Zurich Australia Limited & OnePath Life Ltd

Part 9 Independent Actuarial Report

23 March 2022

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Daniel Longden
Zurich Financial Services Australia Limited
118 mount Street
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23 March 2022

Dear Daniel

Part 9 Independent Actuarial Report

I am pleased to attach my report on the proposed transfer of life insurance policies from OnePath Life Limited ("**OPL**") to Zurich Australia Limited ("**ZAL**") under Part 9 of the Life Insurance Act (1995).

Yours sincerely

Martin Paino
Executive

Executive Summary

Introduction

The comments, analyses and conclusions set out in this Executive Summary are intended as a high-level overview only. To obtain a full understanding of our comments, analyses and conclusions, including an understanding of the key assumptions and bases underlying our report, requires an examination and consideration of our report in its entirety.

Background to the Scheme

OnePath Life Limited ("**OPL**") and Zurich Australia Limited ("**ZAL**") are life insurance companies registered in Australia to carry on life insurance business under the Life Insurance Act ("**the Act**").

OPL is wholly owned by OnePath Life Australia Holdings Limited ("**OPLAH**"). OPLAH and ZAL are wholly owned by Zurich Financial Services Australia Limited ("**ZFSA**") which in turn is a wholly owned subsidiary of the Zurich Insurance Company ("**ZIC**") headquartered in Switzerland.

ZAL and OPL have agreed to propose to the Federal Court of Australia a Scheme for the transfer of all of OPL's life insurance business to ZAL.

Purpose and scope of report

This Part 9 Independent Actuarial Report ("**this report**") addresses various actuarial aspects of the Scheme.

This report has been prepared by Martin Paino ("**I**"), a Fellow of the Institute of Actuaries of Australia and an executive of KPMG Financial Services Consulting Pty Ltd ("**KFSC"**), a firm of consulting actuaries, and a partner of KPMG.

The key focus of this report is the impact of the Scheme on the following aspects of both OPL and ZAL Policy Owners:

- Policy Owner contractual rights and benefits;
- Policy Owner reasonable expectations; and
- Policy Owner benefit security.

In addressing this scope I have focussed on the changes that arise as a result of the Scheme, rather than changes that might arise in the ordinary course of business irrespective of the Scheme.

Key aspects of the Scheme

The Scheme as described in the Actuarial Report prepared by the Appointed Actuaries of OPL and ZAL proposes that:

- All assets and liabilities in the Shareholder Fund of OPL will be transferred to the Shareholder Fund of ZAL.

- All OPL Policies, assets and liabilities in OPL Statutory Fund No. 1 will be transferred to ZAL Statutory Fund No. 2, except for:
  - The contingent liability which may arise in respect of the CCI class action, which will be transferred to the ZAL Shareholders Fund.
  - Shareholder assets of $12m which will remain in OPL Statutory Fund No. 1 to satisfy the prudential capital requirements of OPL after the proposed transfer.
- All OPL Policies, assets and liabilities in OPL Statutory Funds No. 3 and No. 5 will be transferred to ZAL Statutory Fund No. 2.
- All OPL Policies, assets and liabilities in OPL Statutory Fund No. 2 and OPL Statutory Fund No. 4 will be transferred to ZAL Statutory Fund No. 3, except for the contingent liability which may arise from the Superannuation class action, which will be transferred to the ZAL Shareholders Fund.
- All rights and obligations of OPL under reinsurance treaties to which OPL is a party will become rights and obligations of ZAL. The OPL treaties will continue on the same terms after the Effective Date and are therefore unaffected by the Scheme.
- All OPL Policy Owners become ZAL Policy Owners.
- OPL ceases to carry on any life insurance business.
- All OPL Policies transferred to ZAL will maintain their existing policy terms and conditions.

