Swiss Re

Appointed Actuary Part 9 Report

Report on the Proposed Transfer of Part of the Life Insurance Business from Swiss Re Life & Health Australia Ltd to Hannover Life Re of Australasia Ltd

28 August 2025

Swiss Re

Contents

1. Executive Summary

1.1 Background to Proposed Transfer

Swiss Re Life & Health Australia Limited, ABN 74 000 218 306 ("SRLHA") is a life insurance company registered under the Life Insurance Act 1995 (Cth) ("the Life Act") and prudentially regulated by the Australian Prudential Regulation Authority ("APRA") and the Reserve Bank of New Zealand ("RBNZ"). SRLHA operates primarily as a reinsurer, issuing reinsurance for a range of life insurance products including retail and group lump sum and disability income business across Australia and New Zealand. SRLHA also has a small portfolio of retail life risk insurance policies where it was the direct issuing insurer, issued through distribution partners. The portfolio is part of the Swiss Re Group's iptiQ business unit. These are written under AFSL No. 324908, supervised by ASIC.

SRLHA and Hannover Life Re of Australasia Ltd, ABN 37 062 395 484, AFSL No. 530811 ("HLRA") have entered into a Business Transfer Deed ("Business Transfer Deed" or "BTD") for the transfer of SRLHA's retail life risk insurance business to HLRA through a Scheme under Part 9 of the Life Act ("Proposed Transfer"), subject to approval by Federal Court of Australia ("Court")

HLRA is also a life insurance company registered under the Life Act and prudentially regulated by APRA. HLRA operates primarily as a reinsurer but, similar to SRLHA, has a portfolio of directly issued retail life risk insurance products that it has issued and managed for a number of years.

1.2 Purpose and scope of report

This report addresses the financial implications and fairness of the Proposed Transfer for current policy owners of SRLHA. The report describes and comments upon the arrangements proposed as the basis of this transfer.

This report has been prepared by myself, Stuart Gordon Mainland, based on the operating environment and financial positions as at 31 December 2024, in my capacity as the Appointed Actuary of SRLHA. I am a Fellow of the Actuaries Institute of Australia ("FIAA"), Fellow of the New Zealand Society of Actuaries ("FNZSA") and Fellow of the Institute and Faculty of Actuaries ("FFA").

The focus of the report is the nature and effect of the Proposed Transfer on:

- The contractual benefits and rights, reasonable benefit expectations and benefit security of the "Transferring Policy Owners" of SRLHA (as defined in Appendix A).
- The contractual benefits and rights, reasonable benefit expectations and benefit security of the "Remaining Policy Owners" (as defined in Appendix A).

In addressing this scope, the focus has been on the changes that are likely to arise as a result of the Proposed Transfer, rather than changes that might arise in the ordinary course of business irrespective of whether the Proposed Transfer takes place.

1.3 Key aspects of the Proposed Transfer

The proposed Effective Time of the Proposed Transfer is 1 December 2025 ("Effective Time").

SRLHA and HLRA propose that the life policies (within the meaning of the Life Act) issued by SRLHA which are referable to SRLHA Statutory Fund No. 1 (“SF1”) immediately prior to the Effective Time be transferred to HLRA’s Australian Statutory Fund ("ASF"). This includes life policies which may have lapsed, been cancelled, or expired but under which benefits or rights remain, or that have rights of reinstatement.

The Proposed Transfer will involve the transfer of Transferring Policy Owners’ rights, and associated liabilities for the insurer. This includes a requirement for HLRA to account for the associated Insurance Contract Assets/Liabilities and comply with APRA's regulatory capital requirements following the transfer. The assets required to back the outstanding claims reserves ("Incurred Claims Investment Assets") will be transferred as part of the Proposed Transfer, but other investment assets will remain with SRLHA. Further details of the transferring assets can be found in section 5.2.3 of this report. All policies will be transferred with the same policy terms and conditions as applied prior to the Effective Time.

There are certain aspects of the operation and/or benefits provided for the Transferring Life Policies that have been identified as involving some discretion being exercised by SRLHA historically. The Proposed Transfer could potentially impact Transferring Policy Owners’ reasonable benefit expectations as a result. The material discretions, as set out below, are addressed in this report:

- Premium rate changes
- Claims handling philosophy
- Policy administration capabilities
- Underwriting on current policies
- Product improvement philosophy

1.4 Benefits to Transferring Policy Owners of the Proposed Transfer

The Proposed Transfer is expected to benefit Transferring Policy Owners through:

- Increased long term commitment: SRLHA withdrew from new business for directly issued life risk insurance on 1 July 2023. In addition, in 2024 the Swiss Re Group announced a change in its strategic direction which included a decision to withdraw from the iptiQ business globally. In comparison, HLRA maintains a continued focus on growing its portfolio of direct life risk insurance business in Australia through its distribution agreement with GFS. Transferring Policy Owners are likely to benefit from the increased strategic alignment and commitment HLRA offers over a longer-term outlook, giving greater focus to their customer needs.

- Scale: Transferring Policy Owners may benefit from the economies of scale associated with HLRA acquiring the Transferring Life Policies and managing them as part of its existing portfolio of directly issued life risk insurance business. Improved efficiency can be beneficial for benefit security through improved capital outcomes and less need to revise premium rates.

Swiss Re

1.5 Overall conclusion on Proposed Transfer

1.5.1 SRLHA's Transferring Policy Owners

It is my opinion, that the Proposed Transfer will not result in any material adverse outcome for SRLHA's Transferring Policy Owners.

In terms of the policy owners' contractual benefits and rights:

- The Proposed Transfer will not adversely impact the contractual benefits and rights of the Transferring Policy Owners.

In terms of the policy owners' reasonable benefit expectations:

- HLRA's intended basis of determining and implementing the non-contractually specified and/or discretionary aspects of the Transferring Life Policies will continue to meet the overall reasonable benefit expectations of the Transferring Policy Owners.

In terms of the policy owners' benefit security:

- HLRA as a whole and HLRA's receiving statutory fund will remain in a sound financial position with capital in excess of its prescribed capital amount ("PCA") and internal capital requirements. The Transferring Policy Owners' benefit security will remain adequate immediately after the Proposed Transfer.

1.5.2 Remaining Policy Owners

It is my opinion that the Proposed Transfer will not result in any material adverse outcome for Remaining Policy Owners.

In terms of the policy owners' contractual benefits and rights:

- There will be no impact to the contractual benefits and rights of the Remaining Policy Owners as a result of the Proposed Transfer.

In terms of the policy owners' reasonable benefit expectations:

- There will be no impact to the reasonable benefit expectations of the Remaining Policy Owners as a result of the Proposed Transfer.

In terms of the policy owners' benefit security:

- Each of the statutory funds of SRLHA, and SRLHA as a whole, will remain in a sound financial position with capital in excess of its PCA and internal capital requirements. The Remaining Policy Owners' benefit security will remain appropriate immediately after the Proposed Transfer.

1.6 Executive summary but not full report

This executive summary is intended only as a brief overview of the report, and it does not cover nor mention all of the issues addressed in the report. To fully understand the analysis and the basis of the comments and conclusions requires an examination of the report in full.

2. Introduction

2.1 Purpose of the report

This report considers the impacts of the Proposed Transfer on both the Transferring Policy Owners and Remaining Policy Owners of SRLHA. It describes and comments upon the arrangements proposed as the basis of this transfer and provides the opinion of the author on the matters set out in Section 2.2 below.

2.2 Scope of report

The scope of this report is to review the basis and terms of the Proposed Transfer, and identify then comment upon the effect of the Proposed Transfer on:

- The contractual benefits and rights, benefit security and reasonable benefit expectations of the Transferring Policy Owners of SRLHA.
- The contractual benefits and rights, benefit security and reasonable benefit expectations of the Remaining Policy Owners of SRLHA.

In particular, the report includes the following statements from myself:

- A statement as to whether, in my opinion, the Proposed Transfer will result in unfairness to the Transferring Policy Owners and Remaining Policy Owners.
- A statement as to whether, in my opinion, the Proposed Transfer will adversely impact the contractual benefits and rights, reasonable benefit expectations and the benefit security of the Transferring Policy Owners and Remaining Policy Owners.
- A statement as to whether, in my opinion, immediately after the Proposed Transfer, the transferring fund, receiving fund and other SRLHA funds will satisfy regulatory capital requirements.

This report has been prepared in accordance with the professional requirements of the Institute of Actuaries of Australia, specifically:

- The Code of Professional Conduct, effective from 31 March 2020.
- Professional Standard 201: Actuarial Advice to a Life Insurance Company or Friendly Society, issued June 2019.

In providing my opinion, I have focused on the changes that arise as a result of the Proposed Transfer, rather than changes that might arise in the ordinary course of business irrespective of the Proposed Transfer.

I have read, understood and complied with the Federal Court of Australia's Harmonised Expert Witness Code of Conduct and agree to be bound by it.

For the purpose of section 191(2)(a) of the Life Act, this report is an actuarial report upon which the proposed Scheme, to be the subject of an application to the Federal Court of Australia for confirmation, is based.

2.3 Author

This report has been prepared by me, Stuart Gordon Mainland, based on the operating environment and financial positions as at 31 December 2024, in my capacity as the Appointed Actuary of SRLHA. I am a Fellow of the Actuaries Institute of Australia (“FIAA”), Fellow of the New Zealand Society of Actuaries ("FNZSA") and Fellow of the Institute and Faculty of Actuaries ("FFA").

I am a full-time employee within the Swiss Re Group. As Appointed Actuary to SRLHA, I am bound by the Actuaries Institute Code of Conduct and other professional standards of the Actuaries Institute. I am also complying with the Federal Court of Australia's Expert Evidence Practice Note (“GPN-EXPT”) (**Expert Evidence Practice Note**) to provide independent and impartial advice.

In accordance with the Expert Evidence Practice Note, I have made all the inquiries which I believe are desirable and appropriate, and that no matters of significance that I regard as relevant to my opinion have, to my knowledge, been withheld from the Court.

As the Appointed Actuary of SRLHA, I am a member of various SRLHA management committees. For the avoidance of doubt, any references to “SRLHA management” included in this report exclude myself.

2.4 Structure of report

Sections 3 and 4 of this report provides an overview of SRLHA and HLRA respectively.

Section 5 provides an overview of the Proposed Transfer structure.

Section 6 considers the financial consequences of the Proposed Transfer on SRLHA and HLRA as entities and on their statutory funds.

Section 7 discusses the implications of the Proposed Transfer for the contractual benefits and rights, reasonable benefit expectations and benefit security of the Transferring Policy Owners.

Section 8 discusses the implications of the Proposed Transfer for the contractual benefits and rights, reasonable benefit expectations and benefit security of the Remaining Policy Owners.

Section 9 provides my overall conclusions.

