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Portfolio Transfer from Zurich Life Insurance (Singapore) Pte Ltd to Singapore Life Pte Ltd

Report of the Independent Actuary

5 December 2017

Deloitte.

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5 December 2017

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Dear David and Walter

Project Slingshot: Report of the Independent Actuary

Zurich Life Insurance (Singapore) Pte Ltd ("Zurich Life") has entered into a transaction to transfer the business of Zurich Life to Singapore Life Pte Ltd ("Singapore Life"). Zurich Life and Singapore Life (the "Parties") engaged Deloitte Consulting Pty Ltd ("Deloitte") to prepare this independent actuarial report ("the Report") to provide an opinion in relation to the policyholder implications of the proposed transfer of the Zurich Life Business to Singapore Life ("the Proposed Transfer").

This Report considers the nature and impact of the Proposed Transfer on the policyholders of Zurich Life and Singapore Life. The Report considers whether the Proposed Transfer:

(a) properly and adequately safeguards the contractual benefits and other rights of the policyholders who are impacted; or

(b) is expected to result in any adverse impact on the policyholders in each business.

In preparing our opinions in regards to the Proposed Transfer, we considered the effect of the Proposed Transfer on the following areas for Zurich Life and Singapore Life Policyholders:

- Contractual benefits and other rights;
- Reasonable benefit or other policyholder expectations; and
- Benefit security (including capital position, investment strategy, reinsurance arrangements and risk management framework).

Our Report is subject to Reliances and Limitations, which are set out in Section 6 of the Report.

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Yours sincerely

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1 Executive Summary

1.1 Scope of this Report

With reference to section 49FC(2) of Chapter 142 of the Insurance Act, Deloitte ("we", "us") have been engaged by Zurich Life Insurance (Singapore) Pte. Ltd ("Zurich Life") and Singapore Life Pte. Ltd. ("Singapore Life") (together "the Companies") to prepare a Report of the Independent Actuary ("the Report", being the full report, not only the Executive Summary) which provides an opinion in relation to the implications for policyholders of the proposed transfer of the Zurich Life policies and the Life Risk Insurance Liabilities from Zurich Life's Insurance Funds (collectively "the Business") to Singapore Life ("the Proposed Transfer"). The Companies have voluntarily requested the preparation of the Report, and were not required to do so by the Monetary Authority of Singapore ("MAS").

Our Report considers the nature and impact of the Proposed Transfer on policyholders of Zurich Life and Singapore Life including whether the Proposed Transfer:

- properly and adequately safeguards their contractual benefits and other rights; and
- is expected to result in any adverse impact on such policyholders.

In preparing our opinion in regards to the Proposed Transfer, we consider the effect of the Proposed Transfer on the following areas for Zurich Life and Singapore Life Policyholders, both those that are transferring ("Transferring Policyholders") and those that are remaining ("Transferee Policyholders"):

- contractual benefits and other rights,
- reasonable benefit or other policyholder expectations,
- benefit security (as supported by the capital position, investment strategy, reinsurance arrangements and risk management framework), and
- any other matters that arise in the course of our review of the Proposed Transfer which have the potential to impact on either group of policyholders.

In preparing the opinion, we have focussed on the changes that arise as a result of the Proposed Transfer, rather than changes that might arise in the ordinary course of business.

1.2 Summary of the Proposed Transfer

Zurich Life and Singapore Life have agreed to transfer the Zurich Life Business to Singapore Life on the Effective Date (the effective date of the Proposed Transfer, noted below).

The Proposed Transfer will be effected via a Scheme of Transfer ("the Scheme") under which:

- The Zurich Life policies and the Life Risk Insurance Liabilities from Zurich Life's Insurance Funds will be transferred to Singapore Life's Insurance Funds. The Business in the Non-participating ("Non-par") Fund will transfer into the Non-par Fund of Singapore Life, and the Business in the Investment-linked Product ("ILP") Fund will transfer into a new ILP Fund in Singapore Life. No policies will remain within Zurich Life.
- Assets of Zurich Life's Insurance Funds will be transferred or assigned to Singapore Life's Insurance Fund(s).
- All rights and liabilities under the life insurance policies and contracts relating to Zurich Life's Insurance Funds will transfer to Singapore Life, and Zurich Life's policyholders will become policyholders of Singapore Life. This includes the obligations in relation to claims, regardless of when the claim was incurred, and in relation to commissions.
- Critical claims, customer service, and other Zurich Life staff are expected to be transferred and integrated into Singapore Life's team in addition to the Proposed Transfer (some of whom by virtue of the Employment Act, and others will be voluntarily offered positions).
- Existing reinsurance arrangements for in-force Zurich Life business are expected to be novated and transferred to Singapore Life.
- All costs associated with the Proposed Transfer will be borne by the shareholders of Zurich Life and the shareholders of Singapore Life.

- The details of the Proposed Transfer are more fully described in Section 4 of the full Report. It is anticipated that the Scheme will be effective 1 April 2018, subject to the approval of the High Court.

1.3 Merits of the Scheme

In forming our opinion (summarised in this section), we have relied on the accuracy and completeness of information provided to us by Zurich Life and Singapore Life, both orally and in writing, without independently verifying it. The full list of documents relied upon in producing this report can be found in "Appendix B – Information Relied Upon".

We note that the projections of the future financial position and the estimates of insurance liabilities are generally subject to inherent uncertainties which are reflected in the assumptions used to calculate these items. The actual financial position of Zurich Life and Singapore Life at the Scheme transfer date and beyond is subject to the outcome of events that have not yet occurred. Actual experience could vary significantly from the estimates contained within this Report and the Zurich Life and Singapore Life reports and financial statements. Deviations are normal and are to be expected. The outcome of insurance business and ongoing solvency of Singapore Life cannot be guaranteed. We note that no absolute guarantee can be provided given the inherent uncertainty in insurance outcomes.

Within this context, we have considered the merits of the scheme and the potential impact on the policyholders of both Zurich Life and Singapore Life. A summary of the implications of the Proposed Transfer on each group of policyholders is included in the table below:

Figure 1: Summary of the implications of the Proposed Transfer on each group of policyholders

Item considered	Impact on Zurich Life policyholders	Impact on Singapore Life policyholders
Contractual benefits and other rights	No adverse impact expected; products will be maintained by Singapore Life post-transfer and no changes are expected.	No adverse impact as no changes are expected to be made as a direct result of the Proposed Transfer.
Reasonable benefit or other policyholder expectations	Products will be maintained by Singapore life post-transfer and service standards will also be transferred to Singapore life; hence no adverse impact is expected.	No adverse impact as no changes are expected to be made as a direct result of the Proposed Transfer.
Benefit security (as supported by the capital position, investment strategy, reinsurance arrangements and risk management framework)	Capital ratios post-transfer are expected to be significantly above the target ratios and industry averages, thus indicating the continued financial strength of the business. Similar risk management frameworks are in place and include appropriate investment and reinsurance policies. Hence, no materially adverse impact is expected.	As a direct result of the Proposed Transfer, the capital ratio becomes slightly lower in the short term and yet strengthens slightly over time. It is expected to remain significantly above the target required for the duration of the business plan projections. Hence, no adverse impact is expected.
Other matters	None observed in the course of our review.	None observed in the course of our review.

In our opinion, the Proposed Transfer is unlikely to have an adverse impact on the policyholders of either Zurich Life or Singapore Life. Furthermore, we consider the following items to be the key merits of the Scheme:

- Zurich Life and Singapore Life have different strategic objectives. For Zurich Life, the strategy is to manage the business in a "run-off" process (i.e. no new business is accepted and ultimately the business will be closed once all policies have matured or expired). Singapore Life is a new business with plans to grow over coming years. Although we do not expect either strategy to adversely affect policyholders, they may prefer or even benefit from Singapore Life given the better alignment of policyholder and company interests.

- Singapore Life's plans as part of implementing the Scheme will also result in accelerated development of infrastructure (e.g. administration and customer servicing systems). This will also enable Singapore Life to provide both the transferring Zurich Life Policyholders and existing Singapore Life Policyholders with high service standards.
- We also note that the transfer will have a positive impact on Singapore Life's solvency position, which will partially be offset by the expenditure required in the transfer process and systems developments.

In conclusion, whilst there are uncertainties about the future that are inherent in insurance operations and the execution of the Scheme, the Proposed Transfer is not expected to adversely affect policyholders and there are additional merits to the Scheme which may benefit policyholders in the long run.

1.4 Reliances and limitations

In forming the opinions contained in this Report, we have relied on the accuracy and completeness of information provided to us by Zurich Life Insurance (Singapore) Pte. Ltd ("Zurich Life") and Singapore Life Pte. Ltd. ("Singapore Life") (together "the Companies"), both orally and in writing, without independently verifying it. The detailed reliances and limitations are set out in Section 6.

This Report should be considered in its entirety. This Executive Summary is intended to provide an overview of this Report and does not cover all of the issues addressed in the full Report. The reader may not rely on the Executive Summary in isolation.

This Report is solely for the purpose set out in the Scope section of the Report and is not to be used for any other purpose. This report has been prepared at the request of Zurich Life and Singapore Life in accordance with the terms of our engagement letter dated 29 August 2017.

Third parties who use this Report acknowledge that they are not a party to the engagement letter dated 29 August 2017. Deloitte shall not be liable for any losses, claims, expenses, actions, demands, damages, liabilities or any other proceedings arising out of any reliance by the third parties on this Report. Third party readers may wish to seek advice due to the technical nature of the Report.

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

2 Introduction

2.1 Scope of report

With reference to section 49FC(2) of Chapter 142 of the Insurance Act, Deloitte has been engaged by Zurich Life and Singapore Life to prepare an independent actuarial report, which provides an opinion in relation to the policyholder implications of the proposed Business Transfer of Zurich Life to Singapore Life. The Companies have voluntarily requested the preparation of the Report, and were not required to do so by MAS. The Proposed Transfer arises because, subject to approvals and completion, Zurich Life has entered into a transaction that affects the transfer of all policies, claims, underwriting, policy servicing information and data to Singapore Life.

Our Report considers the nature and impact of the Proposed Transfer on the policyholders of Zurich Life and Singapore Life including whether the proposed transfer:

- properly and adequately safeguards their contractual benefits and other rights; and
- is expected to result in any adverse impact on such policyholders.

In preparing our opinions in regards to the Proposed Transfer, we considered the effect of the Proposed Transfer on the following areas for Zurich Life and Singapore Life policyholders:

- contractual benefits and other rights;
- reasonable benefit or other policyholder expectations;
- benefit security (as supported by the capital position, investment strategy, reinsurance arrangements and risk management framework); and
- any other matters that arise in the course of our review of the Proposed Transfer which have the potential to impact on either group of policyholders.