There are certain aspects of the operation of the benefits provided to ZAL and OPL Policy Owners that involve discretion being applied by OPL and ZAL in the past and by ZAL in the future that may potentially impact Policy Owner reasonable benefit expectations. The key material discretions addressed in this= report relate to:

- **Participating Business and Discretionary Investment Account Business:** Discretion may be applied in respect of:
  - The investment of the assets (i.e. the asset allocations adopted);
  - The setting of bonuses and/or crediting rates;
  - The determination of surrender values; and
  - Allocation of expenses to the policies.
- **Risk Insurance Business:** Discretion may be applied in respect of:
  - Premium rate changes;
  - Upgrading of benefit definitions;
  - Underwriting of sum insured increases; and
  - Implementation of claims management practices and philosophies.
- **Investment Linked Business and Investment Account Non-Participating Business:** Discretion may be applied in respect of:

- Investment
  management and other charges which may be changed where contractually permitted; and
- The investment of assets.

- **Annuity and Variable Annuity Guarantee**:
  - Limited scope for the application of discretions.
- **For all Business Types:** policy administration and customer service.

Overall conclusion on the Scheme

The principal conclusions on the Scheme are summarised below:

Transferring OPL Policy Owners

- The Scheme will have no impact on OPL Policy Owners' contractual rights and benefits.
- The Scheme will not have a material impact on OPL Policy Owners' reasonable expectations.
- The Scheme will not result in a material adverse change to OPL Policy Owners' benefit security.

ZAL Policy Owners

- The Scheme will have no impact on existing ZAL Policy Owners' contractual rights and benefits.
- The Scheme will not have a material impact on existing ZAL Policy Owners' reasonable expectations.
- The Scheme will not result in a material adverse change to ZAL Policy Owners' benefit security.

Reliances and Limitations

Note that the conclusions in this report have been made based on documentation provided by OPL and ZAL as described in Appendix B.

Contents

Appendices

1. Introduction

1.1 Scope of this report

I refer to the report titled "*Actuarial Report on the Proposed Transfer of Life Insurance Business from OnePath Life Limited (**OPL**) to Zurich Australia Limited (**ZAL**)*" by Ian Wong and Stuart Turner dated 23 March 2022 (the **Actuarial Report**), which describes a proposed scheme of transfer (the "**Scheme**") of life insurance business and provides an analysis of the impact on the policy owners' contractual benefits and other rights, reasonable expectations and benefit security.

Owners of policies issued by OPL, which are to be transferred under the Scheme, are referred to as "**OPL Policy Owners**" and their policies as "**OPL Policies**". Owners of policies issued by ZAL are referred to as "**ZAL Policy Owners**" and their policies as "**ZAL Policies**".

I have been engaged under a Statement of Work dated 7 May 2021 to provide an independent actuarial report (**this report**) on the Scheme.

In conducting my review I have considered the impact of the Scheme on OPL Policy Owners and ZAL Policy Owners from the following perspectives:

- The Policy Owners' contractual benefits and other rights;
- The Policy Owners' reasonable expectations with respect to discretionary elements of their benefits and policy operation; and
- The security of the Policy Owners' benefits.

1.2 Policy Owners, Members and Beneficiaries

In many instances, the life insurance policies of OPL and ZAL are issued directly to the persons applying for those policies. However, in some instances the life insurance policies of OPL and ZAL are issued in the name of a third party e.g. a trustee. For example, in the case of "group" policies the policy is owned by the trustee of the superannuation fund for the benefit of its members. It is recognised in forming the opinions in this report that the ultimate beneficiaries are persons other than the Policy Owner.

Such legal ownership and trustee structures are common across the life insurance industry. In addressing the scope set out in Section 1.1 I have extended consideration to include the underlying beneficiaries of such policies.

1.3 Author of report and disclosures

This report has been prepared by Martin Paino ("**I**" or "**My**"). I am a Fellow of the Institute of Actuaries of Australia and an executive of KPMG Financial Services Consulting Pty Ltd (**KFSC**), a firm of consulting actuaries, and a partner of KPMG. I have 20 years of life insurance industry experience including 10 years as a partner at KPMG. My opinions set out in this report are based wholly or substantially on specialised knowledge arising from my training, study or experience.

I declare that I have made all enquiries that I believe are desirable and appropriate (save for any matters identified explicitly in this report), and that no matters of significance which I regard as relevant have, to my knowledge, been withheld from the Federal Court of Australia ("the **Court"**).