2.5 Glossary of terms

A glossary of terms, parties and relevant legislative instruments referred to in this report is included in Appendix A to help readers with the interpretation of the report.

2.6 Reliance and limitations

This report has been prepared for the purpose stated in Section 2.2 “Scope of report”. In preparing this report, I have relied on certain data and information (written, verbal, qualitative, quantitative or otherwise) provided by SRLHA and HLRA, including, but not limited to:

- SRLHA Financial Condition Report, 31 December 2024
- SRLHA Annual ICAAP Report, 31 March 2024

- SRLHA ICAAP Summary Statement
- Swiss Re A&NZ Risk Management Framework
- SRLHA APRA returns, 31 December 2024
- SRLHA financial statements, 31 December 2024
- The 27 August 2025 version of the Appointed Actuary report from the HLRA Appointed Actuary, Jun Song

Other information I have relied upon is listed in Appendix B.

I have relied upon the general completeness and accuracy of all information provided to me for the purpose of this report. I have not independently verified or audited information provided to me, but I have assessed it for general reasonableness and consistency. It should be noted that if any data or other information is inaccurate or incomplete, any advice I provide may need to be revised.

The conclusions in this report have been formed on the above basis and on the basis of the circumstances and financial information as at the year ending 31 December 2024,

My report should be considered as a whole.

Swiss Re

3. Overview of SRLHA

3.1 Swiss Re Life & Health Australia Limited

Swiss Re Life & Health Australia Limited ("SRLHA") is a registered life insurance company under Section 21 of the Life Act and prudentially regulated by APRA. SRLHA writes inward reinsurance business across Australia and New Zealand. SRLHA also issued retail life risk insurance products through its direct channel, distributed through brand partners. Direct channel business is where SRLHA is the primary insurer, as opposed to being a reinsurer. The direct channel business is the responsibility of the iptiQ business unit within the Swiss Re Group. The administration of SRLHA's direct channel business is predominantly outsourced to Third Party Administrators ("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 ("Genus"). For simplicity, GES and GFS are referred to as GFS in this document.

SRLHA has balance sheet assets of $4,529m as at 31 December 2024 and a financial strength rating of AA- (Very Strong) as measured by Standard & Poor's ("S&P").

Swiss Re Australia Ltd is SRLHA's parent company. SRLHA's ultimate owner is Swiss Re Ltd, a publicly listed company on the Swiss Stock Exchange. Swiss Re Ltd had assets of USD $127b as at 31 December 2024 and also had a financial strength rating of AA- as measured by S&P.

3.2 Statutory Funds and Shareholders' Fund

As at 31 December 2024, SRLHA is comprised of two statutory funds and a shareholders' fund. The two statutory funds maintain all the business of SRLHA and the shareholders' fund is maintained separately from the statutory funds as required under the Life Act.

The products within each statutory fund are shown below:

Table 1: SRLHA's Statutory Funds and Shareholders' Fund as at 31 December 2024

Statutory Fund	Policies written
Statutory Fund No. 1	Directly marketed individual life risk insurance policies as listed in Section 5.2.1
Statutory Fund No. 2	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
	New Zealand inward reinsurance business primarily consisting of lump sum death, TPD, trauma and disability income cover primarily across both group and retail customers
	Smaller legacy exposures including annuities and whole of life reinsurance
Shareholders' Fund	None

3.3 Nature of business and major products

3.3.1 Statutory Fund No. 1

SRLHA Statutory Fund No. 1 ("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. While the issuing of new policies for direct business has ceased, changes to existing in-force policies may involve the re-writing of a new policy for administrative reasons. 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.

All policies with rights or benefits referrable to SF1 are part of the Proposed Transfer.

3.3.2 Statutory Fund No. 2

SRLHA Statutory Fund No. 2 ("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 RBNZ in New Zealand.

SF2 continues to be open to new business. None of the business referable to SF2 is in scope for the Proposed Transfer to HLRA.

3.3.3 Shareholders' Fund

The Shareholders' Fund of SRLHA is maintained separately from the Statutory Funds. The Shareholders' Fund holds a small amount of investments. No insurance business is issued from the Shareholders' Fund.

3.4 Policy classification

The business of SRLHA's SF1 is "life insurance business" under section 11(1) of the Life Act, consisting of "life policies" as defined in sections 9(1)(a) and 9(1)(e) of the Life Act.

All of SRLHA's business provides non-participating benefits under section 15 of the Life Act, and the policies issued by SRLHA, including the Transferring Life Policies, are not entitled to share in the profits or performance of SRLHA.

3.5 iptiQ operations and administration

iptiQ ANZ is a separate unit within SRLHA, 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 administrative functions are largely outsourced to Third Party Administrators ("TPAs"). iptiQ ANZ is part of Swiss Re Group's iptiQ business unit.

The iptiQ ANZ business is 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. The policy administration is primarily performed by GFS and Genus, with some internally by iptiQ ANZ team.

3.6 Expense allocation basis

The iptiQ budgeted expenses are specified by Cost Management as part of the Service Cost Accounting ("SCA") allocation process which is managed by the Swiss Re Group. The SCA process is an exercise that the Swiss Re Group conducts annually to allocate the Group's expenses to the various business units and legal entities within the Group. Allocated expenses include both direct and indirect expenses. 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

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.

3.7 Tax status and basis

Shareholder income tax is determined in accordance with the taxes applicable to each product. In Australia, shareholder profits from 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, shareholder profit is subject to tax in accordance with the Income Tax Act 2007 at a rate of 28%.

3.8 Investment strategy

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 retained by SRLHA are managed according to SRLHA's Investment Guidelines. SRLHA's business consists of a combination of short and long duration liabilities. SRLHA manages regulatory capital risk according to Asset Liability Matching ("ALM") principles. The investment strategy is calibrated to the duration of certain liabilities.

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 heavily 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).

3.9 Reinsurance and retrocession strategy

As part of operating within the Swiss Re Group, SRLHA has a number of intra-group retrocession arrangements (internal reinsurance) with overseas entities within the Swiss Re Group. These arrangements allow SRLHA to manage capital efficiently by diversifying its risks within the Swiss Re Group and reduce SRLHA's exposures to claims volatility. One relatively small external retrocession is in effect.

SRLHA complies with the reinsurance requirements set out in APRA's Prudential Standard LPS 230 Reinsurance Management ("LPS 230").

3.10 Capital and risk management

3.10.1 Risks and risk management

In accordance with APRA Prudential Standard CPS 220 Risk Management ("CPS 220"), the Board and Senior Management of SRLHA ensure that SRLHA maintains and operates within its defined Risk Management Framework ("RMF"). SRLHA's RMF aligns with the Swiss Re Group's Risk Policy and Risk Management Standard, supplemented by policies and guidelines that are applicable to SRLHA's operations.

SRLHA's RMF consists of strategies, policies, procedures and controls to manage risks that the business faces. The risk management process is aligned to Swiss Re ANZ's RMF with three main components:

- Risk identification and assessment
- Risk mitigation and control responses
- Monitoring and reporting of risk issues and operational events.

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 for its shareholders in its strategic and business actions. The RAF describes the risk tolerance and capacity targets for each enterprise risk category. Performance against the risk appetite targets, including exceptions, are reported to SRLHA's Board Risk Committee at each meeting.

The key business risk categories for SRLHA are managed through various management procedures and processes in the RMF:

- Life and health insurance risks
- Financial risks including credit risk, financial market risk and funding liquidity risks
- Model and valuation risks
- Operational risks
- Regulatory risks
- Sustainability risks
- Other risks including strategic risk, reputational risk, tax risk and emerging risks

The above risks are managed through three-lines of control in accordance with SRLHA's Risk Management Strategy:

- The first line of control is held by the Business and Corporate Functions. Their main responsibilities in the context of risk control are to pro-actively identify risks and monitor risks, and to establish and operate an effective control system.
- The second line of control includes Risk Management and Compliance who perform independent risk oversight.
- The third line of control is assumed by Group Internal Audit who has responsibility to provide independent assurance to SRLHA's Board that controls performed by the first and second line are working effectively.

SRLHA performs monitoring 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.

3.10.2 Regulatory capital reserve requirements

The regulatory capital requirement is based on the Prudential Capital Requirement ("PCR"), which is the sum of the Prescribed Capital Amount ("PCA") calculated in accordance with APRA Prudential Standard LPS 110 Capital Adequacy ("LPS 110"), plus any supervisory adjustment that APRA may impose. Life companies are not permitted to publicly disclose any supervisory adjustments held in addition to PCA.

The PCA is stated to be consistent with at least a 99.5% probability of sufficiency (i.e. that the insurer will have assets sufficient to meet its liabilities in a 1 in 200-year event).

The business is managed over time towards holding a target level of capital above the PCR.

3.10.3 Target capital

LPS 110 requires life companies to set a target capital level that ensures an adequate level of capital is maintained over time, to provide added protection against breaching the regulatory capital requirements under LPS 110 as a result of unanticipated adverse events.

The setting of capital targets for SRLHA is performed in the context of the risk profile and the Board's stated risk appetite for capital volatility as outlined in the RAF. SRLHA's target capital is approved by the Board.

The level of surplus in each of SRLHA's statutory funds and the shareholders' fund may vary above and below the target capital over time, depending on the experience emerging in each of those funds. SRLHA manages capital through its Internal Capital Adequacy Assessment Process ("ICAAP") framework, which has the following key objectives:

- To satisfy regulatory capital requirements at all times.
- To maintain a target capital amount which provides an adequate buffer above the minimum regulatory capital level reflective of the Board's risk appetite.
- To identify trigger points and a "target operating range" for each fund i.e. an amount of available assets in excess of its target capital where SRLHA can operate without any immediate capital management response actions. If available assets fall below the target operating range, then certain capital management response actions are required to restore the entity and/or fund to its target operating range.

3.10.4 Net assets above capital reserves

In considering these two capital reserving amounts (PCA and target capital), it is noted that:

- The target capital represents the total capital that a life company assesses is appropriate for the prudent and practical management of the company. Any excess above this level represents resources that may be distributed to the shareholders or applied to other business uses, such as supporting increased capital-intensive business volumes.
- SRLHA's ICAAP anticipates that when assets are in excess of target operating range, then assets are available for distribution (known as Excess Assets). Any capital base reduction, including dividends exceeding the after-tax earnings of SRLHA over the past 12 months, requires APRA approval. Distributions from a statutory fund require written advice from the Appointed Actuary to the Board.

3.11 SRLHA's current financial position

3.11.1 Key financial measures

The following table shows the key financial statistics for SRLHA as at 31 December 2024.

Table 2: SRLHA Key financial measures by Statutory Fund ($m)				
	SF1	**SF2**	**Shareholders' Fund**	**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	32	340	0	372
Capital in excess of PCA	**26**	**592**	**1**	**618**
Capital adequacy multiple	181%	274%	>999%	266%

3.11.2 Comments on financial results and position

3.11.2.1 Regulatory capital requirement

As at 31 December 2024, SRLHA was in a sound financial position with capital in excess of PCA of $26m in SF1 and $592m in SF2. SRLHA held assets above regulatory capital requirements at all times throughout the 2024 calendar year.

