the Effective Time of the Proposed Scheme, with a new strategic asset allocation, if applicable, to be implemented for ASF. HLRA's Appointed Actuary has noted that this will follow the same governance, procedure and approval by the Investment Strategy Committee, under the policies, frameworks and actuarial advice.

As the Transferring SRLHA Policies are non-Participating and non-investment linked, the investment strategy adopted by HLRA following the Proposed Scheme does not have a direct impact on the Policy Owner benefits. As such, no material changes are expected following the Proposed Scheme.

5.9 Policy Administration System Implications

Policy administration for the majority of the Transferring SRLHA Policies is currently outsourced to GFS and Genus. HLRA has existing arrangements in place with both GFS and Genus for administration of HLRA's existing direct life insurance policies. Policy administration arrangements with GFS and Genus will remain in place for the Transferring SRLHA Policies following the Proposed Scheme. This will be achieved through the transfer of SRLHA's rights and liabilities under the administration agreements to HLRA from the Effective Time.

For the small portfolio of AdvantEdge branded policies (47 policies as at 31 December 2024) which are currently administered by SRLHA, HLRA have agreed with GFS that the AdvantEdge policies will be administered by GFS after the transfer. GFS will continue to use the SRLHA approach for policy administration purposes meaning no material change in administration processes.

GFS will ensure other downstream reporting and systems are integrated (e.g., Finance and reporting). GFS will be delivering according to its project management framework and have provided a Statement of Work outlining the high-level scope items that will need to be delivered for transfer. HLRA and SRLHA will be working closely with GFS to monitor its test outputs, user acceptance test and staff training. SRLHA's Appointed Actuary has noted that GFS should provide equal or greater capabilities as a dedicated policy administrator for the Transferring SRLHA Policies.

5.10 Underwriting Implications

With respect to underwriting implications under the Proposed Scheme,

- There are no changes or reassessment of underwriting on the Transferring SRLHA Policies.
- There is no expected change in underwriting philosophy.
- Policies that lapse will be treated by HLRA as though the original underwriting standards apply.
- There will be no changes to reinstatement protocol for policies that inadvertently lapse.

5.11 Expense Allocation Implications

With respect to Expense Allocations, HLRA management expect to achieve larger economies of scale given that more policies are added to ASF.

5.12 Claims Management Implications

SRLHA makes all claim assessments and decisions with most of the administration related to claims management performed by TPAs. Following the Proposed Scheme, HLRA will assume responsibilities for management of any existing and future claims.

5.13 Risk Management Implications

The policies will move from SRLHA' RMF to HLRA's framework.

HLRA does not intend to change its Risk Management Framework because of the Proposed Scheme. HLRA's Appointed Actuary has stated that the RMF will be appropriate for the Transferring SRLHA Policies after the Proposed Scheme and meet the relevant prudential requirements and regulatory expectations.

5.14 Transition Cost Implications

All costs and expenses associated with the Proposed Scheme will be borne by SRLHA and HLRA and hence will not impact the SRLHA nor HLRA Policy Owners. I understand that these costs will be excluded from the expense allocation process and so do not flow into unit expenses considered for profitability testing of products.

5.15 Tax Implications

The implications for tax from the Proposed Scheme are as follows:

- No change is expected to be made to the methods used to comply with tax legislation because of the Proposed Scheme.

- Life companies calculate their tax liability with reference to the underlying tax classes, with different tax rates applicable to each tax class. These tax classes will be maintained post the Proposed Scheme.
- Any tax and duty associated with the Proposed Scheme will be borne by SRLHA and/or HLRA and not by SRLHA or HLRA Policy Owners.

5.16 Recent significant events

5.16.1 Choosi matter

On 2 June 2025, ASIC commenced proceedings against Choosi Pty Ltd ("Choosi") 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.

HLRA notes that as it is not a party to these proceedings, the proceedings are not expected to impact HLRA, HLRA Policy Owners nor Transferring SRLHA Policies. As such, no additional reserves have been provisioned by HLRA for these proceedings.

Although HLRA is not a party to the litigation, should ASIC be successful with the action, it is conceivable that HLRA could potentially be indirectly impacted due to a loss of business volumes, potential contribution to a remediation or a disruption in services provided by GFS. Because of the relatively small volume of the Choosi portfolio in relation to HLRA's overall portfolio and the significant level of reinsurance on the portfolio, I do not consider that any such potential losses would materially adversely affect SRLHA Policy Owners noting that the position is unchanged for HLRA Policy Owners.

5.16.2 Woolworths Rebrand

SRLHA and Woolworths have agreed that, at the same time as the Transfer, Woolworths Life and Funeral Insurance products will be rebranded "Safeway Life Insurance", "Safeway Life Funeral Insurance" and "Safeway Life Insurance – Accident Only" (as applicable) from the Effective Time. I have however been informed by the SRLHA Appointed Actuary that there will not be any changes to contractual policy terms, the administrator nor administration systems as a result, and any associated rebranding costs will be borne by SRLHA shareholders and not by SRLHA nor HLRA Policy Owners. As such, I do not consider that these change will materially adversely affect SRLHA Policy Owners noting no change for HLRA Policy Owners.

5.16.3 SRLHA capital repatriation

Since the last audited financial statements as of 31 December 2024, SRLHA has repatriated $237m of capital in line with its forecast, which reduces its excess capital and capital adequacy multiple. This is less than what was budgeted for 2025 repatriations. As such, this has already been considered in forming my opinions on the effect of the scheme on HLRA and SRLHA Policy Owners.

5.17 Remediation matters

The Proposed Scheme requires that HLRA continues to conduct any ongoing remediations in substantially the same manner as SRLHA. As at the date of this Report, I understand that SRLHA has no active remediation programs in place, noting that some remediations payments are outstanding from prior finalised programs where the customer has not been located. HLRA will be required to make these payments when contact is made with these customers.

Among the finalised remediation programs, SRLHA is currently providing ASIC with further information related to a remediation program concerning premium discounts. As SRLHA will be liable for any future payments (if any), this would not materially adversely affect Policy Owners.

Should any issue related to the Transferring Policy Owners arise after the Transfer, HLRA is committed to manage any remediation matters of the Transferring Policy Owners in substantially the same manner as remediations conducted by SRLHA to ensure consistency and continuity in remediation process. I understand that both SRHLA and HLRA follow ASIC Regulatory Guide 277 for consumer remediations.