We have reviewed the following internal documents titled:

- "Business Transfer Agreement" - an agreement made on 25 July 2017 between Zurich Life and Singapore Life on the transaction and details; and
- "Financial Impact Analysis of Proposed Purchase of Zurich Life Singapore Portfolio" (provided to the Monetary Authority of Singapore ("MAS") on 20 July 2017).

These documents describe a proposed scheme of transfer ("Scheme") of the Business and provide an analysis of the impact on the policyholder's terms and benefit security. Our opinion is prepared independently of these documents.

Aside from these documents we have been provided with various items of information and had discussions with management of both companies regarding the businesses pre-transfer and expectations of the business post-transfer. We have used and relied on the information provided to form our opinion, including the information listed in Appendix B.

In preparing our opinions, we have focussed 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.

2.2 The Independent Actuary

Before an application for confirmation of a scheme for the transfer of insurance business from one company to another is submitted to the High Court for approval, the companies are required to lodge a copy of the Scheme with MAS together with copies of any actuarial report upon which the scheme is founded. This is in accordance with Section 49FC(2) of Chapter 149 of the Insurance Act.

We have been appointed jointly by Zurich Life and Singapore Life (the "Companies") to issue the report of the independent actuary.

This Report has been prepared by a team led by Mr Alan Merten, the Independent Actuary, who provides this Report on the proposed scheme for the transfer of the Zurich Life Business to Singapore Life.

Neither Mr Merten, nor his immediate family, hold any policies, investments, shareholdings or have any other financial interests with either of the Companies, nor has he advised the Companies on any significant projects in the past.

We have not acted as external auditor or performed any regulatory roles for the Companies. We have not acted for the Companies in developing any aspects of the Scheme, and have not carried out any of the calculations (or the development of any of the underlying financial models) connected with the Scheme. We do not believe that we have carried out any assignments that compromise Mr Merten's ability to report independently on the Proposed Transfer.

2.3 Reliances and sources of information

In forming our opinion, we have relied on the accuracy and completeness of information provided to us by Zurich Life and Singapore Life, both orally and in writing, without independently verifying it. The full list of documents relied upon in producing this report can be found in "Appendix B – Information Relied Upon".

We note that projections of future financial position and estimates of insurance liabilities are generally subject to inherent uncertainties. The actual financial position of Zurich Life and Singapore Life at the Scheme transfer date and beyond is subject to the outcome of events that have not yet occurred. Actual experience could vary significantly from the estimates contained within this Report and the Zurich Life and Singapore Life reports and financial statements. Deviations are normal and are to be expected. The outcome of insurance business and ongoing solvency of Singapore Life cannot be guaranteed. We note that no absolute guarantee can be provided given the inherent uncertainty in insurance outcomes.

2.4 Form of the Report

The remainder of this Report is structured as follows:

- Section 3 provides an overview of the Zurich Life and Singapore Life businesses, which include the following:
    - Funds and products
    - Financial position
    - Investment strategy
    - Expense allocation
    - Underwriting policy
    - Risk Management Framework
    - Reinsurance arrangements
    - Proposed dividends and transfers
    - Recent significant events
- Section 4 summarises the proposed Scheme and the key changes which are likely to impact policyholders.
- Section 5 explains the impact of the Proposed Transfer on the Zurich Life and Singapore Life policyholders. It sets out our analysis and conclusions on how these policyholders are affected by the Scheme in respect of:
    - Contractual benefits and rights
    - Policyholder reasonable expectations
    - Security of policyholder benefits
- Section 6 provides the Reliances and Limitations that we place in our Report
- Further detail is given in the Appendices, including a glossary and the full list of documents and information that has been relied upon in forming our conclusion.

3 Overview of the Businesses

3.1 Overview of Zurich Life business

Zurich Life Insurance (Singapore) Pte. Ltd ("Zurich Life") is part of the Zurich Group, the holding company of which is Zurich Insurance Group Ltd ("ZIG"). In Singapore, Zurich Life has offered a range of protection and investment linked products to customers since commencement in April 2012. With effect from 1 December 2015, Zurich Life ceased to accept new policy applications and effectively closed down to new business.

3.1.1 Funds and products

As at September 2017, Zurich Life has two insurance funds, for Non-participating Products and Investment Linked Products, and a Shareholders' Fund ("SHF"):

Figure 2 : Zurich Life Funds

Fund		Gross Written Premium* (in S$ 'm)	Description
Insurance Funds	**Non-participating Product ("Non-par")**	**4.9**	Non-participating business consists of Term and Standalone Critical Illness ("CI") products. The fund is closed to new business.
	Investment-linked Product ("ILP")	**6.0**	Investment-linked business accounts for a significant portion of the Insurance Fund of Zurich Life. The fund is closed to new business.
Shareholders' Fund ("SHF")			The Shareholders' Fund is maintained separately from the Insurance Funds as required under the Insurance Act. This fund holds a secondary layer of capital, which is available to the Insurance Funds for regulatory solvency requirements.

*9 months YTD to September 2017

The existing business of Zurich Life is summarised in the table below. As mentioned above, since 1 December 2015 Zurich Life has ceased to accept new business, and so all products are closed to new business.

Figure 3: Zurich Life Products

Product	Description
Term	Term products pay a benefit on Death and Terminal Illness over a certain period of time. Attachable riders include accelerated disability/critical illness benefits, additional critical illness benefits and a premium waiver. Term is sold through the following product lines: • **Z Protect**: This is a pure protection policy with no cash value. The policy is sold with a compulsory rider (acceleration of the disability benefit). The policy can be sold with additional attachable riders. Attachable riders include accelerated disability/critical illness benefit, additional critical illness benefit and premium waiver. • **Z Protect Prestige**: The policy allows for a guaranteed insurability option where the sum assured can be increased without underwriting when the status of the Life Assured changes (for example on marriage). The policy has a compulsory rider for acceleration of disability benefit attached and is offered in multiple currencies. The policy can be sold with

<table>
<tr><th>Product</th><th>Description</th></tr>
<tr><td></td><td>additional attachable riders. Attachable riders include accelerated critical illness benefit, additional critical illness benefit and premium waiver.
Z Protect Home: The policy’s sum assured decreases over the term of the policy in line with a home mortgage schedule. The policy can be sold with attachable riders. The attachable riders include premium waiver and accidental benefit.</td></tr>
<tr><td>Standalone Critical Illness (“CI”)</td><td>The Critical Illness product pays out a lump sum in the event of a covered critical illness. The policy can be sold with a premium waiver rider, and is sold through the following product line:
Z Care: This plan offers protection against various critical illnesses. There is a waiting period before the benefit is payable for certain critical illnesses.</td></tr>
<tr><td>Investment-linked Policies (“ILP”)</td><td>ILP pays the sum assured amount plus account value or an amount agreed with the policyholder upon death or terminal illness. A portion of the premium is allocated to an investment account that builds up an account value. There are fees applied upon surrender. The attachable riders include a comprehensive disability benefit, accelerated supplementary benefit, additional critical illness, and premium waiver. The product is sold through the following product lines:
Z Link: The benefits of this product are payable on death or terminal illness. The policy can be sold with attachable riders.
Z Saver: This is a whole life ILP, offering a choice of limited premium payment term options. The product provides a benefit on death and terminal illness. The benefit paid is the Sum Assured plus Account Value. The policy can be sold with the premium waiver rider.
Z Invest: This is a whole life single premium ILP product. There are no attachable riders available. The policy offers a minimal protection element.
Fund options and management: Funds available for policyholder selection are chosen by the Zurich Global Fund Desk, with access to a range of funds. Features of the ILP products include:
Access to 19 funds
Zurich Life uses fund managers from both foreign and local fund management companies
Annual updates on strategic asset allocations
Option for policyholders to increase investment capital over time with the Single Premium Investment Boost option
Option to switch fund without limit and charge subject to a minimum partial fund switch of S$ 1,000</td></tr>
</table>

3.1.2 Financial position

The financial position of the Zurich Life as at 30 September 2017 is summarised below (including Net Assets and Capital Position).

Figure 4: Zurich Life Financial Position

Summary of Capital Position as at 30 Sep 2017 (S$ 'm)	Insurance Funds	Shareholders' Fund	Total
Assets	53.0	11.8	64.8
Policy Liabilities (Net)	(31.0)	0	(31.0)
Other Liability	(2.8)	(10.8)	(13.6)
Net Assets	**19.2**	**1.0**	**20.2**
Adjustment to Financial Resources*	(0.3)	(0.3)	(0.6)
Financial Resources	**18.9**	**0.7**	**19.6**
Total Risk Requirement	**3.3**	**0.7**	**4.0**
Fund Solvency Ratio ("FSR") / Capital Adequacy Ratio ("CAR")	**NP: 590%** **ILP: 521%**		**488%**

* Adjustment to Financial Resources: This accounts for the reinsurance adjustment and other regulatory financial resource adjustments

Regulatory capital requirements are set by MAS. Currently, under the Insurance (Valuation and Capital) Regulations 2004, licensed insurers have to maintain a minimum Capital Adequacy Ratio ("CAR") of 100% at the company level. Insurers are also required to notify MAS about the occurrence or potential occurrence of any event ("financial resources warning event") that would result in the financial resources of the insurer being less than 120%. In practice, we would expect insurers to have capital management plans in place and to hold a target CAR of more than 120%. In fact, all insurers generally hold CAR of at least 150%.

MAS has specifically required Zurich Life to hold a minimum CAR of 115% or S$ 5m (whichever is higher), with anything below 138% triggering a financial resources warning event. For Insurance Funds, there was no additional requirement imposed from MAS.

At the insurance fund level, insurers are currently required to maintain a Fund Solvency Ratio ("FSR") of 100%. In practice, most insurers hold a comfortable buffer in excess of this minimum level.

MAS is currently in the process of building on its current Risk Based Capital ("RBC") approach. Enhancements will lead to the full implementation of RBC 2, with an implementation date that is yet to be confirmed.

Zurich Life holds only Tier 1 assets (no Tier 2 assets). For internal management purposes, Zurich Life targets an FSR in excess of 120% for each Insurance Fund and a CAR in excess of 200% for the entire company (with a lower limit of 180%). These targets are met at both an Insurance Fund level and Company level. As a result, Zurich Life is well capitalised, exceeding both internal and Regulatory Capital benchmarks.

3.1.3 Investment strategy

Zurich Life has an Investment Management Committee in the form of its Asset/Liability Management Investment Committee whose role is to take decisions on matters related to the management of the invested assets of the entities.

Zurich Life has an investment policy designed in light of the liability structure of the company and the anticipated demands for funds to meet its obligation to policyholders and other stakeholders in Singapore. As discussed in section 3.1.1, Zurich Life has three funds: SHF, Non-Par Fund and ILP Fund. The policy dictates which asset classes are eligible for investment within these funds, and provides guidelines on the asset allocation.