SRLHA's capital base consists primarily of Common Equity Tier 1 ("CET1") capital, the highest quality component of capital, as defined in LPS 112 Capital Adequacy: Measurement of Capital ("LPS 112"). Some additional Tier 1 capital (i.e. preference shares) is also held within SF2.

3.11.2.2 Excess assets and target capital

As at 31 December 2024, the capital position for all SRLHA's statutory funds and the Shareholders' Fund of SRLHA was above the target operating range specified under SRLHA's ICAAP.

3.11.2.3 Overall capital position

SRLHA continues to be well capitalised and positioned for future sustainability. The security this provides to its policy owners is sound, with a fit for purpose Target Capital framework and ICAAP in place that includes frequent monitoring of the capital position against established benchmarks.

I note that since the last audited financial statements at 31 December 2024, SRLHA repatriated $237m, as planned, which reduces its excess capital and capital adequacy multiple.

4. Overview of HLRA

This section of the report provides a brief overview of HLRA based on the information and opinions provided by HLRA management and the HLRA Appointed Actuary. This includes information included in the HLRA Appointed Actuary Report on the Proposed Scheme.

4.1 Hannover Life Re of Australasia Limited

HLRA is a registered life insurance company under section 21 of the Act. HLRA is regulated by APRA and has been operating in Australia since 1994. HLRA is an Australian life insurer which writes inward reinsurance business across Australia and New Zealand. HLRA's business includes retail life insurance products written through its direct channel in conjunction with brand partners. Administration of these direct products is outsourced to a range of TPAs including but not limited to GFS and Genus. HLRA has previously also directly insured corporate group schemes and superannuation funds.

HLRA has total assets of $4,236m as at 31 December 2024 and a financial strength rating of AA- as measured by S&P.

HLRA is a subsidiary of Hannover Rück SE ("HRSE"), a global reinsurance company publicly listed on the Frankfurt Stock Exchange. HRSE had assets of over EUR 72b as at 31 December 2024 and also had a financial strength rating of AA- as measured by S&P.

4.2 Statutory Funds and Shareholders' Fund

As at 31 December 2024, HLRA is comprised of three statutory funds and a shareholders' fund. The three statutory funds maintain all the business of HLRA and the shareholders' fund is maintained separately from the statutory funds as required under the Life Act.

4.3 Nature of business & major products

4.3.1 Australian Reinsurance Statutory Fund

HLRA's Australian Reinsurance Statutory Fund ("ARSF") contains Australian inward reinsurance business, covering Death, TPD, Trauma and Disability Income risks for Retail and Group customers, and annuities. All policy owners of policies issued in ARSF are insurance companies and friendly societies, regulated by APRA.

4.3.2 Australian Statutory Fund

HLRA's Australian Statutory Fund ("ASF") contains directly written individual retail life insurance business and group insurance business written in Australia.

The individual retail life insurance business in ASF includes white-labelled direct to consumer individual life insurance policies issued through distribution agreements with GFS, Australian Life Insurance Distribution Pty Ltd ("ALI"), Genus, Insure Me Now Pty Ltd ("InsureMeNow") and WeSelect covering lump sum death, TPD, trauma and disability income benefits.

The distribution agreements with ALI, Genus, InsureMeNow and WeSelect have been terminated to new business sales and HLRA currently only issues new retail life insurance policies through GFS. As at

31 December 2024, there were 276,366 individual policies, of which 255,851 have been distributed through GFS. One small Group scheme is in force.

The ASF will be the receiving fund for the SRLHA Transferring Life Policies.

4.3.3 Overseas Statutory Fund

HLRA's Overseas Statutory Fund ("OSF") contains New Zealand inward reinsurance business, covering individual risk and group risk. All policy owners of policies issued in OSF are insurance companies, regulated by RBNZ.

4.3.4 Shareholders' Fund

The shareholders' fund of HLRA is maintained separately from the statutory funds. The shareholders' fund holds a small amount of investments. No insurance business is issued from the Shareholders' Fund.

4.4 Policy classification and participation rights

The business of HLRA's ASF is "life insurance business" under section 11(1) of the Act, consisting of "life policies" as defined in sections 9(1)(a) and 9(1)(e) of the Life Act

Policies issued by HLRA are not entitled to share in the profits or performance of HLRA.

4.5 Operations and administration

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. Exceptions to this are claims assessment for funeral policies and minor underwriting delegations to TPAs. Policies are marketed, distributed and administered through various third parties. HLRA's TPAs include GFS and Genus.

4.6 Expense allocation basis

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.

4.7 Tax status and basis

Under the applicable tax rules, HLRA's incomed 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).

4.8 Investment strategy

HLRA's Investment Policy is approved by HLRA's Board and overseen by HLRA's Investment Strategy Committee. The applicable governance controls on HLRA's investment decisions are the Board approved Investment Guidelines and Derivative Risk Management Strategy and the Board endorsed Asset-Liability Matching Guideline for the Hannover Re Group.

HLRA's asset portfolios are managed separately for each of HLRA's three statutory funds and HLRA's shareholders' fund. HLRA's asset liability matching is assessed at least every 6 months by the local Asset Liability Committee, with any proposed changes to the Strategic Asset Allocation ("SAA") approved by the Investment Committee, subject to Actuarial Advice under the HLRA's Actuarial Advice Framework

Investments are held as cash on deposit, government securities, derivatives and other investment grade securities. The portfolios are heavily weighted towards high graded securities and derivative assets are held for hedging purposes only. As per the HLRA Appointed Actuary report, the average rating of the investment portfolio is AA+.

4.9 Reinsurance and retrocession strategy

HLRA has internal retrocession arrangements with related-party entities including HRSE and other subsidiaries within the Hannover Re Group. HLRA has reinsurance arrangements with external APRA regulated life insurance/reinsurance companies in Australia.

HLRA's outward reinsurance arrangements aim to provide protection to policy owners against volatility from claims experience and investment markets and manage reinsurance in accordance with the requirements of LPS 230.

4.10 Capital and risk management

4.10.1 Risks and risk management

In accordance with CPS 220, HLRA has established a Risk Management Strategy ("RMS") and a Risk Appetite Statement ("RAS") which are reviewed at least annually.

The RMS describes HLRA's approach to managing material risk categories taking into account HLRA's strategic goals and business model. The RAS outlines the applicable limits to risk-taking for each of HLRA's material risk categories, including how compliance with risk limits is to be monitored and the actions to be taken should risk appetite be reached or exceeded.

The RMS and RAS identify HLRA's key risks as being insurance risk, market risk, liquidity risk, counter-party risk, operational risk, compliance risk and strategic risk. These risks are managed through the three-lines of defence model in accordance with HLRA's RMS:

- First-line operationalisation of various Board and management approved guidelines, policies, procedures and controls.
- Second-line Risk and Compliance team providing ongoing improvement in both the compliance control environment and the risk culture of HLRA, input and challenges on risk considerations for material business matters and control testing of HLRA's key risks.

- A third-line audit function.

HLRA conducts regular risk reporting across various organisation levels.

4.10.2 Regulatory capital reserve requirements

Per Australian regulatory requirements, HLRA's Prudential Capital Requirement (PCR) is determined as the sum of the PCA calculated in accordance with LPS 110 and any supervisory adjustment that APRA may impose.

HLRA's PCA is stated to be consistent with at least a 99.5% probability of sufficiency (i.e. that the Company will have assets sufficient to meet its liabilities in a 1 in 200-year event). Life companies are not permitted to publicly disclose any supervisory adjustments held in addition to PCA.

HLRA's business is managed over time towards holding a target level of capital (i.e. target surplus) above the PCR.

4.10.3 Target capital

HLRA manages capital in line with HLRA's ICAAP framework which has the key objective to enable HLRA to maintain adequate capital and meet all regulatory requirements on a continuous basis.

The ICAAP includes a defined target capital range for the company as a whole and each statutory fund. Target capital for HLRA has been determined as the as the sum of the PCR and Board approved target surplus set with reference to the Risk Appetite Statement.

Provided there are sufficient assets at the company level, it is permitted to move assets from the shareholder fund to address any capital stresses arising within the statutory funds following approval from the Managing Director. Moving assets within statutory funds are permitted provided Board approval, actuarial advice and legislative requirements are met.

4.10.4 Net assets above capital reserves

HLRA's ICAAP states that dividend payment decisions require consideration of the Hannover Re Group Asset Liability Management Guideline and HLRA's current and forecast financial and capital position.

It is noted that any capital base reduction requires advice from HLRA Appointed Actuary. Any dividend payment exceeding the after-tax earnings of the company over the past 12 months also requires APRA approval.

4.11 HLRA's current financial position

4.11.1 Key financial measures

The following table shows the key financial statistics for HLRA as at 31 December 2024.

Swiss Re

Table 3: HLRA Key financial measures by Statutory Fund ($m)					
	ARSF	**ASF**	**OSF**	**SHF**	**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	182	50	10	0	242
Capital in excess of PCA	**79**	**86**	**22**	**19**	**205**
Capital adequacy multiple	143%	272%	311%		185%

4.11.2 Comments on financial results and position

4.11.2.1 Regulatory capital requirement

In accordance with requirements of APRA prudential standard LPS 110 Capital Adequacy, a life company must ensure that the entity and each of its funds has a capital base which is, at all times, in excess of its PCR. Companies are not permitted to publicly disclose any supervisory adjustments held in addition to PCA which determines its PCR.

As at 31 December 2024, HLRA had assets in excess of PCA of $86m for the ASF and $205m for the entity. HLRA was in a sound financial position with a capital adequacy multiple of 272% for the ASF and 185% for the entity. HLRA is compliant with APRA regulatory capital requirements and maintain adequate capital holdings above the PCR to be able to meet the obligations of policy owners under a wide range of circumstances.

HLRA's capital base comprises CET1and Tier 2 capital. The Tier 2 capital is in the form of sub-ordinated debt from the parent company HRSE in the amount of $22m for ARSF and $25m for ASF and has a maturity date of 15 June 2033. The impact of Tier 2 capital on HLRA's regulatory capital position is discussed further in section 6.3.1.

4.11.2.2 Excess assets and target capital

As at 31 December 2024, the capital position for the HLRA entity remains within or above the ICAAP Target Capital Range.

4.11.2.3 Overall capital position

HLRA is well capitalised providing benefit security to existing policy owners. HLRA has in place a rigorous capital management framework that includes frequent monitoring on at least a quarterly basis of the capital position against established benchmarks.

5. Overview of Proposed Transfer

5.1 Background to Proposed Transfer

On 9 April 2025, SRLHA agreed with HLRA, subject to securing the necessary regulatory and governmental approvals, to sell its Australian iptiQ business to HLRA.