Any proceedings, including but not limited to complaints made to AFCA, in respect to SRLHA Policy Owners that are in progress as the Effective Time will be continued by or against HLRA instead of SRLHA.

6 Impact on SRLHA Policy Owners

This section considers the impact of the Proposed Scheme on the owners of policies transferring from SF1 of SRLHA to HLRA and Policy Owners in Statutory Fund 2 of SRLHA.

The Policy Owners in Statutory Fund 2 are not directly impacted by the Proposed Scheme; however, there is an immaterial indirect impact due to the associated reinsurance arrangement which is discussed in Section 6.4.

All the SRLHA Life Policies are non-Participating and hence are not entitled to share in the profits or performance of SRLHA. Hence any issues concerning Participating Policy Owners' contractual benefits and reasonable expectations or their interest in any retained profits are not relevant to the Report.

6.1 Impact on Contractual Benefits and Rights

Under the Proposed Scheme, there are no proposed changes to the terms and conditions for the Transferring SRLHA Policies, including in relation to premium rates, fees, and benefits. Therefore, I consider that the Proposed Scheme will have no adverse impact on the contractual benefits and other rights of the SRLHA Policy Owners.

6.2 Impact on Reasonable Expectations

Policy Owner reasonable expectations in relation to risk insurance business include the payment of claims as and when due, that the ongoing management of the policy results in outcomes consistent with the Policy Owner's understanding in areas such as pricing and claims management, and that they will receive a certain level of client service when needed. I assessed the impact on reasonable expectations based on:

- Product Strategy
- Pricing Strategy
- Claims Handling Philosophy
- Underwriting Philosophy
- Policy Administration.

Policy Owners' reasonable benefit expectations can be impacted by the application of discretion in the above areas and I consider how SRLHA applied such discretions historically and my understanding of HLRA's future intentions in these areas.

6.2.1 Product Strategy

SRLHA's past philosophy for product improvements is to ensure products remain fit for purpose, meet customer needs, and comply with legal and regulatory requirements. An annual review is conducted and any product enhancements that do not lead to increased premiums are automatically applied to Policy Owners. Since the business is closed to new business, no future product changes are planned unless required by law or regulation.

HLRA is open to new business and conducts product reviews every two years, focusing on customer experience and product performance. HLRA's approach to product improvements aligns with SRLHA's in that improvements that do not result in a premium increase are passed on automatically. Where improvements would require an additional premium, Policy Owners are given the option to accept or decline them. HLRA has confirmed that no changes to the design or features of the

Transferring SRLHA Policies are planned due to the Proposed Scheme. However, after the transfer, the Transferring SRLHA Policies will be included in HLRA's regular product review cycle.

HLRA operates in a competitive market and this provides an overarching impetus for it to continue to offer competitive products and terms in order to retain policies in force.

I conclude that reasonable benefit expectations are expected to be met for SRLHA Policy Owners with respect to the product strategy.

6.2.2 Pricing Strategy

SRLHA's premium rates are set considering customer value, claims experience, and other commercial factors. The company aims to maintain premium rate stability unless sustainability concerns arise. Premium rate changes consider claims trends, competition, and regulatory factors.

SRLHA reserves the right to review premiums in the future, provided Policy Owners receive the required notice. Since the inception of the business, premium rates have been increased twice, for the Medibank business in 2014 and the Woolworths Death & TPD business in 2021. In recent years, the company has reduced premium rates for certain benefit types such as Accidental Death and Child Benefit and has introduced affordability measures for the Freedom business to improve long-term customer affordability and value. Future increases in premium rates remain possible if experience deteriorates. Contracts with TPAs and brand partners allow for commission renegotiations, providing an alternative way to maintain profitability in response to deteriorating claims experience.

HLRA proactively manages its retail life insurance business, which includes products comparable to the Transferring SRLHA Policies. In line with SRLHA's approach, HLRA conducts regular experience investigations and monitors claims and lapse experience. An internal framework with defined parameters triggers premium rate reviews when necessary. Premium changes are made with consideration for affordability and claims experience. While HLRA aims to price customer segments appropriately for their risks, it does not prioritise the removal of existing cross-subsidies in its pricing strategy. The company works with TPAs to review commission rates in response to deteriorating experience, aiming to minimise price increases for Policy Owners. HLRA have advised that experience monitoring and repricing for the Transferring SRLHA Policies will be performed separately from HLRA's direct life insurance business. HLRA will not change pricing for the Transferring SRLHA Policies due to the Proposed Scheme but does not rule out future premium rate increases if experience deteriorates.

Based on these observations, there are no premium rate changes expected at the Effective Time. HLRA's philosophy and intended approach to reviewing premium rates are broadly aligned with SRLHA's, though there are differences in operational implementation. Price increases remain subject to what is permissible under policy terms, which are not being changed as part of the Proposed Scheme.

The Business Transfer Deed will result in HLRA only being able to increase premiums on the Medibank and Woolworths portfolios when loss ratios exceed a certain level. This provides some comfort to Policy Owners that premium increases can only occur when loss ratios exceed a threshold level

HLRA will have a larger insurance pool post transfer which enables more risk diversification and leads to lower expected claim volatility.

I conclude that reasonable benefit expectations are expected to be met for SRLHA Policy Owners with respect to the pricing strategy.

6.2.3 Claims Handling

SRLHA's claims philosophy focuses on assessing claims fairly, consistently, and efficiently while ensuring that TPAs follow the same approach. SRLHA makes all claims assessments and decisions with TPAs handling certain administrative tasks related to claims management. SRLHA operates under the LICOP and shares responsibility with TPAs to fulfill LICOP obligations. Claims complaints follow the industry-standard process as enforced by ASIC's Regulatory Guide RG 271 with additional practice set out in the LICOP. In addition, SRLHA's internal claims dispute process also includes seeking an independent external opinion.

HLRA's claims philosophy emphasises integrity, compassion, and fairness in assessing claims. Similar to SRLHA, most claims assessments are conducted internally, except for funeral cover claims. HLRA also operates under LICOP, with its obligations embedded in its Claims Guide for claims management personnel. HLRA follows a dispute resolution approach similar to SRLHA and is also subject to ASIC RG 271 and the Life Insurance Code of Practice. HLRA has access to a panel of legal firms for independent opinions on claim disputes.