Only Money Market Funds and Fixed Income Assets are eligible asset classes for investment. The current asset allocation guideline recommends that Zurich Life invests all or a substantial portion of the assets in money market or cash equivalents. Currently, there is no plan for Zurich Life to invest in credit instruments. Investment in such asset classes will require prior approval from the ALMIC.

For investment-linked funds, Zurich Life provides policyholders with access to selected third party funds through some of their products. Zurich Life established a formal management committee, the Unit Linked Investment Committee to oversee the third party fund managers.

3.1.4 Expense allocation

Zurich Life internally carries out policy administration, business management, finance, investment management, and reporting. It no longer carries out any sales or new business marketing activities since it closed to new business in December 2015.

Each functional expense category is represented by a cost centre code, representing a business function within the company. Expenses under each cost centre code are then classified either as policy maintenance costs or fixed overheads. An 'activity based' approach is used, where costs are classified based on the business activity or transaction generating the expenses. This classification is used to determine whether the activity of each cost centre is directly related to policy maintenance and servicing, or to back end office support.

With the exception of expenses incurred by certain functions like legal and compliance, most cost centres are either 100% related to policy maintenance or back end support which contributes to fixed overheads. Legal, compliance and finance functions have activities related to both policy maintenance and shareholder support. For these cost centres, the relative effort incurred for policy maintenance and shareholder support are estimated, with that forming the basis to allocate their respective expenses into policy maintenance costs or fixed overheads.

Policy maintenance costs are allocated to the Insurance Funds and fixed overheads to the Shareholders' Fund. Policy maintenance expenses are subsequently allocated at fund level (into Non-par and ILP funds) using a weighted ratio of expense loadings generated by the closed in-force book.

3.1.5 Underwriting policy

Zurich Life has internal underwriting guidelines that are vetted by Zurich Insurance Company Limited (ZIC) and signed off by the Business Unit (BU) underwriter. ZIC is a subsidiary of ZIG, and is one of the main operating companies of the Zurich Group. Recommendations made by the BU underwriter to ZIC are driven by Zurich Life's internal underwriting guidelines.

For sum assured increases and additions of riders on existing business, Zurich Life refers to its reinsurers should the sum assured at risk be higher than the retention limits and considers their recommendations, with sign off by the local BU manager.

3.1.6 Risk Management Framework

Zurich Life's risk management approach is in line with ZIG's risk policy, which articulates ZIG's approach to risk and sets standards for effective risk management throughout the Group. Each country is required to have a Risk and Control Committee ("RCC").

Zurich Life applies ZIG's Group Risk Management Framework, whilst setting its own local Risk Appetite Statement. The following table summarises Zurich Life's risk appetite and tolerances that are applied to risk management within Zurich Life:

Figure 5: Zurich Life Risk Appetite Statement

Risk Appetite	Risk Tolerance
Capital Adequacy	• Maintain solvency at a minimum CAR level of 180% to 200%.
Operational Losses	• Maintain adequate internal controls to protect the reputation of the company and Group • Limit Operational, Compliance and Technology related losses to below 1% of gross premium income each year.

Risk Appetite	Risk Tolerance
Credit and Liquidity	• Invest majority of assets with counterparties of rating A or above • Ensure sufficient liquidity through investment in liquid assets
Group Risk Policy Adherences	• Maintain 90% of Zurich Risk Policy adherences across each quarter[1].
Reputation	• Build an organisation whereby the rights, responsibilities, rules and procedures for decision-making within the entity are well defined, transparent and supported through appropriate risk management and sound culture based on Zurich Basics (Zurich Group's Code of Conduct) and Zurich Commitment.

Under the Group Framework, the following risks are monitored and managed to meet the risk management objectives of ZIG:

Figure 6: ZIG Key Risks

Key Risks	Description
Life Insurance Risk	Life insurance risk can be further broken into risks arising from ZIG's business and liabilities. These risks include persistency, expenses, new premium, longevity, mortality, morbidity etc.
Market Risk	Market risks include risk from movements in the value of assets and liabilities held by the business. Key risks are interest rate, equity, credit risk, foreign exchange rate and real estate.
Credit Risk	Credit risk arises from the potential default of reinsurance held and other counterparties (e.g. in respect of receivables that the company holds).
Operational Risk	Operational risk comprises losses arising from events such as failed internal processes, systems, peoples and external events that affect the business.

3.1.7 Reinsurance arrangements

Zurich Life's reinsurance strategy is based on their stated objective of "providing market-leading capacity for customers while protecting the balance sheet and optimising capital efficiency". A centralised reinsurance purchasing strategy is followed where possible, with programs bundled to benefit from diversification and economies of scale. The main treaties are intended to deal with specific risks and reduce the retention that falls to both the Zurich Life balance sheet and to its capital requirement under MAS regulations.

A focus on credit and operational risks is maintained in Zurich Life's reinsurance program by:

- defining the principal reinsurance to be purchased and policies to be followed,
- transacting only with internal reinsurers and authorised external reinsurers,
- monitoring the financial strength of reinsurers where there is large concentration, and
- monitoring the performance of the Zurich Life reinsurance program on an ongoing basis.

The reinsurance arrangements were updated on 1st May 2014. All of the policies are reinsured on a quota share basis with identical retention limits. The reinsurance arrangements for core products are summarised in Appendix C – Reinsurance Summaries.

[1] Some of the Zurich Risk Policy rules are not applicable for Zurich Life to meet due to the relative smaller size of the Singapore business when compared to other Zurich business units. That is why it seeks 90% rather than 100% adherence.

3.1.8 Proposed dividends and transfers

Zurich Life has not paid any dividends since the inception of the company in 2012. In addition, there are not any planned dividend payouts for the foreseeable future.

3.1.9 Recent significant events

We understand that there have been no significant events since **30 September 2017** that would change the conclusion of the Report.

3.2 Overview of Singapore Life business

Singapore Life Pte. Ltd. ("Singapore Life") was approved as a fully licensed direct life insurer by MAS in June 2017, and therefore there is limited historical information, precedents nor financials currently available. Major investors of Singapore Life are IPGL Holdings and Hong Kong-listed Chong Sing Holdings FinTech Group Ltd. It is the first local insurer to be licensed since 1970. Singapore Life currently offers a range of products including Universal Life and Protection products. Singapore Life offers life insurance both digitally and through financial advisers.

3.2.1 Funds and products

As of 30 September 2017, Singapore Life has one Insurance Fund and a Shareholders' Fund:

Figure 7: Singapore Life Funds

Fund	Description
Non-participating ("Non-par") Insurance Fund	The Non-par insurance fund consists of term and universal life products. Singapore Life currently has only a small amount of in-force business as it started selling products in August 2017.
Shareholder Fund	The Shareholders' Fund is maintained separately from the Insurance Funds as required under the Insurance Act. This fund holds a secondary layer of capital, which is available to the Insurance Funds for regulatory solvency requirements.

Conditional on approval being granted, Singapore Life plans to launch Variable Universal Life ("VUL") and Endowment products during FY18. Upon issuing VUL policies in 2018, Singapore Life is expected to create a second Insurance Fund, which will be an ILP Fund, as required by MAS (provided it has not already been created as a result of the Proposed Transfer).

All existing products are open to new business and there are no closed product lines. Singapore Life's current products are described below:

Figure 8: Singapore Life Products (Current)

Product	Description
Term	This is a regular premium term insurance product, with a benefit payable upon death or terminal illness. The policy has a guaranteed renewability feature but subject to limit such as maximum age. The following riders can be attached to the product: • Accelerated Critical Illness • Accelerated Total and Permanent Disability ("TPD") Benefit • Waiver of Premium
Universal Life (Series One)	This plan is a non-participating, whole life policy denominated in USD that provides a benefit on death or terminal illness, with a cash value growing at a declared crediting rate with a minimum guarantee. The policy is offered as a single premium product. The product features include penalty-free withdrawals and a policy loan facility.

As mentioned above, Singapore Life is planning to launch VUL and Endowment products, subject to MAS approval, as follows:

Figure 9: Singapore Life Products (Planned to be launched)

Product	Description
Variable Universal Life ("VUL")	This plan will be an investment linked, whole of life policy that provides a benefit on death or terminal illness. The product will only be made available to accredited investors. The policy is expected be offered as a single premium with optional top-ups. Once launched, a new Insurance Fund is expected to be created for this product.
Endowment	This plan will be a non-participating endowment policy that provides a benefit on death and maturity. The policy is expected to be offered as a single premium product The policy is expected to be offered as a single premium product with policy term less than 5 years. It will include minimal death cover.

3.2.2 Financial position

Singapore Life was founded with paid up capital of S$ 70m. This is greater than the MAS licensing requirement of S$ 10m for a direct life insurer to operate in the region. The financial position of Singapore Life at 30 September 2017 is shown below including Net Assets, Required Capital and Capital Adequacy Ratio.

Figure 10: Singapore Life Financial Position

Summary of Capital Position as at 30 Sep 2017 (S$ 'm)	Insurance Fund (Non-par only)	Shareholders' Fund	Total
Assets	38.0	59.8	97.8
Policy Liabilities (Net)	(0.0)	0	(0.0)
Other Liability	(34.8)	(0.5)	(35.3)
Net Assets	**3.2**	**59.3**	**62.5**
Adjustment to Financial Resources*	0	0	0
Financial Resources	**3.2**	**59.3**	**62.5**
Total Risk Requirement	**2.7**	**3.3**	**6.0**
Fund Solvency Ratio ("FSR") / Capital Adequacy Ratio ("CAR")	**116%**		**1034%**

*This accounts for reinsurance adjustment and other regulatory financial resource adjustments

Regulatory capital requirements are set by MAS. Currently, under the Insurance (Valuation and Capital) Regulations 2004, licensed insurers have to maintain a minimum Capital Adequacy Ratio ("CAR") of 100% at the company level. Insurers are also required to notify MAS about the occurrence or potential occurrence of any event ("financial resources warning event") that would result in the financial resources of the insurer being less than 120%. In practice, we would expect insurers to have capital management plans in place and hold a target CAR of more than 120%. In fact, all insurers generally hold CAR of at least 150%.

At the insurance fund level, insurers are currently required to maintain a Fund Solvency Ratio ("FSR") of 100%. In practice, most insurers hold a comfortable buffer in excess of this minimum level.

MAS has specifically required Singapore Life to hold a minimum CAR of 200% and FSR of 100%. These levels are monitored by Singapore Life at least on a quarterly basis and more frequently if necessary.

MAS is currently in the process of building on its current Risk Based Capital ("RBC") approach. Enhancements will lead to the full implementation of RBC 2, with go-live date yet to be confirmed.