It is proposed to complete the sale of SRLHA's iptiQ business to HLRA via a scheme under Part 9 of the Life Act and pursuant to the Business Transfer Deed. There are also various additional obligations for each of SRLHA and HLRA to achieve completion of the transfer of SRLHA's iptiQ business, including regulatory approvals and the transfer of material contracts.

The Proposed Transfer is expected to benefit Transferring Policy Owners through:

- Increased long term commitment: SRLHA withdrew from new business for directly issued life risk insurance on 1 July 2023. In addition, in 2024 the Swiss Re Group announced a change in its strategic direction which included a decision to withdraw from the iptiQ business globally. In comparison, HLRA maintains a continued focus on growing its portfolio of direct life risk insurance business in Australia through its distribution agreement with GFS. Transferring Policy Owners are likely to benefit from the increased strategic alignment and commitment HLRA offers over a longer-term outlook, giving greater focus to their customer needs.

- Scale: Transferring Policy Owners may benefit from the economies of scale associated with HLRA acquiring the Transferring Life Policies and managing them as part of its existing portfolio of directly issued life risk insurance business. Improved efficiency can be beneficial for benefit security through improved capital outcomes and less need to revise premium rates.

Capitalised terms in this section will generally reference terms defined in the Scheme.

5.2 Policies being transferred

5.2.1 Overview

It is proposed that:

- All SRLHA Transferring Life Policies will be transferred to HLRA's ASF at the Effective Time. Benefits provided under the SRLHA Transferring Life Policies include life risk insurance business with the following benefits:
  - Death cover.
  - Permanently unable to work or total and permanent disability cover.
  - Critical illness or trauma cover.
  - Income protection (disability income) benefits resulting from sickness or an accident.
  - Other benefits such as child cover, accidental death and funeral cover.
- Following the Proposed Transfer, there will be no life policies retained within SRLHA SF1.
- No policies referrable to SRLHA SF2 will be transferred to HLRA.

5.2.2 Transfer of liabilities

Under the Proposed Transfer, SRLHA will transfer the Transferring Liabilities (as defined in the Scheme) to HLRA. The Transferring Liabilities are comprised of:

- All of the claims, losses, liabilities and costs of SRLHA under the Transferring Life Policies
- All of the claims, losses, liabilities and costs of SRLHA of any kind under the Transferring Contracts

Transferring Life Policies means the life policies (within the meaning of the Life Act) issued by Swiss Re Life (including life policies which may have lapsed, been cancelled, or expired but under which benefits or rights remain, or that have rights of reinstatement), which are referable to Statutory Fund No. 1 immediately prior to the Effective Time. Transferring Contracts means any existing contracts that Swiss Re has entered in relation to the Transferring Life Policies (the full list of transferring contracts can be found in Schedule 1 of the Scheme document).

The Transferring Liabilities exclude the Excluded Liabilities as defined in the Scheme (an example of which is the SRLHA tax liabilities).

5.2.3 Transfer of assets

Certain assets will be transferred by SRLHA to HLRA (Transferring Assets), including the Incurred Claims Investment Assets. The Transferring Assets do not include any of the Excluded Assets as defined in the Scheme, which includes tax assets and assets supporting the capital requirements of the transferring business, other than the Incurred Claims Investment Assets.

SRLHA SF2 will receive reinsurance premiums and commissions for a simultaneous reinsurance arrangement executed between HLRA and SRLHA (see Section 5.3.5). For practical reasons, SRLHA and HLRA may agree to net certain payments required to be made between the two parties under the BTD and the Reinsurance Agreement subject to meeting legislative or regulatory requirements.

5.3 Transfer process

5.3.1 Transferring of policies and liabilities

If the Scheme is confirmed by the Court, on and from the Effective Time, all of the life policies and associated liabilities within SRLHA SF1 will be transferred to the HLRA ASF. In this respect:

- HLRA becomes the issuer of the SRLHA Transferring Life Policies and SRLHA ceases to be the issuer of these policies.
- The Transferring Policy Owners cease to be policy owners of SRLHA and become policy owners of HLRA.
- The rights and liabilities of the Transferring Policy Owners will be the same in all respects as they would have been if:
  - The applications on which the Transferring Life Policies were based on, had been made to, or accepted by HLRA instead of SRLHA.
  - The Transferring Life Policies had been issued by HLRA instead of SRLHA.

Under the terms of the Scheme, SRLHA’s rights and liabilities under all of the Transferring Contracts will be transferred to HLRA on and from the Effective Time.

5.3.2 Policy "cut-off" rules and error remediation

SRLHA SF1 is currently closed to new business. Therefore, 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 or premiums owed to SRLHA prior to the Effective Time, which remain unpaid at the Effective Time, will become a liability or an asset respectively of HLRA. In general terms these include, but are not limited to:

- Any historic claims in course of payment, 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.

Any liability to a Transferring 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, will be assumed by HLRA.

5.3.3 Contractual policy terms

All contractual benefits and rights of Transferring Policy Owners under their existing SRLHA policies will remain unchanged as a consequence of the Proposed Transfer. The Scheme does not propose to modify contractual policy terms other than formal changes to the name of the insurer, HLRA, and the referable Statutory Fund, the HLRA ASF Fund.

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.

5.3.4 Policy administration and claims management systems

Policy administration for the majority of the Transferring Policy Owners 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 Life Policies following the Proposed Transfer. This will be achieved through the transfer of SRLHA's rights and liabilities under the administration agreements to HLRA from the Effective Time under the Scheme.

For the small portfolio of AdvantEdge branded policies which are currently administered manually by SRLHA, HLRA intends for GFS to administer these policies. As a dedicated policy administrator this should provide equal or greater capabilities. Refer to Section 7.3.3 for further details.

Claims management workflow is currently managed internally by SRLHA. Following the Proposed Transfer, HLRA will assume responsibilities for management of any existing and future claims. Refer to Section 7.3.3 for further details.

5.3.5 Reinsurance

SRLHA has an in-force retrocession arrangement with another entity within the Swiss Re Group, Swiss Reinsurance Company ("SRZ"), which covers the disability income benefits of the Transferring Life Policies. This retrocession arrangement will be recaptured prior to the Proposed Transfer.

HLRA has entered into a reinsurance agreement with SRLHA ("Reinsurance Agreement") which will become effective on and from the Effective Time. The Reinsurance Agreement will be written by SRLHA SF2 and will cover the following:

- 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 Life Policies.

5.3.6 Costs and expenses

All costs, including any tax implications associated with the Proposed Transfer will be paid by HLRA and SRLHA, and not by Transferring Policy Owners of SRLHA or existing policy owners of HLRA.

5.3.7 Tax implications of transfer

No change is expected to be made to the methods used to comply with tax legislation as a result of the Proposed Transfer.

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 Transfer.

Any tax and duty associated with the Proposed Transfer will be borne by SRLHA and/or HLRA and not by Transferring Policy Owners of SRLHA or existing policy owners of HLRA.

5.3.8 Remediation and disputes

At the time of this report there are no material active remediation programs. As with all remediation programs, there may be customers who are still to be remediated following finalisation of a remediation program e.g. as they have not been traced.

SRLHA is providing further information to ASIC in relation to one of the recent remediation programs concerning premium discounts. The remediation involved a small cohort of policy owners. As SRLHA would be liable for any future payments, I do not foresee an adverse impact on Transferring Policy Owners.

Per the requirements of the Scheme, HLRA must continue to manage any active or finalised remediation programs and remediate customers following the transfer in substantially the same manner as remediations were conducted by SRLHA. This ensures consistency and continuity in the remediation process. If HLRA wishes to make any changes, they must obtain prior written consent from SRLHA, which cannot be unreasonably withheld or delayed. This clause ensures that the remediation efforts remain consistent and effective, even after the transfer of responsibilities.

Any proceedings, including but not limited to complaints made to the Australian Financial Complaints Authority ("AFCA"), in respect to Transferring Policy Owners that are in progress will be continued by or against HLRA instead of SRLHA.

6. Financial impact of Proposed Transfer

6.1 Overview

This section of the report examines the financial impact of the Proposed Transfer on SRLHA and HLRA as if the transfer had occurred on 31 December 2024 (noting a minor difference of 1 month to the Effective Time).

The principles applied in performing the regulatory capital calculations are not being changed and remain in line with the requirements of APRA Prudential Standards LPS 110 and LPS 112. All the numbers in this section are based on the 31 December 2024 position.

Note that capital adequacy multiples as presented give an indication of capital coverage but are not directly comparable between statutory funds and entities. They may include excess assets planned to be returned to shareholders (i.e. are not representative of long-term capital adequacy multiples) or additional target surplus appropriate to the risk profile of the Statutory Fund or entity.

6.2 Impact of transfer on SRLHA

6.2.1 Insurance contract assets/liabilities

The tables below outline the net contract liabilities/assets and other liabilities/assets before and immediately after the Proposed Transfer, as if the transfer had occurred effective 31 December 2024. These results are on the basis that:

- All insurance contract liabilities/assets from SRLHA SF1 will be transferred into HLRA ASF.
- SRLHA's in-force retrocession arrangement with SRZ covering the Transferring Life Policies will be recaptured prior to the Proposed Transfer.
- HLRA has entered into a Reinsurance Arrangement with SRLHA which will take effect from the Effective (Section 5.3.5). This reinsurance arrangement will be referrable to SRLHA SF2.

The liabilities within the SRLHA Shareholders' Fund will be unaffected by the Proposed Transfer.

Table 4: Summary of SRLHA liabilities/assets before the Proposed Transfer (and before recapture) ($m)

	SF1	SF2	SHF	Total
Net Contract Assets[1]	12	2,588	0	2,600
Other Assets	130	1,798	1	1,929
Total Assets	**142**	**4,386**	**1**	**4,529**
Net Contract Liabilities[2]	34	3,221	0	3,255
Other Liabilities	18	28	0	46
Total Liabilities	**53**	**3,248**	**0**	**3,301**
Net Assets	**89**	**1,138**	**1**	**1,228**

Table 5: Summary of SRLHA liabilities/assets immediately after the Proposed Transfer ($m)				
	SF1	**SF2**	**SHF**	**Total**
Net Contract Assets[1]	0	2,588	0	2,588
Other Assets	86	1,838	1	1,925
Total Assets	**86**	**4,426**	**1**	**4,513**
Net Contract Liabilities[2]	0	3,263	0	3,263
Other Liabilities	17	28	0	45
Total Liabilities	**17**	**3,291**	**0**	**3,308**
Net Assets	**69**	**1,135**	**1**	**1,205**

[1]The Net Contract Assets shown in the above tables include the value of insurance/reinsurance contract assets.
[2]The Net Contract Liabilities shown in the above tables include the value of insurance/reinsurance contract liabilities and investment contract liabilities.