APRA's life insurance claims data for the 12 months ending 30 December 2024 indicates that SRLHA and HLRA have comparable claim decline rates for death, trauma, and income protection benefits, which are consistent with industry averages. Both companies lack sufficient exposure for total and permanent disability (TPD) claims to be included in APRA's published statistics.

Dispute rates for death cover products are low and broadly similar between SRLHA and HLRA. However, HLRA has a higher volume of disputes related to its funeral products. Discussions with HLRA's management suggest that this is due to regulatory changes regarding dispute reporting, a conservative approach to recording complaints, historical staff turnover, and past requirements for claim evidence, which have since been eased. Given that HLRA's funeral claim admittance rate exceeds 99%, aligning with industry norms, this higher dispute volume is not considered a material concern for SRLHA Policy Owners with funeral cover.

Based on these observations, SRLHA Policy Owners can reasonably expect that claims will be assessed fairly and in good faith. HLRA's current claims handling approach is broadly consistent with SRLHA's and meets this expectation. SRLHA Policy Owners will continue to have the right to escalate complaints through HLRA's internal dispute resolution process and AFCA. Additionally, the higher dispute volume for HLRA's funeral product is unlikely to impact SRLHA Policy Owners.

I conclude that reasonable benefit expectations are expected to be met for SRLHA Policy Owners with respect to the claims handling philosophy.

6.2.4 Underwriting

Since the SF1 business is closed to new business, underwriting is limited to benefit changes for existing policies. Policy Owners may increase their sum insured or add new lives to existing policies, with these changes assessed under SRLHA's underwriting standards. The underwriting philosophy emphasises a simple, evidence-based approach, with no medical or financial evidence required for underwriting decisions. SRLHA's underwriting standards are reviewed and updated at least every two years. TPAs are authorised to approve cover increases, additional cover types, or new lives within pre-defined underwriting rules. Any requests falling outside these rules, including the removal of premium loadings or policy exclusions, are referred to SRLHA underwriters for assessment.

HLRA follows a similar approach to underwriting for its direct life insurance business. While HLRA's TPAs have limited delegated authority, most underwriting decisions are made by HLRA's underwriting team. HLRA intends to adopt SRLHA's underwriting rules for the Transferring SRLHA Policies, subject to a risk assessment and agreement with the TPA. This would ensure continuity for SRLHA Policy Owners.

SRLHA Policy Owners are unlikely to have specific expectations about how policies are underwritten. Their primary concern is that the underwriting process remains fair and reasonable. Since HLRA is to adopt SRLHA's underwriting rules for the Transferring SRLHA Policies, SRLHA Policy Owners' reasonable benefit expectations regarding underwriting philosophy are expected to be met.

I conclude that reasonable benefit expectations are expected to be met for SRLHA Policy Owners with respect to the underwriting philosophy.

6.2.5 Policy Administration

The majority of SRLHA's business is managed by TPAs, with GFS and Genus handling policy administration through their in-house systems. Following the Proposed Scheme, policy administration for the business will see changes for some product lines, as outlined below.

HLRA already has partnerships with GFS and Genus, both of which administer various aspects of HLRA's direct life insurance business. As a result, policy administration for Medibank, Woolworths, and Freedom products will continue using the existing TPA and systems after the transfer.

AdvantEdge products, which are currently administered by SRLHA, will transition to GFS under an extended agreement with HLRA. This change is expected to improve controls and reduce operational risks associated with manual administration.

Based on these observations, most SRLHA Policy Owners—those with Medibank, Woolworths, and Freedom branded products—will see no change in policy administration. For those with AdvantEdge branded products, HLRA's plan to enhance policy administration will reduce risks linked to the current manual process.

In addition, Transferring SRLHA Policies will benefit from increased economies of scale as fixed costs are spread over more policies, putting less pressure on future premium rate increases.

I conclude that reasonable benefit expectations are expected to be met for SRLHA Policy Owners with respect to the policy administration.

6.2.6 Conclusion

Given the above, I conclude that reasonable benefit expectations will continue to be met for SRLHA Policy Owners.

6.3 Benefit security

In forming my view in relation to benefit security, I assessed the security of the SRLHA Policy Owners' benefits based on the risk management framework, financial strength and capital position before and after the transfer, and the implications of the reinsurance strategy.

6.3.1 Risk Management

I observe the following with respect to risk management:

- There will be no changes to HLRA's Risk Management Framework because of the Proposed Scheme.
- HLRA's Appointed Actuary has stated that the RMF will continue to remain appropriate for the Transferring SRLHA Policies after the transfer and meet the relevant prudential requirements and regulatory expectations.

I conclude that the Proposed Scheme will not adversely affect the security of SRLHA Policy Owners' benefit with respect to risk management.

6.3.2 Financial Strength and Capital Position

Section 5.4 outlines the impact of the Proposed Scheme on financial strength and capital position. The following table shows the key changes for SRLHA Policy Owners.

Table 14 Capital Position as at 31 December 2024

$m	Pre-Transfer SRLHA SF1	Post Transfer HLRA ASF
Net Assets	**89**	**97**
Less: Regulatory Adjustments to Net Assets	32	(4)
Tier 2 Capital	0	25
Capital Base	**58**	**127**
Prescribed Capital Amount (PCA)	32	61
Capital in Excess of PCA ($)	26	66
Capital Adequacy Multiple (%)	**181%**	**208%**
Capital in Excess of PCA (excluding Tier 2 Capital)	26	41
Capital Adequacy Multiple (excluding Tier 2 Capital)	**181%**	**167%**

The SRLHA Policy Owners benefit from a higher capital adequacy multiple when combined with policies previously in HLRA Australian Statutory Fund. This is partly due to the Tier 2 capital (which is a lower grade than equity capital), without which the capital adequacy multiple reduces, however the Tier 2 Capital remains available to meet Policy Owner obligations in a resolution scenario.

I further note that the size of the transferring SRLHA portfolio is relatively small compared to the size of the HLRA book in terms of premium and insurance contract liabilities and assets. The Transferring SRLHA Policies will be forming a part of a larger and more diversified portfolio of the HLRA direct policies.

I have discussed and reviewed the documented principles and approach to Target Capital for the two companies which are not changing because of the transfer. HLRA targets Capital Based on a lower risk appetite of breaching the PCA over the next year compared to SRLHA and hence, this additional prudence provides more comfort to Transferring SRLHA Policies.