I have the following interests in relation to ZAL and OPL:

- No shareholdings in either ZAL or OPL;
- KPMG and KFSC provide consulting services to ZAL and OPL;
- KPMG was the external auditor of OPL until September 2018; and
- Remuneration earned as an executive of KFSC and a partner of KPMG indirectly from consulting and audit fees earned by KFSC and KPMG from ZAL and OPL.

1.3.1 Expert Evidence Practice Note compliance

I acknowledge that I have read and complied with the Expert Evidence Practice Note (GPN-EXPT) and agree to be bound by it.

1.4 Reliances and Limitations

1.4.1 Inherent limitations

This report has been prepared as outlined in the Scope Section. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, Zurich Financial Services Australia Limited ("**ZFSA**") management and personnel consulted as part of the process.

KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

The findings in this report have been formed on the above basis. We have relied on the data and information provided by ZFSA and have assumed that it is prima facie accurate and complete. While generally we have satisfied ourselves that the data and information provided is reasonable and consistent with other data and information provided, and/or with data and information otherwise known to us, we have not sought to verify independently nor establish the reliability, accuracy or completeness of the data and information provided or used for this review. A list of the data provided to us is listed in Appendix B.

1.4.2 Third Party Reliance

This report is solely for the purpose set out in the Scope Section of this report and for ZFSA's information and is not to be used for any other purpose. It is not intended to be used for any other purpose or distributed to any other party without KFSC's prior written consent. In that regard, we consent to the report being made available for public inspection in relation to the Scheme and being provided to Policy Owners referable to ZAL Statutory Funds No. 2 and No. 3 and OPL Statutory Funds No. 1, No. 2, No. 3, No. 4 and No. 5. including members of superannuation funds whose lives are insured under such policies, the Australian Prudential Regulation Authority and the Federal Court of Australia as part of the proposed Scheme of Transfer application, pursuant to Section 191(2)(a) of the Life Insurance Act, 1995 ("**the Act**").

1.4.3 Valuation uncertainty

I note that actuarial projections of the future and estimates of insurance liabilities are generally subject to inherent uncertainties. The actual financial position of OPL and ZAL at the **Effective Date** of the Scheme is subject to the outcome of events that have not yet occurred. Actual experience could vary considerably from the estimates contained within this report and the Actuarial Report. Deviations are normal and are to be expected. The outcome of insurance business and ongoing solvency of ZAL cannot be guaranteed. I note that no absolute guarantee can be provided given the inherent uncertainty in insurance outcomes.

Calculations shown in this report are performed on unrounded numbers, so totals of tables presented in this report may not add to the sum of their components. All differences are immaterial.

1.5 Impact of recent events

The ZAL Board approved a transfer of $25m of surplus from ZAL Statutory Fund No. 2 to the ZAL Shareholder Fund on 23 March 2022. The capital figures for ZAL as at 31 December 2021, and the capital position for the ZAL after the implementation of the Scheme, have been shown as if this transfer took effect at that date.

I have not been notified of any other events or circumstances during the period from 31 December 2021 up to the date of this report that would alter the opinions and conclusions presented in this the report.

1.6 Structure of this report

The remainder of this report is structured as follows:

- Section 2 provides an overview of ZAL;
- Section 3 provides an overview of OPL;
- Section 4 provides an overview of the Scheme;