6.2.2 Net assets and regulatory capital position of SRLHA

The two tables below show the pro forma capital position of SRLHA as at 31 December 2024 before and immediately after the Proposed Transfer, as if the Proposed Transfer occurred on that date. The basis for the results is:

- SRLHA's financial position and policy liabilities as at 31 December 2024 as set out in Section 3.11.
- The proposed arms-length recapture of SRLHA's internal coinsurance retrocession arrangement with SRZ covering the iptiQ Disability Income business as described in Section 5.3.5.
- The proposed new reinsurance arrangement to be executed between HLRA and SRLHA covering 50% quota share reinsurance of the future insurance claims associated with the transferring Death, TPD and Trauma lines of business written with Woolworths and Medibank as described in Section 5.3.5.
- No capital transfers or dividend payments are assumed.

Table 6: SRLHA Regulatory Capital Position – 31 December 2024 ($m) Before the Proposed Transfer				
	SF1	**SF2**	**SHF**	**Total**
Net Assets	89	1,138	1	1,228
Less: Regulatory adjustments to net assets	32	206	0	238
Tier 2 Capital	-	-	-	-
Capital Base	**58**	**932**	**1**	**991**
Prescribed Capital Amount	**32**	**340**	**0**	**372**
Capital in excess of PCA	26	592	1	618
Capital adequacy multiple	**181%**	**274%**	**>999%**	**266%**

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Table 7: SRLHA Regulatory Capital Position – 31 December 2024 ($m) Immediately after the Proposed Transfer				
	SF1	**SF2**	**SHF**	**Total**
Net Assets	69	1,135	1	1,205
Less: Regulatory adjustments to net assets	32	203	0	235
Tier 2 Capital	-	-	-	-
Capital Base	**36**	**932**	**1**	**970**
Prescribed Capital Amount	**4**	**357**	**0**	**361**
Capital in excess of PCA	32	575	1	608
Capital adequacy multiple	**900%**	**261%**	**>999%**	**268%**

Following the Proposed Transfer, each of the funds of SRLHA has capital in excess of PCA, in particular there is:

- An increase in the capital adequacy multiple for SF1. The value of the Transferring Assets in SF1 exceeds the value of Transferring Liabilities, resulting in a reduction to the net assets and capital base. However, there is a material reduction in the PCA due to no insurance risk being retained within SF1.
- A small reduction to the capital adequacy multiple for SF2. SF2 will enter into a reinsurance arrangement with HLRA to reinsure 50% of the transferring iptiQ business for future risk and 100% of incurred claims at the Effective Time. As is standard for new business, this results in a reduction to excess capital.

SRLHA will continue to exceed its target capital requirements in each fund and as an entity immediately post-transfer.

The reduction in the PCA is largely driven by a lower insurance risk charge, as the insurance risk associated with the Transferring Life Policies has transferred to HLRA. Following the Proposed Transfer, PCA continues to be held in SF1 in respect of operational risk for a period of 24 months as per the requirements of APRA Prudential Standard LPS 118 'Capital Adequacy Operational Risk Charge'. The PCA in SF2 increases due to the reinsurance arrangement. Since only some of the business previously in SF1 is transferred, the total insurance risk charge is less than prior to the transfer.

Capital adequacy multiples shown in the tables above, are shown before any possible capital transfers or distribution. A reduction in PCA and target capital requirements resulting from the Proposed Transfer may result in transfers from SRLHA's SF1 to the shareholder fund, noting that at that point, there will be no policy owners in SF1. Before further distribution to shareholders, consideration will be given in the target capital for SRLHA's exposure to indemnity and warranty claims as part of this transaction.

I note that since the last audited financial statements at 31 December 2024, SRLHA repatriated $237m, as planned, which reduces its excess capital and capital adequacy multiple from those shown in both Tables 6 and 7.

6.2.3 Target capital

SRLHA's target capital methodology and principles will continue unaffected following the Proposed Transfer. SRLHA's statutory funds and SRLHA as a whole, are expected to continue to meet internal capital requirements.

6.3 Impact of transfer on HLRA

6.3.1 Net assets and regulatory capital position of HLRA

The two tables below show the pro forma capital position of HLRA before and immediately after the Proposed Transfer, as at 31 December 2024 assuming that the Proposed Transfer occurred on that date.

Table 8: HLRA Regulatory Capital Position – Before the Proposed Transfer – 31 December 2024 ($m)

	HLRA ARSF	HLRA ASF	HLRA OSF	HLRA SHF	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	**182**	**50**	**10**	**0**	**242**
Capital in excess of PCA	79	86	22	19	205
Capital adequacy multiple	**143%**	**272%**	**311%**	**>999%**	**185%**
Excess capital (excluding Tier 2)	57	61	22	19	158
Capital adequacy multiple (excluding Tier 2)	131%	222%	311%	>999%	165%

Table 9: HLRA Regulatory Capital Position – Immediately after the Proposed Transfer – 31 December 2024 ($m)					
	HLRA ARSF	**HLRA ASF**	**HLRA OSF**	**HLRA SHF**	**Total**
Net Assets	419	97	45	21	583
Less: Regulatory adjustments to net assets	181	(4)	13	2	192
Tier 2 Capital	22	25	0	0	47
Capital Base	**260**	**127**	**32**	**19**	**438**
Prescribed Capital Amount	**182**	**61**	**10**	**0**	**253**
Capital in excess of PCA	79	66	22	19	185
Capital adequacy multiple	**143%**	**208%**	**311%**	**>999%**	**173%**
Excess capital (excluding Tier 2)	57	41	22	19	139
Capital adequacy multiple (excluding Tier 2)	131%	167%	311%		155%

Each of the statutory funds of HLRA following the Proposed Transfer has capital in excess of the PCA.

The expected impacts to the capital position of HLRA following the Proposed Transfer are as follows:

- Net assets and capital base will reduce by $10m for ASF and the HLRA entity as a whole.
- The PCA will increase by $11m for ASF and the HLRA entity as a whole.
- Capital in excess of PCA will reduce by $21m for ASF and by $21m for the HLRA entity as a whole.
- The Capital adequacy multiple will reduce by 64% for ASF and by 12% for the HLRA entity as a whole.
- 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 Transfer.

As set out in Section 4.11.2, HLRA's capital base comprises of Tier 2 capital. Following the Proposed Transfer and in the absence of the Tier 2 capital, HLRA's ASF policy owners (which includes the Transferring Policy Owners) would continue to be protected with capital in excess of PCA of $41m and a capital adequacy multiple of 167%.

6.3.2 Target capital

HLRA's target capital methodology and principles will continue unaffected following the Proposed Transfer.

6.4 Other considerations

6.4.1 Forward looking capital positions

As at 31 December 2024, SRLHA and HLRA have determined capital requirements in line with APRA prudential requirements and have maintained capital in excess of minimum regulatory capital requirements and internal capital targets.

Both companies have projected regulatory capital positions for their respective entities and statutory funds, and project that they will continue to meet minimum capital requirements and internal capital requirements, both prior to and after the Proposed Transfer for the period of the projection.

6.4.2 Risk Management implications

SRLHA and HLRA have in place established Risk Management Frameworks which set out their respective strategies for managing material risks. Both entities operate under their respective ICAAP frameworks which set out target capital operating ranges and approaches for stress and scenario testing key risk exposures. The RMF and ICAAP are supplemented by their respective Recovery and Exit Plans, which outline the framework applied to recover from extreme stress events.

The RMF and ICAAP frameworks for SRLHA and HLRA will be unaffected by the Proposed Transfer. Risk and capital management frameworks of SRLHA and HLRA are broadly aligned.

My assessment is that HLRA's RMF is appropriate for the management of the SRLHA Transferring Life Policies.

6.4.3 Investment strategy

While HLRA intends to review the ASF investment portfolio following the Proposed Transfer, with a new SAA to be implemented if applicable, the SRLHA and HLRA investment strategies and investment governance are broadly aligned.

As the Transferring Life Policies are non-participating and non-investment linked, the investment strategy adopted by HLRA following the Proposed Transfer does not have a direct impact on the policy owner benefits. As such, no material changes to the investment strategy are expected following the Proposed Transfer.

6.4.4 ASIC proceedings against Choosi

In June 2025, the Australian Securities and Investments Commission (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, where SRLHA was the issuer). These funeral and life insurance policies have been distributed for HLRA by GFS, being a company related to Choosi.

As this primarily relates to HLRA issued products, I have considered HLRA's Appointed Actuary report, which observes that HLRA notes that it is not a party to these proceedings, the proceedings are not expected to impact HLRA or SRLHA's Transferring Policies and no additional reserves have been provisioned by HLRA for these proceedings.

SRLHA is also not a party to the proceedings, the proceedings are at an early stage and the SRLHA product once featured on the Choosi website is mentioned by way of exception to the alleged course of conduct.

Based on this, I do not consider the topic to have a material bearing on customer outcomes from the proposed Scheme.

6.5 Observations and conclusions

I conclude on the benefit security for Transferring Policy Owners in Section 7.4.3.5 and for Remaining Policy Owners in Section 8.4.

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7. Transferring Policy Owner considerations

7.1 Overview

In this section, policy owner considerations relevant to the Transferring Policy Owners of SRLHA are reviewed, including the impact of the transfer on:

- policy owners' contractual benefits and rights
- policy owners' reasonable benefit expectations
- policy owners' benefit security

7.2 Contractual benefits and rights

As set out in Section 5.3.3, all Transferring Policy Owners will be transferred with the same policy terms and conditions as applied prior to the Transfer, other than the formal changes to the name of the insurer and referable statutory fund. Therefore, there are no reductions to the SRLHA Transferring Policy Owners' or Remaining Policy Owners' contractual benefits and rights as a result of the Proposed Transfer.

7.3 Reasonable benefit expectations

For the types of policies being transferred, the fundamental expectation of policy owners is that they will receive contractual benefit entitlements as due. There are certain areas that involve some discretion being exercised by an insurer. The change in insurer brought about by the Proposed Transfer may then have the potential to impact on whether policy owners' reasonable benefit expectations are being met.

These discretions are discussed further below and relate to:

- premium rate changes (Section 7.3.1)
- claims handling (Section 7.3.2)
- policy administration (Section 7.3.3)
- underwriting (Section 7.3.4)
- product improvements and policy maintenance (Section 7.3.5)

7.3.1 Premium rate changes

7.3.1.1 SRLHA approach

SRLHA management has advised that premium rates currently adopted for the iptiQ business were set after considering a number of factors, including customer value, claims experience, and other commercial considerations. SRLHA aims to maintain premium rate stability for customers in the absence of sustainability concerns.

Historically, no explicit metric has applied in relation to the profitability of the in-force business. Any future decisions to adjust premium rates will consider any trends in claims experience, the competitive landscape and regulatory environment at the time of the review. Claims experience is monitored regularly through regular financial reporting and experience investigations. The Product Disclosure

Statements and policy documents that apply to policy owners state that SRLHA can review customer premiums in the future provided that policy owners are given the required notice period in writing.