From this, I conclude that the Proposed Scheme will not adversely affect the security of SRLHA Policy Owners' benefits with respect to financial strength and capital position.

6.3.3 Profitability of the Portfolios

I observe the following with respect to the profitability of the portfolios:

The Business Transfer Deed will result in HLRA only being able to increase premiums on the Medibank and Woolworths portfolios when loss ratios exceed a threshold. Although this limits HLRA's ability to increase premiums, premium rates can still be increased to protect benefit security thus providing continued protections for the fund.

In 2024, the ASF fund had a loss of $19m due to a strengthening of lapse and mortality assumptions partly offset by an increase in premium rates. The stronger assumptions were reflected in the insurance contract liabilities as of 31 December 2024. HLRA's Appointed Actuary has projected a non-material loss in 2025 followed by small profits in 2026 and 2027.

Given there are no projected material losses in the next three years, I conclude that the Proposed Scheme will not adversely affect the security of SRLHA Policy Owners' benefit security with respect to the profitability of the portfolios.

Hence, I conclude that the Proposed Scheme will not adversely affect the security of SRLHA Policy Owners' benefit security with respect to the profitability of the portfolios.

6.3.4 Reinsurance

SRLHA's existing retrocession agreement with SRZ for the Transferring SRLHA Policies will be recaptured and will not be included in the Proposed Scheme. Instead, HLRA plans to establish an intra-group retrocession arrangement with other entities within the Hannover Re Group.

Additionally, as part of the Business Transfer Deed, HLRA will enter a quota share reinsurance agreement with SRLHA, which will take effect from the Effective Time.

Prior to the transfer, the disability income ("DI") portfolio was reinsured 100% on a back-to-back basis for premiums and claims. This structure provides full risk transfer for both current and future DI claims under the Transferring SRLHA Policies.

Following the transfer, the reinsurance arrangement will be:

- 100% of outstanding claims liabilities (IBNR, RBNA, and DLR) as at the Effective Time will be reinsured with SRLHA. This is similar to the prior retrocession arrangement for outstanding claims on disability income policies.
- 50% of current remaining coverage Woolworths/Medibank Term Life products will be reinsured by SRLHA and 25% by HR Ireland
- 75% of Freedom, Advantage and Woolworths/Medibank DI will be reinsured by Hannover Re's Irish subsidiary (HR Ireland).

For the DI portfolio, 25% will be retained by HLRA when previously SRLHA retained none. This level of retention is not unusual and is allowed for in the capital projections.

Both Swiss Re Group and Hannover Re Group hold an AA- rating from Standard & Poor's as of December 31, 2024. As a result, there is no expected negative impact on benefit security for SRLHA Policy Owners from a reinsurer's credit risk perspective. The financial impact of these reinsurance arrangements has been factored into the post-transfer positions outlined above.

Reinsurance agreements typically reduce an insurer's capital requirements. If either arrangement were to be terminated, HLRA's capital requirements would likely increase. The termination of these agreements under normal business circumstances would require HLRA's consent. It is reasonable to expect that HLRA would only agree to such a termination if they could continue to adequately support the capital needs of its Policy Owners.

I conclude that the Proposed Scheme will not adversely affect the security of SRLHA Policy Owners' benefit security with respect to the reinsurance strategy.

6.3.5 Expenses

HLRA has allocated expenses incurred for the Transfer to a separate project cost centre. HLRA's Appointed Actuary confirmed that these costs will not be include in assumptions used for pricing or valuation of the Transferring SRLHA Policies.

I conclude that the Proposed Scheme will not adversely affect the security of SRLHA Policy Owners' benefit security with respect to expenses.

6.3.6 Investment Strategy

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 Time of the Proposed Scheme, 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.

As such, no impacts or implications are expected on the investment portfolio aspects of the benefit security of the Existing Policy Owners.

I conclude that the Proposed Scheme will not adversely affect the security of SRLHA Policy Owners' benefit security with respect to the investment strategy.

6.3.7 Conclusion

In forming my opinions on the security of the Policy Owners' benefits, I have considered the impact of the Proposed Scheme based on the financial information set out in the reports of SRLHA's and HLRA's Appointed Actuaries. The financial information is based on the position as at 31 December 2024, assuming that the Proposed Scheme was implemented at that date. Based on this information, I observe that as at 31 December 2024, both Companies hold surplus assets at a level above the Target Capital and are projected to remain in this position for the next 3 years. The Appointed Actuaries of SRLHA and HLRA are not aware, nor am I, of any events that either have occurred or are expected to occur prior to the Effective Time that would make this outlook invalid.

The SRLHA Policy Owners are to transfer to HLRA, a large and diverse company not dissimilar to SRLHA. The cost of integration of the transferring life insurance business has been and continues to be funded via SRLHA and HLRA shareholders, thereby, not impacting the Policy Owners of SRLHA or HLRA.

6.4 Impact of Reinsurance on SF2 of SRLHA

Statutory Fund No 2 of SRLHA is not directly impacted by the Proposed Scheme. However, the Business Transfer Deed requires SRLHA to reinsure the policies proposed to be transferred to HLRA, and the reinsurance agreement will be referable to SF2. Hence there may be an indirect impact on the insurance companies who own reinsurance policies referable to SF2.

The SRLHA Appointed Actuary has commented on the impact of the new reinsurance arrangement on SF2 of SRLHA. His calculations show a modest reduction in the capital adequacy multiple of that fund from 276% to 263%.

I observe that the new reinsurance arrangement will be a small part of SF2 having an upfront premium of $56m being less than 5% of the total premiums of SF2 in 2024 of $1,266 million and a lower premium in future years.

As such, I consider that the issuance of this reinsurance will not materially impact the other life insurance customers of that statutory fund as the reduction in capital is not material and the new reinsurance is small compared to the overall statutory fund.

6.5 Conclusion

Given the above, I conclude that:

- The Proposed Scheme will not adversely affect the contractual benefits or other rights of SRLHA Policy Owners.

- The Proposed Scheme will not adversely affect the reasonable benefit expectations of SRLHA Policy Owners.
- The Proposed Scheme will not adversely affect the security of SRLHA Policy Owners' benefits.

Other than the reinsurance policy of SF2 discussed above, I did not identify any other matters that could impact SRLHA Policy Owners.