For internal management purposes, Singapore Life targets an FSR in excess of 125% for each Insurance Fund and a CAR in excess of 200% for the entire company. Although Singapore Life does not meet its internal target at fund level as at 30 September 2017, it is well capitalised overall considering CAR is 1034%. In case breach at an Insurance Fund level is expected, Singapore Life will transfer excess SHF to the Insurance Fund to increase the ratio. With respect to regulatory requirements, as at 30 September 2017 Singapore Life did meet the requirements at both fund and company level.

Should additional capital be required to support its businesses, Singapore Life will turn to the strength of its major shareholders, who have indicated their strong interest in the continuing sustainability of Singapore Life. While they may have the capacity to inject capital where required, there is no contractual obligation for them to do so.

3.2.3 Investment strategy

Singapore Life has a prudent investment policy, and considers the impact on earnings and on solvency ratio as part of its Risk Appetite Statements ("RAS") in setting its investment strategy. We consider the Risk Management Framework in section 3.2.6. The investment RAS are:

- The chance of aggregate portfolio loss contributing to a loss of more than 1 year profit before tax must be less than 5% in any one year.
- The chance of portfolio loss bringing its related FSR below 120% must be less than 10% in any month.

Its strategy also incorporates the liability structure of the business (nature, duration, timing, guarantees). Asset allocation targets are summarised in the following table:

Figure 11: Singapore Life Investment Strategy

Fund	Investment Strategy
Non-Par Insurance Fund (for regular premium products that are not Universal Life)	• **Target investment**: 80% Corporate Bonds, 10% Government Bonds and 10% invested in Singapore Cash • The investment objective is a return of 3% gross of tax, net of fees • We note that the average duration of the liabilities is 10 years.
Non-Par Insurance Fund (Universal Life Insurance Products)	• **Target investment**: 97–100% Bonds and remainder invested in cash • Majority (90–100%) of funds are invested in A- or above rated bonds. Up to 10% can be invested in BBB+ or unrated bonds • Bonds are expected to be held till maturity despite being treated as available for sale in accounting policy • We note that the average duration of the liabilities was between 15 to 20 years at inception of portfolio
Shareholder Fund	• **Target**: 70% Global Corporates in USD, 20% Government Securities in USD, and 10% invested in Singapore Cash • Time horizon is 5 years

Singapore Life currently has very little currency risk, and is thus not using any derivatives to hedge the risk. Singapore Life informed us that it intends to accept unmatched currency risk for policy liabilities of less than S$ 0.5m for now. When Singapore Life's exposure to currency risk increases, it will start utilising derivatives to hedge the risk. The Investment Policy will be amended accordingly to reflect this change.

The Investment Strategy is expected to be revised at least annually and prior to key product launches. Singapore Life will also ensure full set up and review the Investment Policy and governance of ILP sub-funds prior to Proposed Transfer of business from Zurich Life. Singapore Life plans to establish an ILP Fund Selection Committee to provide oversight on each ILP Fund. The committee will actively monitor and manage the fund managers and fund performance.

3.2.4 Expense allocation

Singapore Life outsources various functions including (most of) marketing, investment management, appointed actuary, actuarial support, and IT. As its products are currently Non-par, all operating expenses except for expenses directly attributable to shareholders are currently booked in the Non-Par Fund. All insurance business expenses will be identified as acquisition or maintenance and then allocated to product level.

3.2.5 Underwriting policy

All underwriting rules are approved by Singapore Life's reinsurer. Regarding underwriting of sum insured increases on existing businesses, there are specific underwriter and company limits set for each product category. These are checked before reverting to the relevant reinsurer.

3.2.6 Risk Management Framework

Singapore Life's Corporate Governance Policy provides for the Risk Committee and Investment Committee being appointed by the Board. The IT Steering Committee Risk Committee and the Investment Committee reports into the Risk Committee.

Singapore Life's key risk management policies include policies on investment, reinsurance management, capital management, technology, outsourcing, operations, product pricing and development, Anti-Money Laundering and Counter-Terrorism Financing ("AML/CTF") and business acceptance for Non-Singapore Risks.

Singapore Life's Enterprise Risk Management ("ERM") Framework focuses on managing the following aspects of risk the company faces:

Figure 12: Singapore Life Key Risks

Risk Type	Description	Mitigation
Insurance Risk	The risk of loss due to actual experience being different than that assumed when an insurance product was designed and priced.	Retention limits on mortality are set at <1% of initially invested Shareholders' Capital, and is applied as guidance to monitor the reinsurance retention levels over time. Business Acceptance Policy and Underwriting Guidelines on acceptance of new business and cross-border risks. Products are lapse supported.
Market Risk	The risks arising from changes in interest rates, exchange rates, or equity prices.	Singapore Life does not offer guarantees on products that are unsustainable. It tries to match liability profiles by acquiring appropriate assets. Pre-purchasing of assets in respect of products with investment yield guarantees. A minimal level of unhedged currency risk is accepted. Risk appetites set to limit exposures to market risks. Extent of asset and liability duration matching limits impact of interest rate changes. Actions taken to manage interest crediting rate on Universal Life products.
Credit Risk	The risk of loss arising from counterparty default, failure to collect funds from creditors, including reinsurers and intermediaries.	Investment policy limits the credit concentration by issuer, sector, portfolio rating. Credit monitoring undertaken to proactively monitor default risk.

Risk Type	Description	Mitigation
Operational Risk	The risk arising from failed internal processes, systems, peoples and external events that affect the business.	Operational risk should be as low as possible, on the basis that operational failures may adversely impact reputation and may lead to compliance breaches, impair ability to attract new business and lead to poor customer outcomes. Operational risk frameworks, including outsourcing risk management, technology risk management, internal audit reviews, key control indicators, and service level monitoring.
Liquidity Risk	The risk of inability to meet short-term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.	ALM methodology ensures cash flows are sufficient to meet future liabilities. Minimum cash holdings embedded in Investment Mandates. Ability to call on reinsurers in respect of larger claims.

Singapore Life's risk tolerance statement includes various risk tolerances that cover capital, financial strength and liquidity. These risk tolerances measure risk such that assurance can be provided to the Board that the company is operating within its risk appetite. The following table summarises Singapore Life's risk tolerance statement for each key risk:

Figure 13 Singapore Life Risk Tolerance Statements

Risk Type	Risk Tolerance
Capital Management	Maintaining adequate capital to meet both MAS regulatory requirements at 200% and 100% (Company and Fund Level respectively). Internal buffers set to ensure that these limits are adhered to at all times.
Retained Insurance Risk	To limit insurance risk claims exposure to a maximum of 1% of initially invested Shareholders' Capital per insured risk (i.e. at each individual risk level). Reinsurance credit quality to be reviewed and assessed at Board level (reviewed annually as part of Reinsurance Management Strategy review).
Volatility of Reported Profit	To limit volatility to a downside of no more than 75% of forecasted reported embedded value profitability affected by external market related stresses (reviewed annually as part of Stress Testing Review).
Liquidity Risk	To ensure that Singapore Life is able to meet liquidity needs such as large death claims and high rate of surrenders of products with cash value, Singapore Life should have minimum available liquidity, targeting the maximum of $5m or 3% of its Assets Under Management in near-liquid assets at aggregate company level (translated into Investment Mandate as part of Investment Policy and monitored quarterly).
Investment Risk	Investment risk relates to the underlying assets supporting products with an investment element. On its Universal Life portfolio, its tolerance is a portfolio S&P rating average of at least "A", and with appropriate diversification across sectors and issuers. All policy liabilities will be matched by assets in the same currency, with mismatches limited to <$0.5m in aggregate.
Model Risk	Net impact of errors relating to models (pricing, valuation, capital adequacy, Embedded Value) are limited to no more than 3% of Embedded Value (monitored as part of Operational Risk Framework)

Operational Risk	Incidents relating to operations are contained to no more than S$50k in terms of financial impact on a 12-month rolling basis. All incidents impacting regulatory compliance are reported to the Risk Committee for a thorough investigation and review.
Compliance	No tolerance for compliance and regulatory breaches.

3.2.7 Reinsurance arrangements
Singapore Life uses reinsurance to transfer risk to reinsurers, as per its Retained Insurance Risk statement described in Figure 13 above. It has reinsurance arrangements for its Term and Universal Life businesses, based on a quota share basis. The reinsurance arrangements for core products are summarised in Appendix C – Reinsurance Summaries.

3.2.8 Proposed dividends and transfers
Singapore Life is not planning to pay any dividend for the next 5 years; no dividend is expected to be paid out until Singapore Life has accumulated sufficient earnings to enable a dividend payment to be made. Singapore Life plans to propose dividends after determining its ability to maintain its internal capital requirements for the following 2 years.

3.2.9 Recent significant events
We understand that there have been no significant events since **30 September 2017** that would change the conclusion of the Report.

4 The Proposed Transfer

This section of the Report summarises the Proposed Transfer and the plans which Singapore Life has made in respect of the key areas that may impact contractual terms and rights, policyholder expectations and benefit security.

4.1 Summary of Scheme of Transfer ("Scheme")

This section summarises the Scheme for the transfer of insurance business under Section 49FB of the Insurance Act, Chapter 142 of Singapore.

Both Singapore Life and Zurich Life are aiming to effect the transition by 1 April 2018 and are working closely together to achieve this objective.

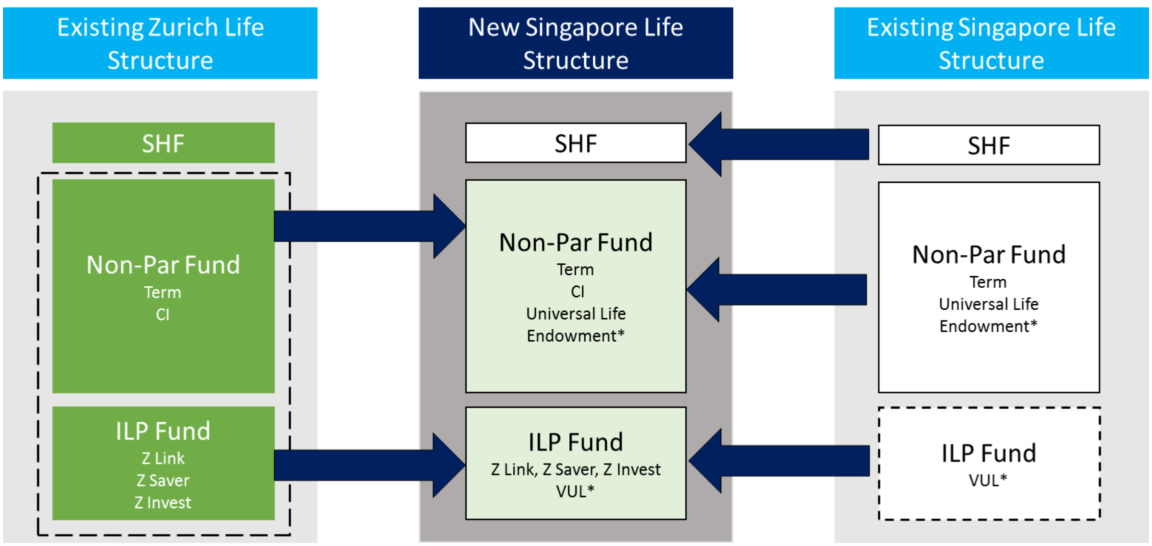
The objective of the Scheme is to transfer all policies, claims, underwriting, policy servicing information and data from Zurich Life to Singapore Life. This includes the policy liabilities and supporting assets in the Non-par Fund and the Investment-linked Fund of Zurich Life. Assets and Liabilities in each of Zurich's Insurance Funds will be transferred to the Singapore Life's Insurance Funds as shown in Figure 13.