In recent years, SRLHA has increased policy owner premiums rates for Medibank in 2014 (before the formation of the iptiQ division) and for the Woolworths Death and TPD business in 2021. SRLHA has reduced customer premium rates for certain benefit types such as Accidental Death and Child Benefit and has introduced affordability measures for the Freedom business with an aim to improve long term customer affordability and value. This would not preclude SRLHA from increasing customer premium rates in the future for deteriorations in experience if SRLHA were to remain the long-term owners of the business.

Contracts with TPAs and brand partners allow re-negotiation of commissions in certain circumstances. This provides an alternate avenue to maintain product profitability in response to deteriorating claims experience.

7.3.1.2 HLRA approach

HLRA engages in proactive management of its retail life insurance business, the most comparable products to the Transferring Life Policies. Consistent with SRLHA approach, HLRA performs experience investigations and monitoring of insurance claims and lapse experience on a regular basis. HLRA has an internal framework in place with defined parameters to trigger a review of policy owner premium rates.

Premium rate changes are made with consideration to customer impacts, such as affordability, and claims experience. HLRA management has advised that they generally aim to charge customer segments appropriately for their respective risks when setting premium rates. However, HLRA does not prioritise the removal of existing cross-subsidies inherent in the pricing basis as part of its pricing strategy.

Similar to SRLHA, HLRA seeks to work with TPAs to review commission rates in response to deteriorating experience with an aim to minimise price increases for the policy owner.

Experience monitoring and repricing for the SRLHA Transferring Life Policies will continue to be performed separately from HLRA's existing direct life insurance business. HLRA management does not have a current intention to change pricing for customers but does not rule out future increases in premium rates for Transferring Policy Owners, particularly if experience deteriorates.

7.3.1.3 Other observations

HLRA management has an intention to formalise the approach to repricing policy owner premium rates through the inclusion of claims ratio triggers within distribution agreements in place with TPAs. SRLHA is supportive of this initiative, as it sees a customer benefit in terms of a claim loss ratio level below which HLRA would not instigate repricing. This is a floor that is not currently in practice at SRLHA. Discussions are underway with Brand Partners and TPAs with an intention to have contract amendments implemented for the SRLHA Transferring Life Policies as at the Effective Time. The benefit may not extend to all Transferring Life Policies.

7.3.1.4 Conclusion

Given the above observations, it is concluded that:

- There will be no premium rate changes at the Effective Time
- HLRA's philosophy and intended approach to reviewing premium rates thereafter appear to be broadly aligned to that of SRLHA, albeit there would be differences in how this is operationalised.
- One additional limitation is proposed to be placed on re-pricing rights which would be of either neutral or positive benefit to Transferring Policy Owners.
- Price increases are subject to what is permissible under policy terms. Policy terms are not being changed by the Proposed Transfer.

Transferring Policy Owner's reasonable benefit expectations are expected to be met with regards to premium rate changes.

7.3.2 Claims handling

7.3.2.1 SRLHA approach

SRLHA's claims philosophy for the iptiQ business focuses on assessing claims fairly, consistently and efficiently, and ensuring that the TPAs uphold the same philosophy. All claims assessments and decisions are performed solely by SRLHA, with some administration related to claims management performed by TPAs.

SRLHA operates under the Life Insurance Code of Conduct ("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 brand partner 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.

7.3.2.2 HLRA approach

HLRA's claims philosophy as shared on HLRA's website is "to provide a smooth path throughout the claims journey by assessing each claim on its own merit with integrity, compassion and fairness. Our goal is to assist our customers when they need it most."

Similar to SRLHA, the majority of claims assessments are performed internally by HLRA with an exception around standard claims for funeral cover. HLRA also operates under the LICOP, with LICOP obligations embedded in the Claims Guide for the claims management personnel.

HLRA's claims disputes approach is broadly aligned to that of SRLHA including both an internal dispute resolution process and the ability to refer to AFCA. HLRA has access to a panel of legal firms to which claims disputes can be referred for an independent opinion. Whilst the internal claims complaint handling approach in seeking an external independent opinion does not align completely to SRLHA, HLRA has robust complaints governance processes where complaints are analysed monthly, reported at Board meetings and include metrics such as volume, duration, trend, sources and nature of complaints. TPA complaints reporting is also reviewed monthly to ensure timely escalation of any issues. In addition, SRLHA and HLRA complaints management processes both adhere to the maximum Internal Dispute Resolution timeframes outlined in ASIC RG 271, thus ensuring the same service standards.

7.3.2.3 Other observations

APRA published Life insurance claim decline and dispute statistics for insurers for the 12 months ending 31 December 2024. The following observations are made:

- Reported claim decline rates for death, trauma and IP benefits are largely comparable between SRLHA and HLRA and close to industry averages. Both SRLHA and HLRA have insufficient exposure for TPD decline rates to be published and compared.
- Dispute statistics are broadly aligned between HLRA and SRLHA at a low rate for death cover products. Statistics for most other products are not comparable as APRA does not publish below a certain volume.
- HLRA has a higher volume of disputes lodged for Funeral products. This has been discussed with HLRA's management who have provided insights on why they believe this to be the case, including changes in regulation on what to report as a dispute, conservatism in reporting of numbers, historic staff turnover and requirements on claim evidence which have since been eased. On considering analysis from HLRA of the disputes at a point in time and considering that the current claim admittance rate for HLRA on funeral claims is in excess of 99%, which is in line with the industry, I do not consider this to be a material concern for Transferring Policy Owners with funeral cover products.

7.3.2.4 Conclusion

Given the above observations it is concluded that:

- The Transferring Policy Owners will have an expectation that claims will be assessed fairly and in utmost good faith. HLRA's current approach to assessing claims and complaints governance process is broadly consistent with SRLHA's and satisfies the above expectation.
- The Transferring Policy Owners will continue to have a right to refer complaints to HLRA's internal dispute resolution process and to AFCA. There are reasonable grounds for expecting that HLRA's Funeral product complaint rate will not apply to the Transferring Policy Owners.

Therefore, policy owner's reasonable benefit expectations are expected to be met for the Transferring Life Policies with regards to claims handling.

7.3.3 Policy administration

7.3.3.1 Transition

The majority of SRLHA's iptiQ business is managed through TPAs; GES and Genus utilising their in-house policy administration systems. The table below summarises proposed changes to the policy administration for the iptiQ business following the Proposed Transfer.

Table 10: Policy administration

Business partner	Policy administration prior to Proposed Transfer	Policy administration post Proposed Transfer
Medibank	Currently managed by GFS	No change
Woolworths		
ahm		
Freedom	Currently managed by Genus	No change
AdvantEdge	Internally managed	Proposed change – intended to be managed by GFS.

HLRA has existing partnerships with GFS and Genus, who also administer various lines of HLRA's direct life insurance business. As such, for the Medibank, Woolworths and Freedom products, policy administration will continue to be performed utilising the existing system following the Proposed Transfer.

AdvantEdge products are currently administered by SRLHA. This involves a relatively manual approach. HLRA management has outlined their intention to extend their current agreement with GFS to include policy administration for the AdvantEdge products. This is expected to strengthen the control environment and reduce operational risks associated with manual policy administration.

HLRA management has advised that HLRA will formally agree to GFS's administration of the AdvantEdge portfolio through a binding letter of agreement, which will be executed prior to the issuance of policyholder communications. Following this, HLRA and GFS will update and restate the existing administration agreements to incorporate the AdvantEdge portfolio and address additional matters, including compliance with CPS 230. However, the binding letter of agreement will be sufficient to formalise the administration arrangement.

To further mitigate transition risks for AdvantEdge policyholders, HLRA has planned a series of handover and change management activities in the months leading up to the proposed 1 December 2025 transfer date. These activities will be supported by established project governance structures across HLRA, SRLHA, and GFS to monitor progress and ensure key milestones are achieved.

SRLHA will also provide a period of hypercare post-transfer to support GFS with the policy administration system (PAS). For privacy reasons, SRLHA will not retain direct access to the underlying database following the transfer.

Finally, it is noted in 5.3.3 that the 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 do not foresee a material impact for Policy Owners from this change.

7.3.3.2 Conclusion

Given the above observations, it is concluded:

- For the majority of Transferring Policy Owners (i.e. those with Medibank, Woolworths and Freedom branded products) the current policy administration solution will continue to be retained.
- For the Transferring Policy Owners with AdvantEdge branded products, HLRA's intentions to enhance the policy administration solution reduces risks associated with the current manual process. In addition, mitigating actions are in place to help minimise the transition risk associated with policy administration transfer to GFS.

Therefore, policy owners' reasonable benefit expectations are expected to be met for the Transferring Life Policies with regards to policy administration.

7.3.4 Underwriting

7.3.4.1 SRLHA approach

As iptiQ is closed to new business, future underwriting is limited to benefit changes for existing policies, specifically where policy owners have the option to increase their sum insured or add new lives to existing policies. These incremental changes are assessed against SRLHA's underwriting standards.

The underwriting philosophy for iptiQ is centred on utilising a simple process which aligns to evidence-based research. No medical or financial evidence is requested to support underwriting decisions. SRLHA's underwriting standards are reviewed and updated a minimum of every 2 years.

SRLHA's TPAs are authorised to accept increases to cover, applications for additional cover types, or adding new lives to a policy in the circumstances where these fall within pre-defined underwriting rules. Any proposed amendments which fall outside these pre-defined rules as well as consideration of removal of premium loadings or policy exclusions are referred to SRLHA underwriters for assessment.

7.3.4.2 HLRA approach

HLRA has broadly the same philosophy as SRLHA in the approach to underwriting its direct life insurance business. HLRA's TPAs have some minor delegated authority to make underwriting decisions, otherwise all underwriting decisions are made by HLRA's underwriting team.

HLRA management has an intention to adopt the SRLHA underwriting rule set and underwriting guidelines for the Transferring Life Policies. This would maintain continuity for the majority of customers. For underwriting that falls outside of this, HLRA will assess this in line with their own underwriting philosophy.

7.3.4.3 Other observations

Underwriting processes evolve over time with medical advances and better health management, or as new benefits are introduced. As a result, policy owners would not generally have a deep understanding of the process. Policy owners' expectations exist around fairness and reasonableness of the process and the outcome and not around the specific underwriting process.

7.3.4.4 Conclusion

Given the observations above, it is concluded that:

- Underwriting is limited to benefit changes for existing policies.
- The Transferring Policy Owners are unlikely to have specific expectations regarding how policies will be underwritten. Their expectation would be that the underwriting process is fair and reasonable.
- HLRA's intention is to adopt the SRLHA underwriting rule set and underwriting guidelines for the Transferring Life Policies which covers most underwriting scenarios.