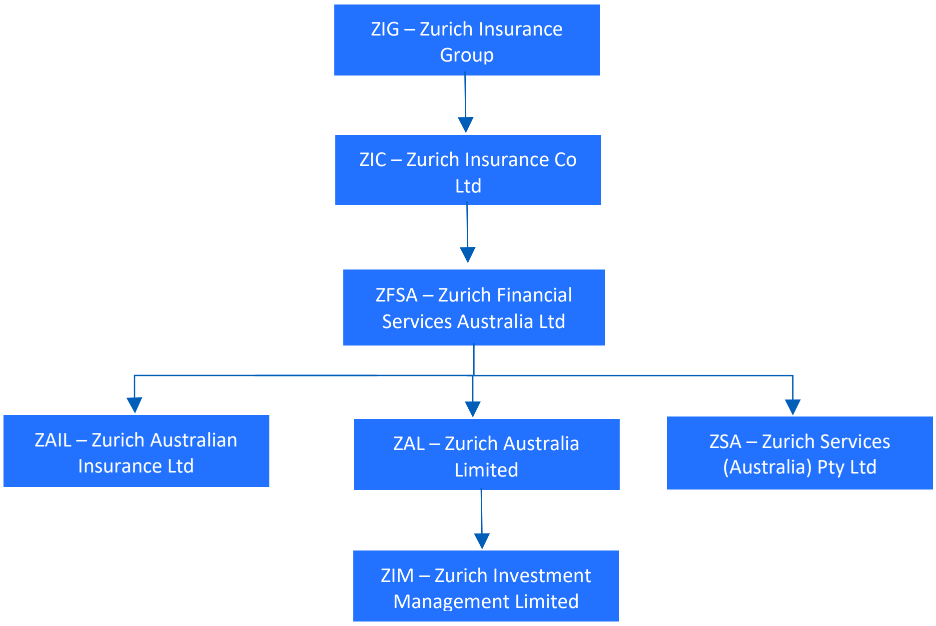
- Section 5 sets out the Financial impact of the Scheme;
- Section 6 sets out the impact of the Scheme on OPL Policy Owners;
- Section 7 sets out the impact of the Scheme on ZAL Policy Owners;
- Section 8 summarises my conclusions;
- Appendices A sets out a glossary of key terms; and
- Appendices B sets out the data relied upon for this report.

2. Overview of ZAL

2.1 Introduction

ZAL is a life insurance company registered in Australia to carry on life insurance business under the Life Insurance Act ("the **Act"**). ZAL is wholly owned by Zurich Financial Services Australia Ltd ("**ZFSA**"). ZFSA in turn is ultimately owned by Zurich Insurance Group ("**ZIG**"), a large international company headquartered in Switzerland.

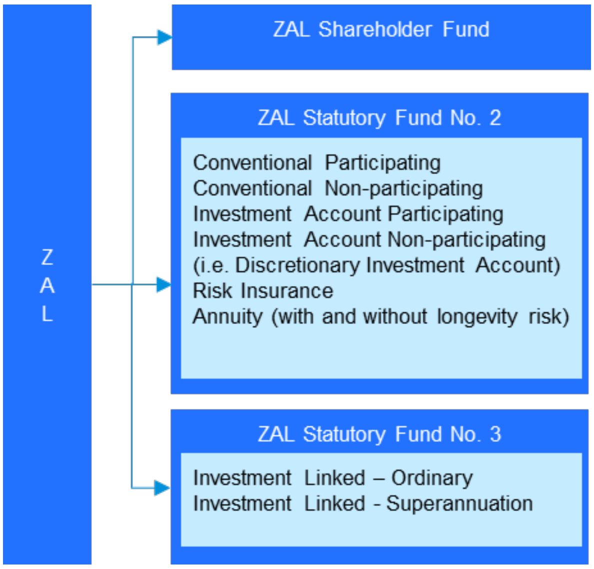
Figure 1: ZAL entity structure in relation to ZIG.



2.2 Statutory funds and Shareholder Fund

ZAL has 2 Statutory Funds, which contain all the life insurance business of ZAL, and a Shareholder Fund as set out in the following diagram:

Figure 2: Diagram of ZAL Funds.



Notes:

1. ZAL Shareholder Fund includes the holding in ZIM.
2. Investment Account Non-participating Business within ZAL provides investment returns to Policy Owners which are discretionary and therefore operates in a similar to Investment Account Participating Business. This business is referred to as Discretionary Investment Account Business in this report.

The above diagram also sets out the various types of life insurance business written in the two Statutory Funds which are described at a high level as follows:

- **Conventional Participating Business** as defined by Section 15 of the Life Act, and includes traditional whole of life, and endowment contracts. These contracts include an entitlement for the policyholder to share in the profits arising from these policies. This share in profits is added to benefits as a bonus.
- **Conventional Non-participating Business** is also defined by Section 15 of the Life Act and includes traditional whole of life, and endowment contracts. These contracts don't include an entitlement for the policyholder to share in the profits arising from these policies.
- **Investment Account Participating Business** consists of policies where a ZAL Policy Owner pays premiums into an account and shares in the profits from these policies. This share in profits is added to the account in the form of crediting rates.
- **Discretionary Investment Account Business** consists of policies where a ZAL Policy Owner pays premiums into an account and ZAL may declare discretionary investment returns to that account in the form of crediting rates.