For the Scheme, the assets equal the liabilities with a net amount of S$0. There are then additional payments outside the Scheme, resulting in a net payment of S$4m from Zurich Life to Singapore Life.

All rights and liabilities under the life policies and contracts relating to Zurich Life's Insurance Funds will remain unchanged, and the existing Zurich Life Insurance Funds' policyholders will become policyholders of Singapore Life. The Zurich Life products will not be offered to new customers of Singapore Life. Rather, Singapore Life will continue selling its own products and will manage the acquired Zurich Life products.

The figure below illustrates which Insurance Funds (and products and policies within them) will be transferred to Singapore Life as part of the Scheme, as well as the proposed fund structure under the Scheme and shows the expected structure of Singapore Life post-transfer (the diagram includes the Singapore Life products that are currently in the MAS approval process).

Figure 14: Proposed Structure



*Products planned to be launched by Singapore Life. As a result, ILP Fund is currently not yet set up.

All resulting financials will be reported as a part of Singapore Life's Insurance Funds in accordance with MAS regulations. Whilst the products within the Non-par Fund from Zurich Life will be combined within Singapore Life's Non-par Fund 1, they will be segregated internally for monitoring.

4.2 Singapore Life Strategic Rationale

Singapore Life views this transaction as a strategic step towards building its insurance business in Singapore and concluded that the Zurich Life products fit into their overall product strategy. The Singapore Life Board believes that the following objectives can be achieved by the transfer:

- Acceleration of Singapore Life's strategy to achieve growth in the local market
- Positive impact on its brand through demonstration of credibility and strength via its acquisition of Zurich Life and the resulting increase in the size of the business

4.3 Product and pricing transition plan

Under the Scheme, Singapore Life will transfer the policies from Zurich Life as they are, with no changes to the in-force products.

All in-force policies will be transferred without any change to terms and conditions to Singapore Life who will manage them thereafter. For Zurich Life's non-ILP products, there will not be any product or pricing changes made.

For Zurich Life's ILP products, whilst under their contracts fund managers, fund options and management fees can be changed, at the outset no changes are planned. Singapore Life has informed us that its intention is to provide at least the same or better options and experience to transferring policyholders. Singapore Life also informed us that it has contracted with AllFunds Bank for custody, distribution and settlements through the Allfunds platform. Singapore Life expects to continue a similar arrangement with Allfunds (in combination with Singapore Life's internal processes) as Zurich has with the Zurich Global Funds Desk, and is currently in the process of formulating the legal agreements.

We are told that Singapore Life's post-purchase plans centre around customer retention as well as plans to cross-sell Singapore Life's current and future products to the Zurich Life policyholders post transfer.

4.4 Claims management and philosophy

Singapore Life has reviewed the claim management process of Zurich Life and plan to integrate it into its own claim management process, adopting best practices relating to claims management in the process. Singapore Life notes that its management team has significant experience in claims management such as Death, CI, TPD and Premium Waiver, and their planned policy admin system (see section 4.5) will fully support all claims functionality. Singapore Life will be recruiting a Claims Officer by Q1 2018.

Given the number of claims are expected to be minimal and portfolio is relatively young, Singapore Life does not expect any significant issues in managing claims. All outstanding claims will be managed in accordance with policy contractual terms subsequent to the date of Proposed Transfer and any re-instatement rights provided in respect of lapsed policies will be catered to in the same way.

4.5 Customer service

To ensure a successful transfer, both Singapore Life and Zurich Life are involved in managing potential risks in advance of the go-live date.

Upon transfer, Singapore Life aims to provide consistent service standards compared to Zurich Life and policy admin systems to respond to queries from Zurich Life policyholders. Singapore Life will use Zurich Life's customer Service Level Agreements ("SLA") and processes as a baseline and will aim to improve on these towards better engagement including digital communication.

Singapore Life therefore aims to maintain at least the Zurich Life's current service standards for the various turnaround times in anticipation of the policy servicing requests. To improve efficiency, Singapore Life will implement a new policy admin system with increased automation. This is expected to have a positive impact on customer service experience through improving the accessibility of policy information online using customer portals.

In the course of the transition, and in addition to the Proposed Transfer, specific staff will be selected from the current Zurich Life policy servicing team as well additional contracted hires, to help ensure a smoother transition to Singapore Life and minimise the impact on Policyholders from the migration. We have been told that the required positions have been identified and a go-live organisational structure has been worked through. In the short term, these staff will be handling requests from the existing Zurich Life policyholders making sure there is no substantial difference in experience for the existing policyholders. The staff are also expected to provide training to the Singapore Life staff to handle the potential future increased requests from both sets of policyholders.

We have been told that under the Employment Act, it is mandatory for Singapore Life to offer certain of the existing Zurich Life employees a position as a result of the Proposed Transfer. These offers will be at the same salary level as the employees are currently earning, and the employees will be subject to Singapore Life's employment policies. Singapore Life are confident the critical employees (both mandatory and targeted) will accept their offer based on initial discussions with and strong interest from a couple of staff members. However, should Zurich Life employees not accept the offer, Singapore Life has informed us that the current team is capable of providing sufficient customer service, with the new system being implemented to optimise the process.

4.6 Changes to reinsurance arrangements

After the transfer to Singapore Life, the bulk of the current reinsurance arrangements, which are with external reinsurers, for the existing Zurich Life Term and CI products, are expected to be novated. These are the quota share arrangements.

There is a further surplus reinsurance arrangement for business incepted prior to 1 May 2014 which is intended to be replaced. Singapore Life informed us that it will include new reinsurance to replace these arrangements, which will be in line with its own reinsurance policy and retention limits.

Singapore Life has more than one reinsurance option in this regard, so changes to the reinsurance arrangements will only be made if beneficial for Singapore Life and its policyholders.

4.7 Financial Position

The policy liabilities and assets backing those liabilities will be transferred from Zurich Life to Singapore Life. The purchase consideration will result in a net payment of S$4m from Zurich Life to Singapore Life, as described in section 4.1. The amount will be transferred to the SHF initially.

The financial positions of Zurich Life and Singapore Life at September 2017 are shown above in Figure 4: Zurich Life Financial Position and Figure 10: Singapore Life Financial Position respectively. The tables in sections 4.7.1 and 4.7.2 below show Zurich Life's and Singapore Life's projections for the pro forma financial position of Zurich Life and Singapore Life after the Proposed Transfer based on the 1 April 2018 and 30 June 2018-2022 positions respectively for Zurich Life and Singapore Life.

4.7.1 Zurich Life

All of the reserving calculations (pre and post Transfer) have been performed by the Zurich Life actuarial team, and then reviewed by Richard Holloway (of Millliman) who is the Appointed Actuary for Zurich Life. We have carried out a reasonableness check on Milliman's Actuarial Investigation Report as at YE2016 and note the following:

- **Methodology** – the statutory reserving methodology used by Zurich Life complies with the current Singapore regulations.
- **Assumptions** – Given the lack of historical actual operating experience (Zurich Life has been in operation for less than 5 years), most of the assumptions used in the year-end statutory reserve calculations have been based on future expectations of the business/portfolio, also taking into consideration the current status of "closed book" and a potential sale of the portfolio in the near future.

Provisions for Adverse Deviations (PADs) have also been applied to the best-estimate assumptions to allow for the uncertainty of the best-estimate assumptions. We believe that the best-estimate assumptions and PADs used in the year-end reserving calculations are not unreasonable, but we note that the assumptions used are not based on actual historical experience of Zurich Life, and will thus need to be frequently monitored and updated as and when required.

Post the Proposed Transfer, the 1 April 2018 pro-forma capital position of Zurich Life is expected to be as follows. As the entire insurance business and all policyholders are being transferred to Singapore Life, only the SHF remains after the Proposed Transfer:

Figure 15: Zurich Life Financial Position (Post Transfer)

Summary of Capital Position as at 1 Apr 2018 (S$ 'm)	Insurance Funds	Shareholders' Fund	Total
Assets	0	23.7	23.7
Policy Liabilities (Net)	0	0	0
Other Liability	0	(6.5)	(6.5)
Net Assets	**0**	**17.1**	**17.1**
Adjustment to Financial Resources*	0	(0.3)	(0.3)
Financial Resources	**0**	**16.8**	**16.8**
Total Risk Requirement	**0**	**0.4**	**0.4**
Capital Adequacy Ratio ("CAR")			**4732%**

*This accounts for reinsurance adjustment and other regulatory financial resource adjustments

Whilst the company and SHF level capital ratios meet minimum requirements, we note that there will be no remaining policyholders.

4.7.2 Singapore Life

Singapore Life performed a Financial Impact Analysis of the Proposed Transfer. For the analysis, the following assumptions were made:

- It was assumed that Singapore Life's operation started on 1 July 2017
- All commissions relating to ILP policies are paid or commuted
- The impact of the transaction is considered to be effected in Year 2 of Singapore Life's 5 year plan[2]
- Financial risk requirements are taken to be in line with Zurich Life's 2016 MAS returns for Non-Par Fund and for ILP Fund
- Associated costs relating to the purchase are estimated at S$2.7m, which is recognized in Year 1, and ongoing additional management costs of S$0.7m to S$0.8m are reflected from Year 2 to Year 5, relating to additional operating costs to be incurred by Singapore Life in excess of the base business plan

The analysis projects the financial position for 5 years from 1 July 2017. Note that the years in the projection below do not relate to Singapore Life's financial year nor calendar year, but rather years since the inception of the business (per the assumptions above). The projected balance sheet and capital position of Singapore Life, including the transferred business, is as follows:

[2] "Year 2" corresponds to the period July 2018 – June 2019, as per Singapore Life's original plan. Note however that the actual Proposed Transfer will take place on 1 April 2018, which is towards the end of "Year 1" (and thus the impact will come through largely from Year 2 onwards)

Figure 16: Singapore Life Financial Position Projection (Post Transfer)

Summary of Projection of Capital Position Post Transfer (from 1 Jul 2017) (S$ 'm)	Year 1	Year 2	Year 3	Year 4	Year 5
Assets	250.6	578.4	901.6	1,398.0	1,844.0
Policy Liabilities (Net)	(157.6)	(370.5)	(513.7)	(679.8)	(716.7)
Other Liability	(34.9)	(140.0)	(302.6)	(574.4)	(902.7)
Net Assets	**58.1**	**67.9**	**85.3**	**143.8**	**224.6**
Adjustment to Financial Resources*	(0.5)	(2.2)	(4.4)	(8.0)	(11.9)
Financial Resources	**57.6**	**65.7**	**80.9**	**135.8**	**212.7**
Total Risk Requirement at 200%	**10.1**	**33.6**	**57.6**	**95.8**	**133.3**
Capital Adequacy Ratio ("CAR")	**1144%**	**391%**	**281%**	**283%**	**319%**

*This accounts for reinsurance adjustment and other regulatory financial resource adjustments

The decrease in CAR in Year 2 reflects the increase in new business strain experienced over the first year as Singapore Life starts to sell its own products, regardless of the Proposed Transfer. These new business volumes from Year 1 sales drive up the capital requirement from S$10.1m in Year 1 to S$33.6m in Year 2, much faster than the increase in Financial Resources, thus reducing CAR significantly in Year 2. This decrease occurs both with and without the Proposed Transfer, as can be seen in Figure 19 below.