Therefore, the policy owners' reasonable benefit expectations are expected to be met for Transferring Policy Owners with regards to underwriting philosophy.

7.3.5 Product improvements and policy maintenance

7.3.5.1 SRLHA approach

SRLHA's current product improvement philosophy for iptiQ policies is to ensure products remain fit for purpose, meeting the needs of customers and meeting legal and regulatory requirements. SRLHA performs a regular annual review of the iptiQ products.

SRLHA's philosophy towards product improvements is that product improvements which do not result in additional premiums will automatically be passed to the policy owner.

Given iptiQ is currently closed to new business, no future product changes (policy enhancements or new features) are planned outside of those required to satisfy legal and regulatory requirements.

7.3.5.2 HLRA approach

As HLRA's direct life insurance business is open to new business, product design and performance are regularly monitored and reviewed biannually with key considerations including customer experience and performance.

HLRA's philosophy to product improvements is aligned to SRLHA, with policy improvements that do not result in an increase to premiums being automatically passed to policy owners. For policy improvements which require an additional premium increase, policy owners will have a choice as to whether they accept such improvements.

HLRA has advised there are no current intentions to make changes to the product design or features for the iptiQ business following the Proposed Transfer. Following the Proposed Transfer, the iptiQ business will be considered as part of HLRA's ongoing cycle of product review.

Potential benefits of the Proposed Transfer to the Transferring Life Policies in terms of long-term focus of the owner are described in Section 5.1.

7.3.5.3 Conclusion

Given the observations above, it is concluded that policy owners' reasonable expectations are expected to be met for the Transferring Life Policies with regards to product improvements and policy maintenance.

7.3.6 Overall conclusion on benefit expectations

It is concluded that HLRA's intended basis of determining and implementing the non-contractually specified and/or discretionary aspects of the Transferring Life Policies will continue to meet the overall reasonable benefit expectations of the Transferring Policy Owners.

7.4 Benefit Security

7.4.1 Overview

In this section the benefit security issues relevant to the Transferring Policy Owners and the Remaining Policy Owners will be discussed. Benefit security relates to the ability of the insurer to pay claims as they are admitted. Terms relating to capital management are discussed in Section 3.10.2 and the section refers to financial impacts discussed in Section 6.

7.4.2 Position pre-transfer

The Transferring Policy Owners currently have a sound level of benefit security in terms of:

- The capital in excess of PCA and internal capital requirements held directly within SRLHA SF1 and at entity level.
- The existing investments of SRLHA SF1 which back the policy liabilities for direct business are being maintained predominantly in cash and investment grade, marketable assets.
- SRLHA's business and management of risks, and the existing administration and management systems which are fit for purpose.
- The sound capital position and profitability of the overall SRLHA entity is capable of providing further support to the obligations of SRLHA's statutory funds.

7.4.3 Position post-transfer

After the Proposed Transfer, the policy liabilities relating to the Transferring Life Policies must continue to be maintained within a statutory fund of HLRA, which is required to satisfy the same regulatory capital requirements, as well as other regulatory risk management standards and requirements, as those that apply to SRLHA.

HLRA has similar business to the SRLHA Transferring Life Policies and therefore their management has an existing understanding of the business and its risks. HLRA currently utilises existing administration and management systems that are designed to accommodate such business.

The following sub-sections discuss the benefit security of the Transferring Policy Owners immediately after the Proposed Transfer.

7.4.3.1 Capital reserving levels

The following observations are made in relation to the capital reserving levels impacting the SRLHA Transferring Life Policies on the basis set out in Section 6.2.2.

- Transferring Policy Owners are currently insured with an entity which has $618m of capital in excess of the PCA. Of this, SRLHA SF1 containing the Transferring Life Policies has $26m of capital in excess of the PCA.

- Assets in excess of those required to meet target capital requirements can, by Board approval, be repatriated to its parent company as a dividend or some other form of capital return. Therefore, capital levels at a single point in time do not necessarily reflect the future capital position. Constraints apply around such repatriations, including receiving Appointed Actuary advice to transfer funds out of a statutory fund, and receiving APRA approval for repatriations out of the entity above a certain level or of a certain nature.

- Following the Proposed Transfer, the Transferring Life Policies will be part of an HLRA statutory fund with capital in excess of PCA of $66m as set out in Section 6.3.1.

- As per Section 6.3.1, the calculated capital adequacy multiple for post-transfer HLRA ASF is 208%. This ratio remains sufficiently high to provide adequate security, exceed the minimum prudential capital requirements and not adversely impact the level of prudential protection for the Transferring Life Policies. The entity is also well capitalised at 173% of PCA.

- HLRA's Appointed Actuary has concluded that HLRA's capital position at statutory fund and entity level will be above target capital levels immediately after the Proposed Transfer.

Given the above, it can be concluded that the Transferring Life Policies are expected to continue in a statutory fund and entity that is capitalised in excess of the regulatory minimum. The security of the benefits of the Transferring Policy Owners will continue to be appropriate at point of transfer, and projections from HLRA evidence the expectation that that will continue.

7.4.3.2 Quality of capital

Transferring Policy Owners are currently insured within a Statutory Fund where the liabilities are wholly supported by CET1. An amount of Additional Tier 1 capital is held in another fund within the SRLHA entity.

The SRLHA Transferring Life Policies will transfer into HLRA ASF. While HLRA ASF is comprised of both CET1 and Tier 2 capital, HLRA advises that the CET1 capital in itself meets the APRA minimum prudential capital requirements and the HLRA Board approved target surplus requirements.

Tier 2 capital is a common additional form of capital to increase an entity's financial strength in a time of distress. It is generally debt issued by an entity, that is available to be converted to equity (i.e. removing the obligation of repayment) in a financial distress scenario. As it is only available in particular circumstances, it is considered of lesser quality than Tier 1 capital, which is immediately available for absorbing any losses in day to day operations, but remains an additional form of capital for policy owner protection.

Given the CET1 capital in itself meets the APRA minimum prudential capital requirements and the HLRA Board approved target surplus requirements, the benefit security of the SRLHA Transferring Policy Owners in terms of quality of supporting capital is not adversely impacted as a result of the Proposed Transfer.

7.4.3.3 Reinsurance

SRLHA´s current in-force retrocession agreement with SRZ for the Transferring Life Policies will be recaptured and will not be transferred as part of the Proposed Transfer.

HLRA intends to enter into an intra-group retrocession arrangement with Hannover Re (Ireland) within the Hannover Re Group. In addition, HLRA has entered into a quota share reinsurance arrangement with SRLHA which will take effect from the Effective Time, covering:

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

Both Swiss Re Group and Hannover Re Group have been rated as AA- by Standard and Poor's as at 31 December 2024. Hannover Re (Ireland) is similarly rated AA- by Standard and Poor's. As such there is no expected adverse impact to benefit security for the Transferring Policy Owners from a reinsurance perspective. The expected impact of this reinsurance arrangement is allowed for in the post-transfer positions in Section 6.

Ordinarily, reinsurance arrangements reduce the capital needs of an insurer, therefore terminating either reinsurance arrangement would be expected to increase HLRA's capital requirements. Termination of these arrangements, in the normal course of business (e.g. fulfilling contractual obligations), requires HLRA's agreement. It would be reasonable to expect HLRA's agreement would only be provided if they were able to continue to appropriately support the capital needs of their policy owners after terminating an arrangement.

7.4.3.4 Total capital above PCA

HLRA ASF and the HLRA company will have significant excess capital over PCA immediately after the Proposed Transfer, with $66m and $185m of excess assets respectively.

Future dividends can be paid to HLRA's shareholders in compliance with HLRA's current dividend policy which is to dividend any excess above target capital levels. It is noted that an entity can only transfer excess assets out of a statutory fund following advice from the Appointed Actuary.

7.4.3.5 Conclusion on benefit security

On the basis of the above discussion and analysis, it is concluded that the Transferring Policy Owners' benefit security will remain adequate immediately after the Proposed Transfer.

I note that since the last audited financial statements at 31 December 2024, SRLHA repatriated $237m, as planned, which reduces its excess capital and capital adequacy multiple. As discussed in section 7.4.3.1, such planned repatriations are a part of normal business operations and a capital adequacy multiple at a particular point in time may not reflect the long-term capital level. This does not change my conclusions on benefit security for Transferring Policy Owners arising from the Scheme.

7.5 Conclusion

The Proposed Transfer does not adversely impact the contractual benefits and rights of the Transferring Policy Owners.

HLRA's intended basis of determining and implementing the non-contractually specified and/or discretionary aspects of the Transferring Life Policies will continue to meet the overall reasonable benefit expectations of the Transferring Policy Owners.

Both SRLHA and HLRA determine regulatory capital in line with APRA´s requirements and both entities manage capital and operate in line with a Board approved ICAAP framework. HLRA as a whole and HLRA's ASF statutory fund will remain in a sound financial position with capital in excess of its PCA and internal capital requirements. The Transferring Policy Owners´ benefit security will remain adequate immediately after the Proposed Transfer.

It is my opinion that there are no material disadvantages for the Transferring Policy Owners as a result of the Proposed Transfer.

8. Remaining Policy Owners considerations

8.1 Overview

In this section policy owner considerations relevant to the Remaining Policy Owners are reviewed, including the impact of the transfer on:

- policy owners' contractual benefits and rights
- policy owners' reasonable benefit expectations
- policy owners' benefit security.

8.2 Contractual benefits and rights

There are no changes to the contractual benefits and rights on any SRLHA remaining policies as a result of the Proposed Transfer.

8.3 Reasonable benefit expectations

There are no changes to the management of SRLHA remaining policies in terms of:

- premium rate changes
- claims handling
- policy administration
- underwriting
- product improvements and policy maintenance

Therefore, there is no impact to the reasonable benefit expectations of the Remaining Policy Owners of SRLHA as a result of the Proposed Transfer.

8.4 Benefit Security

With reference to Section 6 of this report, for the Remaining Policy Owners there will be no changes to the risk profile, risk management strategy, investment management strategy, reinsurance management strategy or capital management approach for the policies within SF2 as a consequence of the Proposed Transfer. In addition, there will no intended changes to the retrocession arrangements in place with the Swiss Re Group covering the life insurance policies in SF2.

The writing of the Reinsurance Agreement between HLRA and SRLHA has been priced to achieve SRLHA's target profitability, and therefore on current best estimates would be expected to contribute a profit to SF2.

The SF2 capital adequacy ratio is projected to decrease from 274% to 261% due to the higher PCA from the additional insurance risk arising from the proposed SRLHA and HLRA reinsurance arrangement covering the transferring business (Section 6.2). The capital adequacy ratio would remain sufficiently high to provide adequate security, exceeding target capital requirements. SF2 and SRLHA as a whole are projected to continue to meet their internal capital requirements.

In addition to the capital considerations of SF2, capital will be held within either SF1 or SHF to allow for run-off risks from the transferring business, including for the risk of claims under the indemnities and warranties, mitigating capital risk to the entity as a whole.