- **Risk Insurance Business** consists of life insurance business covering events such as permanent or temporary disability, trauma and/or death. Risk Insurance Business may be written to individuals or a group of individuals (e.g. through a superannuation fund).
- **Annuity Business** which makes regular payments to ZAL Policy Owners for a fixed term or for life.
- **Investment Linked Business** is life insurance business that provides benefits by reference to units, the value of which is related to the market value of a pool of assets. Some investment linked business have investment return guarantees.

For the purposes of this report references to **Participating Business** includes Conventional Participating Business and Investment Account Participating Business.

2.3 Key metrics of life insurance business

The following table sets out some key metrics of the life insurance business in each of the Statutory Funds as outlined in Section 2.2.

Table 1: Key metrics of ZAL Business Types as at 31 December 2021.

Statutory Fund	ZAL Business Type	Open/ Closed to New Business	In force API ($m)	Sum Insured ($m)	Number of policies
No. 2	Conventional Participating	Closed	1	52	7,525
	Investment Account Participating	Closed	0	18	1,940
	Investment Account Non-Participating (i.e. Discretionary Investment Account)	Closed	0.4	57	5,088
	Risk Insurance[1]	Open	883	259,695	427,146
	Annuity	Closed	0	0	50
Total No2			885	259,822	441,749
No. 3	Investment linked	Open	7	1,047	35,815
Total No3			7	1,047	35,815
Grand Total			892	260,869	477,564

Notes:

1. Risk Insurance Business includes Conventional Non-Participating Business.

2.4 Financial performance

2.4.1 Recent profitability

The following table sets out the profits (net of tax) earned by ZAL in the last four financial years:

Table 2: ZAL financial performance.

ZAL Profit ($m)	FY18	FY19	FY20	FY21
Statutory Fund No. 2	96	68	114	79
Statutory Fund No. 3	3	6	2	1
Shareholder Fund	-4	-3	-4	-4
Total	**95**	**71**	**111**	**76**

Notes:

1. FY: Financial year ended 31 December

The following observations are made on the above table:

- ZAL has made shareholder profits in each of the four most recent financial years.
- The vast majority of the shareholder profits emerging in Statutory Fund No. 2 were primarily from the Risk Insurance Business.
- Shareholder profits emerging in Statutory Fund No. 3 were relatively small and emerge primarily from fees on the Investment Linked business.
- The Shareholder Fund has made small losses each year due to the amortisation of the value of business acquired (intangible asset) from Macquarie Life Ltd in 2016.
- ZAL advised ZAL Shareholder profitability is forecast to remain positive over the next two years.

2.5 Capital position

2.5.1 Regulatory capital requirements

The regulatory capital requirements for life insurance companies are set out in a series of Australian Prudential Regulation Authority ("**APRA**") Life Prudential Standards. The core framework for determining capital requirements is set out in Life Prudential Standard ("**LPS**") 110 Capital Adequacy ("**LPS 110**").

LPS 110 requires a life company to:

- Determine the "**Capital Base**" of each Statutory Fund and Shareholder Fund. The Capital Base of a fund recognises the quality of the support provided by various forms of capital by imposing restrictions on certain sources of capital to meet regulatory capital requirements. In addition, the Capital Base includes adjustments to recognise that:
  - A fund may contain certain assets (such as deferred tax assets, goodwill and other intangibles) that are acceptable from an accounting perspective. However, for prudential purposes such assets are generally not available or have questionable value should the fund encounter difficulties.

- The policy liabilities on the balance sheet may reflect allowances for future transactions (such as future premium income that are not appropriate to recognise for prudential purposes).