7 Impact on HLRA Policy Owners

This section considers the impact of the Proposed Scheme on the existing owners of policies in the Australian Statutory Fund (ASF) of HLRA.

The Proposed Scheme does not impact the other Statutory Funds of HLRA and therefore will not impact the insurance companies who own policies in these funds, their contractual benefits and rights, reasonable expectations, nor benefit security.

7.1 Impact on Contractual Benefits and Rights

Under the Proposed Scheme, there are no proposed changes to premium rates, fees, benefits, terms and conditions for the existing HLRA Policies. Therefore, I consider that the Proposed Scheme will have no adverse impact on the contractual benefits and other rights of the existing HLRA Policy Owners as at the Effective Time.

7.2 Reasonable Expectations

Policy Owner reasonable expectations in relation to risk insurance business include the payment of claims as and when due, that the ongoing management of the policy results in outcomes consistent with their understanding in areas such as pricing and claims management, and that they will receive a certain level of client service when needed.

For the existing HLRA policies, there are no proposed changes in the areas of:

- Product Strategy
- Pricing Strategy
- Claims Handling Philosophy
- Underwriting Philosophy
- Customer Service
- Policy Administration.

These policies will continue to be managed in the same manner as before albeit with the inclusion of the additional transferred policies from SRLHA that will provide some scale benefits.

Hence, I conclude that reasonable benefits expectations are expected to continue to be met for existing HLRA Policy Owners as at the Effective Time.

7.3 Benefit Security

In forming my view in relation to benefit security, I assessed the security of the HLRA Policy Owners' benefits based on the risk management strategy, financial strength and capital position before and after the transfer, and the implications of the reinsurance strategy.

7.3.1 Risk Management

There are no changes proposed to HLRA's Risk Management Framework because of the Proposed Scheme. Hence, I conclude that the Proposed Scheme will not adversely affect the security of HLRA Policy Owners' benefits with respect to the Risk Management Strategy.

7.3.2 Financial Strength and Capital Position

Section 5.4 outlines the impact of the Proposed Scheme on the Companies' financial strength and capital position. The following table shows the key changes for existing HLRA Policy Owners.

Table 15 Capital Position as at 31 December 2024

$m	Pre-Transfer HLRA ASF	Post Transfer HLRA ASF
Net Assets	**107**	**97**
Less: Regulatory Adjustments to Net Assets	(4)	(4)
Tier 2 Capital	25	25
Capital Base	**137**	**127**
Prescribed Capital Amount (PCA)	50	61
Capital in Excess of PCA ($)	86	66
Capital Adequacy Multiple (%)	**272%**	**208%**
Capital in Excess of PCA (excluding Tier 2 Capital)	61	41
Capital Adequacy Multiple (excluding Tier 2 Capital)	**222%**	**167%**

The transfer reduces HLRA ASF's excess capital by $20m with a corresponding reduction in the capital adequacy multiple.

The HLRA Appointed Actuary's report states that the statutory fund will have excess capital above its prudential requirements and Board approved target capital after the transfer. In preparing projections, HLRA's Appointed Actuary allowed for other known future business events such as writing of new reinsurance in New Zealand and the proposed acceptance of Integrity Life residual claim risk.

HLRA's ICAAP states that capital repatriation is considered when its coverage ratio is more than the upper limit of the target capital range. Prior to the transfer, HLRA's ASF had excess capital over the upper limit level which, subject to approvals, could have been paid to its shareholders under its ICAAP but was instead retained.

HLRA's target capital objective is to hold excess assets at a level such that there is at low chance of breaching regulatory requirements within 1 year. This is at a reasonable level for Australian reinsurers and life insurers. I conclude that the impact of the Proposed Scheme on the security of the HLRA Policy Owners is not material on the basis that:

- the post-transfer capital is still sufficient to cover target surplus set at an appropriately prudent level;
- the appointed actuary's projections show that this is expected to be the case for the next three years; and
- that any excess capital could be paid out in any event if the Proposed Scheme does not proceed.

7.3.3 Profitability of the Portfolios

In 2024, the ASF fund had a loss of $20m due to a strengthening of lapse and mortality assumptions partly offset by an increase in premium rates. HLRA's Appointed Actuary's projection has incorporated an increase in liabilities as of 31 December 2024 to reflect the stronger assumptions.

The Transferring SRLHA Policies were profitable in 2024 and, as such, the Proposed Scheme is not expected to adversely impact the continuing HLRA Policy Owners' profitability.

Hence, I conclude that the Proposed Scheme will not adversely affect the security of HLRA Policy Owners' benefit security with respect to the profitability of the portfolios.

7.3.4 Reinsurance

There are no changes proposed to HLRA's Reinsurance Strategy because of the Proposed Scheme and no changes to the existing reinsurance of the continuing policies.

HLRA will enter a new reinsurance arrangement with SRLHA (Statutory Fund no 2) for the Transferring SRLHA Policies that provides risk mitigation in respect of claims incurred before the Effective Time and 50% of the risk on certain policies. We observe for this reinsurance:

- The reinsurance requires the payment of initial premiums to SRLHA and HLRA's Appointed Actuary has allowed for the impact of these payments on capital (see above).
- Ongoing reinsurance premiums will be determined based on the premiums payable by HLRA Policy Owners. As such reinsurance premiums will only increase to the extent that HLRA Policy Owner premiums do. Similarly ongoing commission from SRLHA will vary in proportion to premiums only.
- The reinsurance will protect HLRA against claim volatility.

I conclude that the Proposed Scheme will not adversely affect the security of HLRA Policy Owners' benefit security with respect to reinsurance.

7.3.5 Expenses

HLRA has allocated expenses incurred for the Transfer to a separate project cost centre. HLRA's Appointed Actuary confirmed that these costs will not be include in assumptions used for pricing or valuation of the Transferring SRLHA Policies.

I conclude that the Proposed Scheme will not adversely affect the security of HLRA Policy Owners' benefit security with respect to expenses.

7.3.6 Investment Strategy

I observe the following with respect to the investment strategy:

- There will be no material changes to the investment strategy of the assets backing the existing HLRA business or any of the shareholders' funds as part of the Proposed Scheme.
- There are no existing plans to change the current investment fund manager for HLRA as a result of the Proposed Scheme.