The following table summarises Singapore Life's estimate of the impact on its key metrics for the next 5 years (from 1 July 2017) as a direct result of the Proposed Transfer. The movements can broadly be explained by the assumptions listed at the start of this section 4.7.2, with the additional premiums declining over time due to run-off of the closed book:

Figure 17: Singapore Life: Financial Impact on Premium, Expense and Net Profit

Financial Impact (from 1 Jul 2017) (S$' m)	Year 1	Year 2	Year 3	Year 4	Year 5
Impact on Premiums		14.6	11.6	10.1	9.2
Impact on Management Expenses*	(2.7)	(0.7)	(0.7)	(0.8)	(0.8)
Impact on Net Operating Profit After tax	1.3**	5.2	4.3	3.5	3.0

*The sign of the numbers represent the direction of the impact on profitability (i.e. a negative impact for expenses reflects an increase in expenses)

**Net operating profit before tax in Year 1 includes a positive impact of the S$4m payment from Zurich Life loss offset by the costs associated with the scheme of S$2.7m

4.8 Capital Management / dividend strategy

Singapore Life is required to comply with MAS regulatory requirements (the Insurance (Valuation and Capital) Regulations 2004). There will be no change in applicable Regulatory capital requirements or standards as a direct result of the Proposed Transfer.

MAS adopts a Risk Based Capital approach for capital regulation. The following risk components are calculated for Insurance Funds:

- **Component 1 Requirement – Insurance Risk**: This component relates to insurance risks undertaken by an insurer. The risk charges applicable to different business lines vary according to volatility of the underlying businesses. For life insurance business, the requirement is calculated by applying specific risk margins to key parameters affecting policy liabilities such as mortality, morbidity, expenses and policy termination rates.
- **Component 2 Requirement – Investment Risk**: This component relates to risks inherent in an insurer's asset portfolio. It is calculated based on an insurer's exposure to various markets including debt, equity, property, and foreign exchange. The Component 2 (C2) requirement also reflects the extent of the mismatch between assets and liabilities.
- **Component 3 Requirement – Asset Concentration Risk**: This component relates to concentration risks in certain types of assets, counterparties or groups of counterparties. It is calculated based on an insurer's exposure in excess of the prescribed concentration limits.

The Total Risk Requirement (TRR) is defined as the sum of the above components.

We have considered both pre and post-transfer capital requirements for Zurich Life and Singapore Life. Based on Singapore Life's projected capital positions that were provided to MAS, we expect that the Proposed Transfer will result in only minor additional capital requirements (expressed as Total Risk Requirement) for Singapore Life. The table below shows the Total Risk Requirement for Singapore Life and Zurich Life, both separately pre-Transfer and combined post-Transfer:

Figure 18: Total Risk Requirement for pre and post transfer

Total Risk Requirement (S$ 'm)	Zurich Life Insurance Funds (Pre Transfer as at 30 Jun 2017)	Singapore Life Insurance Funds (Pre transfer as at 30 Jun 2019[3])	Singapore Life Insurance Funds (Post transfer as at 30 Jun 2019)
Total Risk Requirement	3.2	16.7	18.5

Singapore Life also projected its CAR with and without the Proposed Transfer of the Zurich Life Business for the next 5 years (from 1 July 2017). This is shown in the figure below:

Figure 19: CAR projections before and after transfer

CAR (from 1 Jul 2017)	Year 1	Year 2	Year 3	Year 4	Year 5
CAR without Proposed Transfer	1174%	414%	271%	270%	306%
CAR with Proposed Transfer	1144%	391%	281%	283%	319%

[3] As per footnote 1 in Section 4.7.2, the impact of the Proposed Transfer is considered from Year 2 onwards, corresponding to a year end 30 June 2019

According to Singapore Life's projection, it will continue to have a sizeable buffer above capital adequacy requirements and its internal targets. There is a notable drop in CAR from Year 2, as this relates to the capital strain of Singapore Life starting writing new business in its own products. As a result of the Proposed Transfer, this position drops slightly further in Year 2, however it improves marginally from Year 3 onwards. The Proposed Transfer is not expected to have a significant impact on additional capital requirements as the acquisition is accretive, with a net positive position expected after considering associated costs relating to the acquisition. No additional capital injection is expected in the next 5 years as a direct result of the Zurich Life acquisition, as CAR is comfortably above the regulatory requirement and Singapore Life internal targets.

4.9 Expenses and transition costs

All costs and expenses associated with the Proposed Transfer will be borne by the shareholders of Zurich Life and the shareholders of Singapore Life, and hence will not impact either Singapore Life or Zurich Life policyholders.

5 Impact on Policyholders

The policyholders of both Zurich Life and Singapore Life have entered long term contracts with each respective business. These insurance contracts provide specified benefits on the occurrence of uncertain future events (for example, the death of the policyholder) and may be inforce for many years into the future. In this context, the potential impact that the proposed transfer may have on the policyholders of each business is a key output of this report and is covered in this section.

In order to assess the impact of the Proposed Transfer on the policyholder's contractual benefits and other rights, expectations and benefit security, it is necessary to consider the activities and decisions that may be taken that may impact on policyholders. For example, where there is the application of discretion in the benefits provided by the Companies, policyholders may be significantly impacted by the transfer.

Similarly, any adverse impacts on the financial strength of Singapore Life may have an impact on its ability to meet future benefits and hence may have an impact on policyholders. The financial strength of the company is typically measured by its capital ratio. We thus considered the projected capital ratio of Singapore Life (see section 4.8) to assess the potential impact on the security of policyholders' benefits.

In this section, we consider how Zurich Life has managed policyholders in the past and comment on our understanding of Singapore Life's future intentions in these areas. It is important to recognise the uncertainty inherent in this assessment (given the nature of insurance business) and the reliance we have placed on representations and information from management of both Zurich Life and Singapore Life in making this assessment.

5.1 Impact of the Proposed Transfer on Zurich Life policyholders

For the Zurich Life policyholders, the Proposed Transfer represents a significant change for them. Their policies will be transferred to an entirely different company, one that has only recently been established. In this section we consider the potential impact on these policyholders to consider whether they may be adversely affected or not.

5.1.1 Impact on contractual benefits and rights

Under the Scheme, there are no proposed changes to policy terms and conditions (including premium rates or fees and the benefits provided) for Zurich Life policyholders. We have discussed this further with management at Singapore Life who confirmed that this is their intended approach – to transfer the existing policies with no changes.

Therefore we have concluded that the scheme will have no adverse impact on the contractual benefits and other rights of the Zurich Life Policyholders.

5.1.2 Reasonable expectations

As noted above, the policies are to be transferred to Singapore Life with no changes. The ongoing management performed by Singapore Life may still have an impact on policyholders through other aspects – for example, by not meeting their "reasonable expectations".

Policyholder's reasonable expectations in relation to non-participating products (e.g. Term and Critical Illness insurance) includes the payment of claims as and when due, and that the ongoing management of the policy results in outcomes that are consistent with policyholders' understanding of the policy terms and conditions in respect of aspects such as pricing and claims management. Policyholders would also expect that they will receive a certain level of client service when needed (e.g. in respect of queries on their policies, and/or changes to premiums).

We considered the impact of the Proposed Transfer on the reasonable expectations of policyholders based on the overall product strategy, pricing strategy, customer service level, claim handling philosophy and transition plans:

- **Product Strategy:** we understand, from discussions with Singapore Life, that there are no planned changes to the product strategy that will be adopted by Singapore Life post-transfer. We were informed that Singapore Life will not deviate from the existing product strategy for the existing Zurich Life policyholders. Singapore Life will ensure that the policyholders will have the same benefits and access to the same financial advisory firms as before the transfer.

- **Pricing Strategy**: We understand that there are no changes proposed to the pricing used to determine premium rates for in-force policies. Since all of the transferred product classes are closed to new business, no re-pricing or changes to current premium structures is expected for the existing products held by Zurich Life policyholders.
- **Customer Service Levels**: We understand that there are no adverse changes proposed to the customer service levels or targeted service standards. Singapore Life will maintain Zurich Life's current service standards (for example, targeted turnaround times) in anticipation of policy servicing requests. Furthermore, to improve efficiency, Singapore Life will be implementing a new policy administration system with increased automation functionality. This will also enable the existing Zurich Life policyholders to have additional access to digital modes of communication.

  Management of Singapore Life confirmed that support channels will be implemented to help ensure a smooth transfer. We understand that there will be three key Help Points (telephone, emails, and postage) to inform existing policyholders of the Proposed Transfer and the implications for future policy servicing.

  To ensure that customer service and claims handling processes are not interrupted in the migration process, a detailed plan was agreed between Zurich Life and Singapore Life, and this will be implemented for the data migration. The process includes appropriate dry-running in advance of the "go-live" to test the systems and ensure that they are working.

  Furthermore, post-transfer, the Zurich Life policyholders will become policyholders of an ongoing business with plans to grow in the longer term. This contrasts with the current Zurich Life business which is being managed in a "run-off" state (i.e. is in the process of being permanently closed). In this case, Singapore Life has significant motivation to provide quality client service in the long term to ensure the success of the business in future.

- **Claims Handling Philosophy**: We understand that there are no adverse changes proposed to claims management. Zurich Life will additionally retain responsibility for a) claims incurred but not settled prior to completion (although Zurich Life holds no IBNR) and b) unpaid premiums at completion which are not subsequently collected. We understand that this exposure is considered to be immaterial to Zurich Life although this will be important to the policyholders who are affected.

Given that Singapore Life is a newly established business with a small portfolio, its ability to serve the transferring policyholders is highly dependent on the infrastructure it has in place and the implementation of the transition plan. Both of these are being managed carefully with a programme management structure governing the execution of the required changes in the business and during the transition.