- Determine the Prescribed Capital Amount ("**PCA**") of each Statutory Fund and the Shareholder Fund. The PCA is the required level of capital for regulatory capital purposes and is intended to achieve the outcome that if a fund was to start the year with a Capital Base equal to the PCA and losses occurred at the 99.5 percent confidence level then the assets remaining would be at least sufficient to provide for the adjusted policy liabilities and "other liabilities" of the fund at the end of the year.

- Ensure that for each Statutory Fund and the Shareholder Fund that the Capital Base exceeds the PCA plus any supervisory adjustment made by APRA. The PCA plus the supervisory adjustment is referred to as the Prudential Capital Requirement ("**PCR**"). It is noted that LPS 110 does not allow a life insurance company to disclose any Supervisory Adjustment that APRA has determined.

- LPS 110 requires life insurance companies to set a target capital level which is set in the context of the life insurance company's risk profile, Board risk appetite and regulatory capital requirements. Consequently, ZAL holds additional "buffer" capital ("**Target Surplus**") above the PCR at a company level in line with the Board approved risk appetite such that the life insurance company can continue to meet the PCR requirement over the next 12 months to a confidence level of 97.5%. The level of surplus may vary above and below Target Surplus over time depending on the experience of the business. As discussed in Section 2.6.1, ZAL's Internal Capital Adequacy Assessment Process ("**ICAAP**") sets out "trigger points" at various levels of the **Target Surplus Coverage Ratio** (i.e. [Capital Base – PCR] / Target Surplus) along with management actions to restore the Target Surplus Coverage Ratio to within a **Targe Surplus Normal Operating Range** as defined in ZAL's ICAAP.

  All monies above the PCR plus the bottom of the Target Surplus Normal Operating Range may be paid as dividends to ZFSA subject to Board approval and are therefore not locked in within ZAL.

2.5.2 ZAL current capital position

The following table sets out the capital position for ZAL as at 31 December 2021 but adjusted to allow for the post 31 December 2021 transfer of $25m from the ZAL Statutory Fund No. 2 to the ZAL Shareholder Fund, which was approved by the ZAL Board on 23 March 2022. The expected PCA Coverage is also shown below.

Table 3: ZAL capital position as at 31 December 2021 but adjusted for the post 31 December 2021 transfer of $25m from the ZAL Statutory Fund No. 2 to the ZAL Shareholder Fund (as approved by the ZAL Board on 23 March 2022).

$m	Statutory Fund No. 2		Statutory Fund No. 3	Shareholder Fund	Total ZAL
	Par	**Non par**			
Net assets	6	1,321	19	273	1,619
Intangibles assets[1]	0	0	0	-246	-246
Regulatory adjustments[2]	6	-1,021	-1	-1	-1,018
Capital Base	**11**	**300**			
	311		**19**	**25**	**355**
PCA	135		3	2	141
Surplus above PCA	176		15	23	214
PCA Coverage Ratio[3]	**230%**		**539%**	**1,164%**	**252%**
Surplus after March Transfer	**151**		**15**	**48**	**214**
PCA Coverage Ratio[3] after March Transfer	**211%**		**539%**	**2,318%**	**252%**

Notes:

1. Relates primarily to the value of the Macquarie Life Ltd business which is deducted from the net assets in order to determine the Capital Base under APRA Prudential Standard LPS 112.
2. Consists of various deductions to assets required under APRA Prudential Standard LPS 112 when calculating the Capital Base, for example deduction of deferred acquisition costs and allowing for minimum surrender values.
3. PCA Coverage Ratio = Capital Base / PCA

The following observations are made on the table:

- As at 31 December 2021 all the Statutory Funds, Shareholder Fund and ZAL as a whole had sufficient Capital Base to cover their respective PCA.
- The Surplus above the PCA is sufficient to cover supervisory adjustments required by APRA and maintain the Target Surplus Coverage Ratio above the bottom of the Target Surplus Normal Operating Range.

2.6 Company management practices

2.6.1 Risk and capital management

ZAL has a Board approved Risk Management Framework ("**RMF**"), Risk Appetite Statement ("**RAS**"), Risk Management Strategy ("**RMS**") and business plan as required under APRA Prudential Standard CPS 220.

The RMS describes the managerial responsibilities, policies, procedures and controls that ZAL has in place to manage risk. The RMS is common to both ZAL and OPL.