I conclude that the Proposed Scheme will not adversely affect the security of HLRA Policy Owners' benefit security with respect to the investment strategy.

7.3.7 Conclusion

In forming my opinions on the security of the HLRA Policy Owners' benefits, I have considered the impact of the Proposed Scheme based on the financial information set out in the reports of SRLHA's and HLRA's Appointed Actuaries. The financial information is based on the position as at 31 December 2024, assuming that the Potential Scheme is implemented at that date. Based on this information, I observe that as at 31 December 2024, both companies hold surplus assets at a level above the Target Capital and are projected to remain in this position for the next 3 years. The Appointed Actuaries of SRLHA and HLRA are not aware, nor am I, of any events that either have occurred or are expected to occur prior to the Effective Time that would make this outlook invalid.

The cost of integration of the Transferring SRLHA life insurance business has been and continues to be funded via SRLHA and HLRA shareholders, thereby, not impacting the Policy Owners of SRLHA or HLRA.

7.4 Conclusion

Given the above, I conclude that:

- The Proposed Scheme will not adversely affect the contractual benefits or other rights of HLRA Policy Owners.
- The Proposed Scheme will not adversely affect the reasonable benefit expectations of HLRA Policy Owners.
- The Proposed Scheme will not materially affect the security of HLRA Policy Owners' benefits.

8 Reliances and Limitations

This Report has been prepared at the request of SRLHA and HLRA in accordance with the terms of our engagement letter dated 18 March 2025.

The Report is solely for the use of the parties for the stated purpose. No other use of, nor reference to, the Report should be made without prior written consent from Deloitte, nor should the whole or part of the Report be disclosed to any other person other than as noted in this Report.

Deloitte consents to the Report being made available for public inspection in relation to the Proposed Scheme and being provided to owners of policies referable to SRLHA's statutory fund 1 and owners of policies referable to the HLRA's statutory funds, APRA and the Federal Court of Australia as application for confirmation of the Proposed Scheme.

Third parties who use this Report acknowledge that they are not a party to the engagement letter dated 18 March 2025. The Report may not be relied upon by any other party for any purpose whatsoever. Neither I nor Deloitte, its partners and staff owe or accept any duty to any other party and shall not be liable for any loss, damage or expense of whatever nature which is caused by any other party's reliance on representations in this Report.

The Report should be considered as a whole. Members of Deloitte staff are available to answer any queries, and the reader should seek that advice before drawing conclusions on any issue in doubt.

In forming my opinion, I have relied on the accuracy and completeness of information (qualitative, quantitative, written and verbal) provided for the preparation of the Report, and have not audited nor otherwise verified it. Accordingly, neither do I nor Deloitte accept any responsibility for any errors that result from reliance thereon. The documents relied upon can be found in Appendix B.

The assessments made in this preliminary report are based on financial information as at 31 December 2024. I therefore place reliance that my opinions within the Report are made as if the Proposed Scheme had occurred on 31 December 2024.

I reserve the right to review and alter the conclusions reached in this Report, should information that is relevant to my conclusions come to my attention after the date of this Report.

I have made all the inquiries that I believe are desirable and appropriate and no matters of significance that we regard as relevant have, to our knowledge, been withheld from the Court.

I note that projections of future financial position and estimates of insurance liabilities are generally subject to inherent uncertainties. Should the Proposed Scheme be confirmed, the actual financial position on SRLHA and HLRA at the Effective Time and beyond is subject to the outcome of events that have not yet occurred. Actual experience could vary significantly from the estimates contained within this Report and the Appointed Actuaries' reports. Deviations are normal and are to be expected. The outcome of insurance business and ongoing solvency of HLRA cannot be guaranteed. I note that no absolute guarantee can be provided given the inherent uncertainty in insurance outcomes.

Appendix A: Glossary

Term	Meaning
ASIC	Australian Securities & Investments Commission
ALM	Asset Liability Management
APRA	Australian Prudential Regulation Authority
ARC	Asset Risk Charge
Business	The direct, retail non-Advised individual life insurance business conducted through SRLHA's Statutory Fund 1
Capital Base	Capital available, as defined in LPS 110, to meet capital requirements
Companies	HLRA and SRLHA
Court	The Federal Court of Australia
FUM	Funds Under Management
HLRA	Hannover Life Re of Australasia Limited
HLRA Policy Owners	Owners of policies referrable to HLRA's Australian Statutory Fund.
HLRA Report	HLRA Actuarial Report on the Proposed Scheme
IBNR	Incurred But Not Reported
IRC	Insurance Risk Charge
LPS	Life Prudential Standard issued by the Australian Prudential Regulation Authority
NB	New Business
ORC	Operational Risk Charge
Participating Policy	A life policy with a participating benefit, as defined under Part 2 Section 15 of the Life Act
PCA	Prescribed Capital Amount, the prescribed element of the Regulatory Capital requirements, as defined by LPS 110
PDS	Product Disclosure Statement
Policy Owners	Owners of policies issued by SRLHA and/or HLRA, as applicable.
Proposed Scheme	The proposed Part 9 transfer of SRLHA's direct, retail non-Advised individual life insurance Business to HLRA
PV	Present Value
Regulatory Capital	The regulatory capital amounts defined by APRA for Australian insurers under Prudential Standards
Report	Deloitte's Independent Actuarial Report
RMF	Risk Management Framework
RPG	Related Product Group

Term	Meaning
Scheme	The Proposed Scheme of Transfer under Part 9 of the Life Insurance Act 1995 (Cth) discussed in this Report
SF[X]	Statutory Fund No. [X]
SHF	The Shareholders' Fund
Target Surplus	The amount of assets a company retains within its Statutory Funds and/or Shareholders' Fund above its Regulatory Capital requirements, to meet its preferred total capital target level
TPD	Total and Permanent Disability
SRLHA	Swiss Re Life & Health Australia Limited
SRLHA Report	SRLHA Actuarial Report on the Proposed Scheme
SRLHA Policy Owners	Owners of policies referrable to Statutory Fund No 1 of SRLHA who are transferring to HLRA.
Transferring Contracts	Transferring Contracts means any existing contracts that SRLHA has entered in relation to the Transferring SRLHA Policies (the full list of transferring contracts can be found in Schedule 1 of the Scheme document).
Transferring SRLHA Policies	The direct, retail non-advised individual life insurance policies referrable to Statutory Fund No 1 of SRLHA.