There are three key milestone dates pre-transfer, with Go/No Go decisions being made at each key milestone. These plans are clearly articulated, and formulated to mitigate risks or consider delaying the transfer process should the "Go" criteria not be met at each key stage. On each milestone date, the status of the transfer is presented to a Joint Management Committee ("JMC"). Subsequently, the JMC will decide whether or not to proceed with the next step within agreed criteria. The key decisions that the JMC will make on each milestone date are as follows:

- Whether or not to proceed with the submission of the documents and this Independent Actuary Report to MAS;
- Whether or not to proceed with notification letters to policyholders; and
- Whether Singapore Life is fully ready to receive policyholder data from Zurich Life, as well as operationally and resource ready for appropriate levels of policyholder servicing, systems requirements etc.

For ILP products, policyholders may have an additional list of reasonable expectations in addition to the above which relate to the investment component of these products. Such expectations relate to the management of policyholder investments in accordance with the terms and conditions of the Zurich Life products. This includes the availability of the same (or similar) investment fund options, the ability to switch between funds, and the choice of and governance of investment managers. We were informed by Singapore Life that the existing ILP policyholders will not experience any adverse changes in management fees and fund options and that they will have access to the same quality of investment managers after the transition takes place (through its arrangement with AllFunds Bank). Its Investment Committee will be regularly monitoring the fund managers and investment outcome of fund to ensure that policyholders are not adversely affected.

Therefore we have concluded that the scheme will have no adverse impact on the reasonable expectations of the Zurich Life Policyholders.

5.1.3 Benefit security

In forming our views in relation to benefit security, we considered the security of the Zurich Life Policyholders' benefits based on the current and projected capital position, risk management strategy and financial strength as well as the implications of the reinsurance strategy, both before and after the transfer (i.e. Zurich Life's practices and policies compared to those of Singapore Life). These aspects of each company are discussed in Section 3 and 4 and the key features are summarised in the following table.

Figure 20: Summary: Risk Management Strategy, Financial Strength, and Reinsurance before/after transfer

Consideration	Before Transfer – Zurich Life	After Transfer – Singapore Life
Risk Management Strategy	Subject to Zurich Life Group Risk Management Framework: • Key risks include insurance risk, market risk, credit risk and operational risk • Risk appetite and tolerances set around capital position, liquidity, earning volatility, and non-financial area • Investment strategy focuses on investments in cash or cash equivalent assets	Subject to Singapore Life Risk Management Framework: • Key risks include insurance risk, market risk, credit risk, liquidity risk and operational risk • Risk Appetite and tolerance standards set around capital management, insurance risk, earnings volatility, liquidity risk, investment risk, model risk, operational risk, and compliance • Investment strategy allows for an appropriate exposure to risk
Financial Strength	• At 30 September 2017, Zurich Life CAR is 488% • The business is well capitalised • The CAR is significantly in excess of target levels and industry averages • See further comments in section 4.7 and 4.8	• After the transfer, Singapore Life's CAR is expected to be 391% as at June 2019 • The CAR is projected to remain significantly above the target capitalisation levels (as discussed in section 4.7 and 4.8)
Reinsurance Strategy	• 50/50 Quota Share and Surplus Reinsurance treaties used to manage risk • See Appendix C for further information	• Equivalent reinsurance protection to be in place • Re-negotiation of reinsurance arrangement for the transferred businesses planned as long as on better terms than pre-transfer • Higher retention limit expected, assuming that the reinsurance arrangements are re-negotiated successfully during the transfer process • See Appendix C for further information

As a result of the Proposed Transfer, Zurich Life policyholders will become subject to Singapore Life's risk management framework. Both Singapore Life and Zurich Life have similar key risks to manage which is to be expected given the nature of the two businesses. Singapore Life's risk management framework considers its key risks include market risk, credit risk, liquidity risk, insurance risk, and operational risk. Zurich Life's risk management framework also focuses on market risk, credit risk, insurance risk and operational risk.

Zurich Life's investment strategy restricts investments to cash and government bonds. After the transfer, Singapore Life's investment policy is expected to be relatively more aggressive than that of Zurich Life (see section 3.2.3) in that investments in corporate bonds are also maintained. Singapore Life manages this risk within its risk appetite and we do not believe that this change will adversely affect policyholders given the nature of the products and features in its portfolio.

Zurich Life maintains an internal economic capital target which helps to ensure that there is a suitable buffer held to maintain the capital requirements set by MAS (discussed in section 3.1.6) and provide a buffer to manage the risks of the business. Singapore Life also has its own capital management framework (discussed in section 3.2.6). There is also additional prudence in Singapore Life's target capital requirement because MAS requires Singapore Life to hold at least 200% CAR and 100 % FSR. This is higher than the industry average (as discussed in section 3.2.2). This requirement is incorporated into Singapore Life's Risk Management Framework.

In relation to its capital position, Singapore Life's base business plan (i.e. excluding the Proposed Transfer) has a CAR of 414% in year 2 – this is significantly in excess of the target CAR and industry averages. In comparison, Zurich Life has a CAR of 488% as of September 2017, similarly significantly in excess of the target CAR and industry averages. After the transfer, Singapore Life's CAR is expected to be 391% as at June 2019. This is lower than the pre-transfer position but still significantly in excess of the target capital level – projected CAR also remains significantly above the target for the entire business plan.

After the transfer to Singapore Life, the current reinsurance arrangements for the existing Zurich Life products are expected to be novated / re-negotiated. Singapore Life expects to have equivalent reinsurance in place. We understand that the new reinsurance arrangements will allow higher retention limits than that of the previous Zurich Life arrangement. Furthermore, we understand that Singapore Life has two reinsurance options in this regard and that a suitable reinsurance arrangement will be implemented (see section 3.2.7 and Appendix C for further details).

Given the analysis summarised above, we have concluded that the scheme will have no materially adverse impact on the benefit security of the Zurich Life policyholders.

5.2 Impact of the Proposed Transfer on Singapore Life policyholders

For the small (but growing) number of Singapore Life policyholders, the Proposed Transfer does not represent a significant change. Their policies were purchased from Singapore Life and will continue to be managed by Singapore Life. The potential impact of the Proposed Transfer is thus an incremental impact incidental to the original business plans of Singapore Life. The key considerations for these policyholders is in respect of any potential changes that may be made by Singapore Life as a result of the Proposed Transfer and also the potential impact on the security of policyholder benefits through the introduction of additional risk and/or the erosion of the financial strength of the business.

In this section we consider the potential impact on these policyholders to consider whether they may be adversely affected or not.

5.2.1 Impact on contractual benefits and rights and reasonable benefit expectations

We confirmed with management that the Proposed Transfer will not have an impact on the terms and conditions for Singapore Life policyholders.

Therefore we conclude that the scheme will have no adverse impact on the contractual benefits and other rights of the Singapore Life Policyholders. Given this, we also do not expect the Proposed Transfer to have an impact on the reasonable expectations of these policyholders.

The impact of the Proposed Transfer on the administration systems of Singapore Life will also bring additional benefits to Singapore Life policyholders. As mentioned in sections 4.4 and 4.5, Singapore Life will be utilising the transferring Zurich Life employees and processes to help meet policyholders' expectations. The proceeds of the transfer will also be used to accelerate the development of policy administration systems and automated customer servicing.

5.2.2 Benefit security

In forming our conclusions, we also considered the impact of the Proposed Transfer on the security of the benefits of the Singapore Life policyholders. The transfer has no impact on the current risk management strategy and reinsurance strategy of Singapore Life, and therefore there is no adverse impact on Singapore Life policyholders.

The Capital projection performed by Singapore Life shows that the CAR remains significantly above the target levels (both before and after the transfer) and is also significantly above the average held by the industry.

Given the analysis summarised above, we have concluded that the scheme will have no adverse impact on the benefit security of the Singapore Life policyholders.

5.3 Other matters

During the course of our review, we have not observed any other matters in respect of the Proposed Transfer which have the potential to impact on either group of policyholders.

5.4 Merits of the Scheme

In forming our opinion (summarised in this section), we have relied on the accuracy and completeness of information provided to us by Zurich Life and Singapore Life, both orally and in writing, without independently verifying it. The full list of documents relied upon in producing this report can be found in "Appendix B – Information Relied Upon".

We note that the projections of the future financial position and the estimates of insurance liabilities are generally subject to inherent uncertainties which are reflected in the assumptions used to calculate these items. The actual financial position of Zurich Life and Singapore Life at the Scheme transfer date and beyond is subject to the outcome of events that have not yet occurred. Actual experience could vary significantly from the estimates contained within this Report and the Zurich Life and Singapore Life reports and financial statements. Deviations are normal and are to be expected. The outcome of insurance business and ongoing solvency of Singapore Life cannot be guaranteed. We note that no absolute guarantee can be provided given the inherent uncertainty in insurance outcomes.

Within this context, we have considered the merits of the scheme and the potential impact on the policyholders of both Zurich Life and Singapore Life. A summary of the implications of the Proposed Transfer on each group of policyholders is included in the table below:

Figure 21: Summary of the implications of the Proposed Transfer on each group of policyholders

Item considered	Impact on Zurich Life policyholders	Impact on Singapore Life policyholders
Contractual benefits and other rights	No adverse impact expected; products will be maintained by Singapore Life post-transfer and no changes are expected.	No adverse impact as no changes are expected to be made as a direct result of the Proposed Transfer.
Reasonable benefit or other policyholder expectations	Products will be maintained by Singapore life post-transfer and service standards will also be transferred to Singapore life; hence no adverse impact is expected.	No adverse impact as no changes are expected to be made as a direct result of the Proposed Transfer.
Benefit security (as supported by the capital position, investment strategy, reinsurance arrangements and risk management framework)	Capital ratios post-transfer are expected to be significantly above the target ratios and industry averages, thus indicating the continued financial strength of the business. Similar risk management frameworks are in place and include appropriate investment	As a direct result of the Proposed Transfer, the capital ratio becomes slightly lower in the short term and yet strengthens slightly over time. It is expected to remain significantly above the target required for the duration of

Item considered	Impact on Zurich Life policyholders	Impact on Singapore Life policyholders
	and reinsurance policies. Hence, no materially adverse impact is expected.	the business plan projections. Hence, no adverse impact is expected.
Other matters	None observed in the course of our review.	None observed in the course of our review.