Given the above, it can be concluded that the benefit security of the Remaining Policy Owners of SRLHA are not adversely impacted by the Proposed Transfer.

I note that since the last audited financial statements at 31 December 2024, SRLHA repatriated $237m, as planned, which reduces its excess capital and capital adequacy multiple. As discussed in section 7.4.3.1, such planned repatriations are a part of normal business operations and a capital adequacy multiple at a particular point in time may not reflect the long-term capital level. This does not change my conclusions on benefit security for Remaining Policy Owners arising from the Scheme.

8.5 Conclusion

In terms of the policy owners' contractual benefits and rights, there will be no change to the contractual benefits and rights of the Remaining Policy Owners of SRLHA as a result of the Proposed Transfer.

In terms of the policy owners' reasonable benefit expectations, there is no impact to the reasonable benefit expectations of the Remaining Policy Owners of SRLHA as a result of the Proposed Transfer.

In terms of the policy owners' benefit security, each of the statutory funds of SRLHA, and SRLHA as a whole will remain in a sound financial position with capital in excess of its PCA and meeting its internal capital requirements. The Remaining Policy Owners' benefit security will remain appropriate immediately after the Proposed Transfer.

It is my opinion that there are no material disadvantages for the Remaining Policy Owners of SRLHA as a result of the Proposed Transfer.

Swiss Re

9. Overall conclusion on Proposed Transfer by the Appointed Actuary

In my capacity as the Appointed Actuary of SRLHA and as a Fellow of the Actuaries Institute of Australia, I am of the opinion that the Proposed Transfer will not result in unfairness to the Transferring Policy Owners or Remaining Policy Owners. Immediately after the Proposed Transfer, SRLHA, its statutory funds, and HLRA's receiving fund will continue to satisfy regulatory capital standards and remain in a sound financial position.

Specifically, regarding Transferring Policy Owners, it is my opinion that:

- The Proposed Transfer does not adversely impact the contractual benefits and rights of the Transferring Policy Owners.
- HLRA's intended basis of determining and implementing the non-contractually specified and/or discretionary aspects of the Transferring Life Policies will continue to meet the overall reasonable benefit expectations of the Transferring Policy Owners.
- HLRA as a whole and HLRA's receiving statutory fund will remain in a sound financial position with capital in excess of its prescribed capital amount ("PCA") and internal capital requirements. The Transferring Policy Owners' benefit security will remain adequate immediately after the Proposed Transfer.

Specifically, regarding Remaining Policy Owners, it is my opinion that:

- There is no impact to the contractual benefits and rights of the Remaining Policy Owners of SRLHA as a result of the Proposed Transfer.
- There is no impact to the reasonable benefit expectations of the Remaining Policy Owners of SRLHA as a result of the Proposed Transfer.
- Each of the statutory funds of SRLHA, and SRLHA as a whole, will remain in a sound financial position with capital in excess of its PCA and internal capital requirement. The Remaining Policy Owners' benefit security will remain appropriate immediately after the Proposed Transfer.

Stuart Mainland

Stuart Mainland, FIAA
Appointed Actuary, Swiss Re Life & Health Australia Limited

Swiss Re

Appendix A Glossary of terms

Table 11: Glossary of terms	
Term	**Description**
AFCA	Australian Financial Complaints Authority
ALI	Australian Life Insurance Distribution Pty Ltd
ALM	Asset Liability Matching
APRA	Australian Prudential Regulation Authority
API	Annual premium in-force
ARSF	HLRA's Australian Reinsurance Statutory Fund
ASF	HLRA's Australian Statutory Fund
B2B2C	Business to Business to Client
Business Transfer Deed or BTD	Business Transfer Deed between SRLHA and HLRA, dated 9 April 2025
Capital base	Available capital, calculated in accordance with the requirements of LPS 112
CET1	Common Equity Tier 1 as defined in LPS 112
Court	Federal Court of Australia
CPS 220	APRA Prudential Standard CPS 220 Risk Management, effective 1 July 2019
DLR	Disabled Lives Reserve
Effective Time	12.01 a.m. on the first calendar day of the month following the Scheme Confirmation Hearing Date, or such other date that the Court may specify as the commencement date of the Scheme should the Scheme be confirmed by the Court (as agreed to in writing by the Seller and the Buyer).
Excess Assets	Assets available for distribution outside of a fund or entity
Excluded Assets	As defined in the Scheme document
Excluded Liabilities	As defined in the Scheme document
FIAA	Fellow of the Actuaries Institute of Australia
Genus	Genus Life Insurance Services Pty Ltd
GES	Greenstone Enterprise Services Pty Ltd
GFS	Greenstone Financial Services Pty Ltd
HLRA	Hannover Life Re of Australasia Ltd, ABN 37 062 395 484
HRSE	Hannover Rück SE
IBNR	Incurred but not reported reserve
Incurred Claims Amount	As defined in the Scheme document
Incurred Claims Investment Assets	As defined in the Scheme document
ICAAP	Internal Capital Adequacy Assessment Process
InsureMeNow	Insure Me Now Pty Ltd
LICOP	Life Insurance Code of Practice
Life Act	Life Insurance Act 1995 (Cth)
LPS 110	APRA Prudential Standard LPS 110 Capital Adequacy, effective 1 July 2023
LPS 112	APRA Prudential Standard LPS 112 Capital Adequacy: Measurement of Capital, effective 1 October 2024
LPS 230	APRA Prudential Standard 230 Reinsurance Management, effective 1 April 2018

Swiss Re

Table 11: Glossary of terms	
Term	**Description**
Medibank	Medibank Private Limited
OSF	HLRA's Overseas Statutory Fund
PCA	Prescribed Capital Amount as required by LPS 110
PCR	Prudential Capital Requirement as required by LPS 110
Proposed Transfer	The proposed scheme for the transfer of the Transferring Life Policies from SRLHA to HLRA under Part 9 of the Life Act
RAF	Risk Appetite Framework
RAS	Risk Appetite Statement
RBNA	Reported but not admitted reserve
RBNZ	Reserve Bank of New Zealand
Reinsurance Agreement	The reinsurance agreement in respect of the Transferring Life Policies entered into between SRLHA and HLRA, dated on or about 9 April 2025
Remaining Policy Owners	The owners of policies issued by SRLHA within SRLHA Statutory Fund No. 2
RMF	Risk Management Framework
RMS	Risk Management Strategy
SAA	Strategic Asset Allocation
SCA	Service Cost Accounting
Scheme Confirmation Hearing Date	the hearing at which SRLHA and HLRA seek orders for the Court to confirm the Scheme under section 194 of the Life Act.
SHF	Shareholders' Fund
SRLHA	Swiss Re Life and Health Australia Limited
SRLHA Statutory Fund No. 1 or SF1	SRLHA's Statutory Fund No.1.
SRLHA Statutory Fund No.2 or SF2	SRLHA's Statutory Fund No.2.
SRZ	Swiss Reinsurance Company
S&P	Standard & Poor's
Tier 2 capital	As defined in LPS 112
TPA	Third Party Administrator
TPD	Total and permanent disability
Transferring Assets	As defined in the Scheme document
Transferring Contracts	Any existing contracts that SRLHA has entered in relation to the Transferring Life Policies (the full list of transferring contracts can be found in Schedule 1 of the Scheme document)
Transferring Liabilities	As defined in the Scheme document
Transferring Life Policies	The life policies (within the meaning of the Life Act) issued by SRLHA (including life policies which may have lapsed, been cancelled, or expired but under which benefits or rights remain, or that have rights of reinstatement), which are referable to Statutory Fund No. 1 immediately prior to the Effective Time.
Transferring Policy Owners	The owners of Transferring Life Policies
Woolworths	Woolworths Group Limited

Swiss Re

Appendix B Key information relied upon

Table 12: Key information relied upon		
Reference	**Report section**	**Information**
Overview of SRLHA	3	Australia Investment Report 2024 Q4 SRLHA FCR, 31 December 2024 SRLHA internal liability and capital calculations, 31 December 2024 SRLHA Annual ICAAP Report, 31 March 2024 SRLHA ICAAP Summary Statement SRLHA Reinsurance Management Strategy
Overview of HLRA	4	HLRA Appointed Actuary Report on the Proposed Part 9 Transfer HLRA ICAAP Summary Statement HLRA Risk Management Strategy
Overview of the transfer proposal	5	Scheme document Reinsurance Agreement
Financial impact of Proposed Transfer	6	SRLHA internal liability and capital calculations HLRA capital base and PCA projections HLRA Appointed Actuary Report on the Proposed Part 9 Transfer
Transferring Policy Owner considerations	7	HLRA management interview meeting minutes HLRA Appointed Actuary Report, version received 27 August 2025
SRLHA Remaining Policy Owner consideration	8	Product Salus Costing Documentation v5

Swiss Re

Appendix C List of transferring policies

Table 13: List of Transferring Life Policies			
Brand	**Product Code**	**Product Name**	**In-force Policy Count**[1]
Medibank	MTZ	Medibank Life Insurance	43
Medibank	MTL	Medibank Life Insurance	17041
Medibank	MLI	Medibank Life Insurance	15326
Medibank	MEL	Medibank Essential Life/ Starter Life	126
Medibank	MIP	Medibank Income Protection	2565
Medibank	MFI	Medibank Funeral Insurance	1862
Medibank	MAP	Medibank Accidental Death Insurance	1259
Medibank	MAO	Medibank Income Protection (Accident Cover)	260
ahm	AHD	AHM Life Insurance	1917
ahm	AHS	AHM Life insurance Express	228
Woolworths*	WLI	Woolworths Life Insurance	4849
Woolworths*	WFL	Woolworths Life Insurance	5624
Woolworths*	WFI	Woolworths Funeral Insurance	859
Woolworths*	WAI	Woolworths Life Insurance - Accident Only	562
Woolworths*	WAC	Woolworths Life Insurance - Accident Only	181
Advantedge	PPL	Plan Loan Protect - Level	10
Advantedge	PPS	Plan Loan Protect - Stepped	17
Advantedge	CPL	Choice Protect - Level	10
Advantedge	CPS	Choice Protect - Stepped	6
Advantedge	FPL	Fast Protect - Level	2
Advantedge	FPS	Fast Protect - Stepped	2
Freedom	FPP	Freedom Protection Plan	7673
Freedom	FEL	Freedom Essential Life	675
Freedom	FPL	Freedom Premium Life	223
Freedom	FLP	Freedom Loan Protection	13

*Woolworths branded products will be rebranded "Safeway Life Insurance", "Safeway Life Funeral Insurance" and "Safeway Life Insurance – Accident Only" (as applicable) from the Effective Time.

[1] Policy count has been extracted from the relevant policy administration systems extract as at 31 December 2024. In-force policy count was determined based on in-force policy status data field.