Appendix B: Information Relied Upon

I have relied on the accuracy and completeness of information provided to me by HLRA and SRLHA, both in writing and orally, without independently verifying it. In particular, I have relied on the following:

Table 16 Information Relied Upon from SRLHA

Description	Filename	Date Received
Documentation of the Proposed Scheme of transfer, including reasons for the Proposed Scheme - draft	Project Salus - Business Transfer Deed - 9 April 2025(150240938.1).pdf Project Salus - Scheme Document (WW Branding 22.7.25) (1).docx	27 August 2025
Proposed structure post transfer	Salus_Joint APRA Meeting 2024.11.28_Final	15 April 2025
Financial statements (income statement and balance sheet) before and after completion for SRLHA and HRLA as at 31 December 2024	7. Statement of Financial Position 2024 - Before Cito 7. Statement of Financial Position 2024 - After Cito 04 SRLHA Financial Statements FY'24_Signed Final	2 April 2025 1 April 2025
Reinsurance arrangements both before and after transfer in case Policy Owners impacted.	HRI ASF Reins Master Agreement_FinalDraft.docx HRI ASF Reins SwissReEx-iptiQ QS SC_FinalDraft_APRA_update.docx Project Salus - SRLHA_HLRA Reinsurance Agreement 31.3.25.pdf	5 May 2025 14 April 2025
Business Transfer Deed	Project Salus - Business Transfer Deed - EXECUTION VERSION.pdf 10a 12 Project Salus - Disclosure letter - BTD(71051684.10)	15 April 2025 1 April 2025
Plans for managing the transfer and portfolio - including any planned changes to or possible unintended impacts on the systems (admin and claims), people, processes, policies, service levels, business management basis/behaviours, culture	06 240925_Project Salus RAID Log_2025_03_31 06 Separation Charters and Schedules_Genus_2025_03_07 06 Separation Charters and Schedules_GFS_2025_03_07	1 April 2025

Description	Filename	Date Received
Financial Condition Report	16 SRLHA FCR 2024_Final	8 April 2025
SRLHA Actuarial report on the transfer as at 31 December 2024	SRLHA Part 9 supplementary AA report_April draft_shared for comment	3 May 2025
	SRLHA Part 9 AA report_27 August 2025.docx	27 August 2025
ICAAP Summary Statement and Report	17 25 ICAAP Report_March 2024_SRLHA-signed (1) 17 Swiss Re ANZ ICAAP SS Jan2025_SRLHA_CLEA	1 April 2025
Risk Management Framework	18 SRLHA ANZ Risk Management Standard	1 April 2025
Product information - description of all products in terms of benefits, coverage, options, premiums determination and rates, guarantees	20 Advantedge Review 24.FINAL 20 Freedom Review 24 FINAL 20 Medibank Review 24.FINAL 20 Woolworths Review 24.FINAL	1 April 2025
Product and Pricing - any documented product management philosophy, past practices in changing premium rates, benefits, guarantees, closing products, etc, any planned changes in any of the above	21 ADB and CCI costing notes_approved 21 CPS320 Freedom benefit enhancement_2023 21 CPS320 iptiQ risk rate review_2020 21 Freedom Funeral Pricing Note_Post Board Review FINAL 21 Historical Premium and Risk Rate Changes 21 iptiQ ANZ Market Reference Standard 2024_Final 21 iptiQ ANZ PDAP v3 FINAL 21 Woolworths Costing Note - Risk Rate Review - final	1 April 2025
Reinsurance arrangements and strategy	19 2025 SRLH Aus to SRZRI QS LH-Australia Disability ADD1(App ID 31)	8 April 2025

Description	Filename	Date Received
Documentation of any unresolved incidents or regulatory breach reports related to the transferring portfolio (including matters with AFCA for determination)	26 ASIC notification - BR-0092 medibank ahm 10% - update to ASIC submitted 6 Nov 2024 26 EF ASIC 04032025_redacted 26 iptiQ OEs as at 19 March 2025 created from 1 Jan 2020 26 SRLHA - Letter to ASIC - breach report 521427- 21 Mar 2025 26 SRLHA-BR-0092 - ASIC notification - medibank ahm 10% - 20 Mar 2025 26 SRLHA-BR-0092 - ASIC notification - medibank ahm 10% - 3 July 2024	11 April 2025
31 December 2024 APRA Returns	LRS110~1.pdf LRS111~1.pdf LRS112~1.pdf LRS114~1.pdf LRS115~1.pdf LRS118~1.pdf LRS200~1.pdf LRS300~1.pdf LRS310~1.pdf LRS311~1.pdf LRS340~1.pdf LRS340~2.pdf LRS400~1.pdf LRS420~1.pdf	14 April 2025

Table 17 Information Relied Upon from HLRA

Description	Filename	Date Received
Financial Condition Report	HLR Aus FCR 2024 Final	31 March 2025
HLRA Actuarial report on the transfer as at 31 December 2024	HLRA Supplementary Actuarial Report v9.0 2025.06.05.docx	05 June 2025
	HLRA Actuarial Report v10.0 2025.08.06.pdf	28 August 2025
ICAAP Summary Statement and Report	HLRA 2025 ICAAP Report_FINAL.pdf ICAAP Summary Statement 31 March 2025 FINAL.pdf	31 March 2025
Risk Management Framework	HLR Aus Risk Management Strategy 20.11.24	31 March 2025
Product and Pricing - any documented product management philosophy, past practices in changing premium rates, benefits, guarantees, closing products, etc, any planned changes in any of the above	Product Governance Framework FINAL 17092024 1. Product development process FINAL 17092024 2. Process and Authorities for Accepting Life Risk FINAL 17092024 3. HLRA New or changed business_ Stakeholder engagement register 4. New Product Specification Template FINAL 17092024 5. Policy wording and PDS signoff process FINAL 17092024 6. Process for drafting TMD FINAL 17092024 7. Product Testing Monitoring and Review Process FINAL17092024 8. Process for identifying_reporting significant dealings FINAL 17092024 9. Product change request template FINAL 17092024 10. Retail direct product decommission process FINAL17092024 Expense Apportionment Report 2024_FINAL	15 April 2025