In our opinion, the Proposed Transfer is unlikely to have an adverse impact on the policyholders of either Zurich Life or Singapore Life. Furthermore, we consider the following items to be the key merits of the Scheme:

- Zurich Life and Singapore Life have different strategic objectives. For Zurich Life, the strategy is to manage the business in a "run-off" process (i.e. no new business is accepted and ultimately the business will be closed once all policies have matured or expired). Singapore Life is a new business with plans to grow over coming years. Although we do not expect either strategy to adversely affect policyholders, they may prefer or even benefit from Singapore Life given the better alignment of policyholder and company interests.
- The scheme will also result in accelerated development of infrastructure (e.g. administration and customer servicing systems) which will also enable Singapore Life to provide both the transferring Zurich Life policyholders and existing Singapore Life policyholders with high service standards.
- We also note that the transfer will have a positive impact on Singapore Life's financial position which will partially be offset by the expenditure required in the transfer process and systems developments.

In conclusion, whilst there are clearly risks that may eventuate in the future, the Proposed Transfer is not expected to adversely affect policyholders and there are additional merits to the scheme which may benefit policyholders in the long run and mitigate some of these risks.

6 Reliances and Limitations

This report has been prepared at the request of Singapore Life and Zurich Life in accordance with the terms of our engagement letter dated 29 August 2017.

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

We consent to the report being made available for public inspection in relation to the Scheme and being provided to owners of policies referable to the Zurich Life Funds, the owners of policies referable to the Singapore Life Funds, the Court, the relevant regulators, and Singapore Life's and Zurich Life's legal advisors as part of the proposed Scheme of Transfer application, pursuant to Section 49FB of the Insurance Act (Chapter 142).

The Executive Summary of the Report may be provided to the owners of policies referable to the Zurich Life Funds and the Singapore Life Funds, provided it is clearly represented that it is only a summary, that the Report should be considered in its entirety, and that these Reliances and Limitations are included in any such summary document. The Executive Summary is intended to provide an overview of this Report and does not cover all of the issues addressed in the full Report. The reader may not rely on the Executive Summary in isolation.

Third parties who use this Report acknowledge that they are not a party to the engagement letter dated 29 August 2017. It may not be relied upon by any other party for any purpose whatsoever. Neither I nor Deloitte, its Partners and staff owe or accept any duty to any other party and shall not be liable for any loss, damage or expense of whatever nature which is caused by any other party's reliance on representations in this Report.

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

We have relied on the accuracy and completeness of information (qualitative, quantitative, written and verbal) provided to us for the preparation of the Report, and have not audited nor otherwise verified it. Accordingly, we do not accept any responsibility for any errors that result from reliance thereon.

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

We have made all the inquiries that we believe are desirable and appropriate and no matters of significance that we regard as relevant have, to our knowledge, been withheld from the Court. In forming the opinions contained in this Report, we have relied on the accuracy and completeness of information provided to us by Zurich Life and Singapore Life, both orally and in writing, without independently verifying it.

Appendix A – Glossary

Defined terms used in this Report:

Definition	Description
AML/CTF	Anti-Money Laundering and Counter-Terrorism Financing
BU	Business Unit
Business	The life insurance business conducted through Zurich Life's Insurance Fund(s)
CAR	Capital Adequacy Ratio
CI	Critical Illness
Effective Date	The effective date of the Proposed Transfer, target being 1 April 2018, subject to the approval of the High Court
ERM	Enterprise Risk Management
FRSC	Financial Risk Sub-Committee
FSR	Fund Solvency Ratio
HP	Help Points to carry out smooth transition for policyholders
ILP	Investment-linked Product or Investment-linked Policies
JMC	Joint Management Committee
Life Risk Insurance Liabilities	All liabilities of Zurich Life (whether arising or accruing before or after the Proposed Transfer) to the extent they relate to the life insurance business of Zurich Life conducted through the its Insurance Funds, including the Policy Liabilities
MAS	Monetary Authority of Singapore
Non-par	Non-participating
ORSC	Operational Risk Sub-Committee
PAD	Provisions for Adverse Deviations
Proposed Transfer	The proposed Section 49FB transfer of the Zurich Life Business to Singapore Life
RAS	Risk Appetite Statement
RBC	Risk Based Capital
Scheme	The Scheme for the transfer of insurance business under Section 49FB of the Insurance Act, Chapter 142 of Singapore
SHF	The Shareholders' Fund
Singapore Life	Singapore Life Pte. Ltd.
SLA	Service Level Agreements
The Companies	Zurich Life and Singapore Life
TPD	Total and Permanent Disability
Transferee Policyholders	Policyholders of Singapore Life
Transferring Policyholders	Policyholders of Zurich Life whose policies are proposed to transfer to Singapore Life under the Proposed Transfer
TRR	Total Risk Requirement
VUL	Variable Universal Life
ZIC	Zurich Insurance Company Limited
ZIG	Zurich Insurance Group Ltd, the holding company of Zurich Group
Zurich Basics	Zurich Group's Code of Conduct
Zurich Commitment	The Zurich Commitment informs how all Zurich Group employees must live up to its values in the Zurich Basics and deliver to and care about its key stakeholders - its customers, its people, its shareholders and the communities in which they live and work.
Zurich Life	Zurich Life Insurance (Singapore) Pte. Ltd
Zurich Life Insurance Funds	Zurich Life Non-par and ILP Funds, collectively the Insurance Funds. The Insurance Act requires all insurers to establish a separate insurance fund

Definition	Description
	for each class of business, and to ensure that each fund's assets are used only to meet the funds liabilities. These funds are separated from one another, and each have their own minimum regulatory requirements to meet.
Zurich Risk Policy	Zurich Risk Policy rules cover categories such as risk reporting, ORSA reporting, solvency, product management, security of people and property, etc. It is a Zurich Group policy

Appendix B – Information Relied Upon

We have relied on the accuracy and completeness of information provided to us by Zurich Life and Singapore Life, both in writing and orally, without independently verifying it. In particular, we have relied on the following:

Singapore Life

- "B4 Singapore Life Projected Financials Model - MAS JULY 2017 WITH ZURICH - to IA.xlsx"
- "Board_Resolution_24_July_-_Purchase_of_Zurich_Life_Singapore_Portfolio_.pdf"
- "Capital Management Policy V1.0.pdf"
- "CAR before and after WH - VB 20171016.pdf"
- "Corporate Governance Policy V1.0.pdf"
- "Endowment Factsheet 10-2017.pdf"
- "Enterprise Risk Management Policy.pdf"
- "Fact Sheet Term Life and Accelerating Riders v 2.1.pdf"
- "Fair Dealing Policy_V1 5 JULY 2017.pdf"
- "FLI 20170928 Operational Readiness & Go-Live Organization Structure v1-00.pdf"
- "FLIS 20170817 Financial Impact Analysis.pdf"
- "FLIS 20170818 Enterprise Risk Management Policy.pdf"
- "GJM002 20170902 1 November 2017 v0-02.docx"
- "GJM002 20170902 15 January 2018v0-02.docx"
- "GJM002 20170902 20 March v0-02.docx"
- "Investment Policy v 1.0.pdf"
- "LD_QForm1_v2-2_res_01062013.pdf"
- "LD_QForm2_v2-2_res_01062013.pdf"
- "LD_QForm21_v2-2_res_01062013.pdf"
- "LD_QForm23_v2-2_res_01062013.pdf"
- "LD_QForm8_v2-2_res_01062013.pdf"
- "Product Development and Pricing Policy V1.pdf"
- "Risk Appetite and Tolerance Statement V1.0.pdf"
- "Risk Dashboard for discussion - 30 Sep 2017.pdf"
- "RI Clause.png"
- "UW Authority Limits Table As At 30 Sep 2017.pdf"
- "VUL Factsheet 10-2017.pdf"

Zurich Life

- "1 – Business Transfer Agreement dated 25.07.2017.pdf"
- "2 – Slingshot Project Schedule v0.5.pdf"
- "3 - ZLS MAS Forms 1,2,8 forecast.xlsx"
- "3,4 - ZLS MAS Forms 1,2,8,21,23 forecast v3.xlsx"
- "11 - ZLS Reinsurance Arrangements"
- "12 - 20170711SlingshotFCSignoffDeckv5"
- "16 – ZLS Products.ppt"
- "16 – Z Wealth_11 March 15.pdf"
- "16 – Z Protect_Jan2015.pdf"
- "16 – Z Protect Home_Jan 2015.pdf"
- "16 – Z Care_Jan 2015.pdf"
- "16 – Z Care_Jan 2015.pdf"
- "16 – Product Riders.zip"
- "18 - ULIC Committee Terms of Reference_ZLS v2 (final).docx"
- "18 - ZLS ALMIC Committee charter (20140528).pdf"
- "18 - ZLS Internal Investment Policy (for Company Held Investments)"

- “19 - Abstract of Actuary's report by Milliman YE 2016”
- “19 - Actuarial investigation report by Milliman YE 2016”
- “22 – ZLS ORSA Report – 20 July 2017.pdf”
- “24 - Zurich Group Risk Management Framework”
- “Project Slingshot Go No Go 1 November 2017 vFINAL.docx”
- “Project Slingshot Go No Go 15 January 2018 vFINAL.docx”
- “Project Slingshot Go No Go 20 March 2018 vFINAL.docx”
- “ZLS Expense Allocation methodology.docx”
- “ZLS In Force Gross Written Premiums by Fund and by Product – Sept 17 YTD.xlsx”
- “ZLS Market and Product Overview.pptx”
- “20151005_MAS Directions to ZLS on CAR requirements (138, 115).pdf”

Appendix C – Reinsurance Summaries

Zurich Life Reinsurance Summary

<table>
<tr><th>Zurich Life Product</th><th>Business prior to 1st May 2014</th><th>Businesses sold after 1st May 2014</th></tr>
<tr><td>Z Protect Prestige</td><td>No reinsurance arrangement</td><td rowspan="5">50/50 Quota Share
Retention limit is $100,000 except Z Care which is $75,000</td></tr>
<tr><td>Z Protect</td><td>Surplus reinsurance basis
Retention limit $150,000</td></tr>
<tr><td>Z Home Protect</td><td>50/50 Quota Share basis
Retention limit $100,000</td></tr>
<tr><td>Standalone CI (Z Care)</td><td>50/50 Quota Share
Retention limit $75,000</td></tr>
<tr><td>Z Link, Z Saver</td><td>Surplus reinsurance basis
Retention limit $150,000</td></tr>
</table>

Singapore Life Reinsurance Summary

Singapore Life Product	Retention level
Term Life	Quota Share Basis Retention limit: • 50% up to S$ 400,000 • 20% between S$ 400,000 and S$ 1,000,000 • 0% above S$ 1,000,000
Universal Life	Quota Share basis Retention limit: • 50% up to US$ 400,000 • 20% between US$ 400,000 and US$ 2,000,000 • 0% above US$ 2,000,000
UL Series One	Modified coinsurance with all defined risks transferred to Reinsurer and Company maintains and owns all assets supporting gross policy benefits. Reinsurance allowance is only limited to the first accounting period and no allowance afterward.
VUL	Expected to be Quota share basis similar to Universal Life.
Endowment	No reinsurance arrangement expected as all risks are within retention levels.

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