Description	Filename	Date Received
Product information - description of all products in terms of benefits, coverage, options, premiums determination and rates, guarantees	iptiQ Product Summary	15 April 2024
Product and Pricing - any documented product management philosophy, past practices in changing premium rates, benefits, guarantees, closing products, etc, any planned changes in any of the above	32 HLRA Pricing meeting minutes v2 32 HLRA Product meeting minutes	1 April 2025
Underwriting of and approach to sum insured increases	33 HLRA Underwriting meeting minutes	1 April 2025
Claims management philosophy	34 35 HLRA Claims management and policy admin meeting minutes clean	1 April 2025
Choosi litigation	_EXT_choosi.msg _EXT_RE_choosi.msg	30 July 2025

Appendix C: Regulatory Capital

Regulatory Capital requirements (the Prescribed Capital Amount or “PCA”) are established by APRA and described in a series of Prudential Standards. The PCA requirements are targeted so that the insurer will be able to withstand a 1 in 200-year loss event and still remain solvent (i.e. the remaining assets would be sufficient to cover the Insurance Contract Liabilities and other liabilities of the fund at the end of the year). This is a requirement in addition to the assets required to be held against Balance Sheet liabilities. The PCA is comprised of underlying risk charge components:

- the Insurance Risk Charge; plus
- the Combined Stress Scenario Adjustment; plus
- the Asset Risk Charge; plus
- the Asset Concentration Risk Charge; plus
- the Operational Risk Charge; less
- the Aggregation Benefit.

APRA may further specify supervisory adjustments on top of the PCA to arrive at the Prudential Capital Requirement (“PCR”) noting that companies are generally prohibited from publishing these adjustments and hence its PCR.

APRA expects life insurers to hold capital in addition to the PCR, which is known as Target Surplus. Target Surplus aims to minimise the probability of the PCR being breached. The total of PCR and Target Surplus is known as Target Capital. Target Surplus policy is defined by the Board of the life insurer and is a key component of the Internal Capital Adequacy Assessment Process (“ICAAP”) which governs how capital is held against key risks arising from a life company’s activities.

In order to meet these capital requirements, the Capital Base of the life insurer must be sufficient to cover (at least) the PCR, while companies aim to ensure it is sufficient to cover its Target Surplus too. The Capital Base is based on the accounting net assets within each fund, less regulatory adjustments (“Regulatory Adjustments to Net Assets”). The regulatory adjustments primarily consist of removing deferred tax assets in excess of deferred tax liabilities, and moving from an AASB 17 Balance Sheet to a Regulatory Capital view of the Balance Sheet, i.e. replacing the AASB 17 Net Insurance Contract Liabilities with Adjusted Policy Liabilities.

Appendix D: Letter of Instruction

Hannover Re

TO Robert Daly | Partner
Deloitte SRT Pty Ltd
Quay Quarter Tower, 50 Bridge Street,
Sydney NSW 2000
rdaly@deloitte.com.au

27 AUGUST 2025

Dear Mr Daly

Letter of instruction - Independent Actuarial Expert - Proposed transfer of Swiss Re Life & Health Australia Limited's direct life insurance business to Hannover Life Re of Australasia Ltd

Introduction

1 We refer to your previous letter to us dated 18 March 2025 (**Engagement Letter**), by which you were engaged to act as an independent expert to provide expert actuarial assistance and prepare an expert report in respect of the proposed scheme to transfer the direct life insurance business of Swiss Re Life & Health Australia Limited (**SRLHA**) to Hannover Life (**HLRA**) in accordance with Part 9 of the *Life Insurance Act 1995* (Cth) (**Life Act**) (**Scheme**).

2 The purpose of this letter is to provide you with instructions on behalf of SRLHA and HLRA reflecting the scope of engagement outlined in the Engagement Letter.

Instructions

3 You are instructed to please:

(a) prepare an independent actuary report, as described in section 192 of the Life Act, that provides an independent actuary assessment of how the proposed Scheme may impact the owners of policies transferring from SRLHA's Statutory Fund No.1 (noting no further policies will remain in this statutory fund), the owners of policies in SRLHA's Statutory Fund No.2, and the owners of policies in the receiving statutory fund (being HLRA's Australian Statutory Fund), based on financial information as at 31 December 2024 (**Independent Actuary Report**);

(b) prepare a supplementary independent actuary report and/or affidavit (as required), based on updated financials as at 30 June 2025 (**Supplementary Independent Actuary Report**); and

(c) engage with the Australian Prudential Regulation Authority (**APRA**) and the Court as required, including responding to questions from APRA or the Court and attending Court hearings as required.

4 Please consider in the Independent Actuary Report and the Supplementary Independent Actuary Report the contractual benefits and other rights for policy owners, security of policy owner benefits and reasonable benefit expectations of policy owners pursuant to the proposed Scheme.

Duties of an expert witness

5 We confirm that your Independent Actuary Report and Supplementary Independent Actuary Report are to be prepared in compliance with the requirements of the Institute of Actuaries of Australia, including the Code of Professional Conduct and Professional Standard 201, as well as the expert evidence requirements of the Federal Court of Australia set out in paragraph 6 below.

6 Particularly, you, and your actuarial reports, should comply with the requirements of Division 23.3 of Part 23 of the *Federal Court Rules 2011* (Cth) (**Rules**) and the Harmonised Expert Witness Code of Conduct in Annexure A of the Expert Evidence Practice Note (GPN-EXPT) (**Code**). We ask that you read these requirements carefully and comply with the Rules and the Code at all times when you are acting in connection with the proceeding and in your capacity as an expert witness. We also request that you ensure any person who works under your supervision, including but not limited to any employees of Deloitte SRT Pty Ltd, comply with the Rules and the Code when assisting you in connection with this letter of instruction.

Confidentiality

7 Please ensure that all information and materials related to this engagement are treated in a confidential manner in accordance with the terms of the Engagement Letter.

Communications

8 All communications concerning this letter of instruction should be directed to our offices.

9 Please do not hesitate to contact the writers if you have any queries in relation to this letter.

Yours sincerely

Signed by:
CA2FB1BB501D40D...

Christopher Ong | Head iptiQ APAC
Swiss Re Life & Health Australia Limited

T +852 9259 7712
E Christopher_Ong@swissre.com

Vanessa Liang | Head of Strategic Solutions
Hannover Life Re of Australasia Ltd

T +61 457 147 783
E Vanessa.Liang@hlra.com.au