The RAS of ZAL sets out the Board's risk appetite and tolerances for various risks including the risk of breaching regulatory capital requirements, financial risks, insurance risks, operational risks and strategic risks.

ZAL and OPL adopt a common governance framework. Some governance activities are overseen for both ZAL and OPL by a single management committee while others are overseen by separate management committees that operate under the common governance framework.

ZAL and OPL adopt a common ICAAP in respect of how capital is managed. Under the ICAAP, Target Surplus is held to cover similar levels of risk and there are common trigger points and management actions in the event of breaches of those trigger points.

2.6.2 Investment strategy

- **Statutory Fund No. 2 and Shareholder Fund:**
  - All assets backing Participating Business and Discretionary Investment Account business are invested in line with underlying commitments to ZAL Policy Owners or in line with ZAL's interpretation of their reasonable expectations.
  - Assets for all other business in this Statutory Fund as well as those in the Shareholder Fund are invested in line with the ZFSA risk appetite including investments in pooled investment trusts managed by third parties, direct holdings managed through investment mandates or assets managed by ZAL in house.
- **Statutory Fund No. 3:**
  - The majority of the assets are invested in unit trusts managed by ZIM or by external fund managers in line with underlying commitments to ZAL Policy Owners.

2.6.3 Management of Participating Business (including Discretionary Investment Account Business)

The Participating Business (including Discretionary Investment Account Business) is notionally ring-fenced, by product groups, within Statutory Fund No. 2. Each product group has its own asset allocation and is allocated investment returns according to that allocation.

Each year the Board of ZAL obtains advice from the Appointed Actuary on the bonus rates to be applied to the Conventional Participating ZAL Policies and the crediting rates to be applied to the Investment Account Participating ZAL Policies and Discretionary Investment Account Business.

2.6.4 Reinsurance

ZAL fully reinsures the Annuity business and utilises reinsurance for the mortality and morbidity risks for capital efficiency and general risk management purposes. The reinsurance is made mainly to five APRA licenced subsidiaries of global reinsurers.

As at 31 December 2021 approximately 42% of the Risk Insurance benefits are reinsured.

All reinsurers used for material product types are large global organisations and have a Standard and Poor's rating of at least AA-.

2.6.5 Underwriting and claims management

The ZAL and OPL claims and underwriting teams were combined during 2020. Policies and processes are aligned, with differences remaining where appropriate to reflect differing policy terms and conditions, systems, or underlying reinsurance arrangements.

Irrespective of whether the Scheme is implemented:

- The completion of policy and process alignment is expected to be finalised before the Effective date.
- Processes and procedures that relate to policy terms and conditions or systems that only apply OPL Policy Owners or only to Existing ZAL Policy Owners will be maintained.

ZAL's underwriting rules reflect a combination of ZAL underwriting philosophy and reinsurer guidelines.

2.6.6 Expense allocation

The methodology and principles for allocating expenses to ZAL product groups Policies and OPL product groups were aligned in 2020. The approach uses an activity-based costing method and reflects the drivers of volume of business in force in each entity.

2.6.7 Unit pricing approach

Unit pricing is conducted in-house using the pControl system, a specialist application used by several companies in Australia.

ZAL regularly reviews and maintains its unit pricing policy and processes that are applied to all unit linked investment business of ZAL, ZIM and OPL.

2.6.8 Repricing philosophy

Certain Risk Insurance Policies allow the premiums to be changed. ZAL reviews the premiums on these ZAL Policies each year and may adjust the premiums to achieve target levels of profitability in line with the global Zurich Risk Policy.

Examples of recent price increases in ZAL are as follows:

- Increases in ZAL individual disability income insurance premium rates; and
- Repricing group Risk Insurance to achieve a certain technical profit margin.

Investment management and other charges on Investment Linked and Investment Account Business may also be changed and are also assessed against profitability targets in the global Zurich Risk Policy.

2.6.9 Other operational functions

Policy administration, sales and marketing, business management, finance, investment management and reporting functions are conducted in-house by employees of ZFSA and ZSA under a Resources Deed with ZAL.

2.7 Remediation

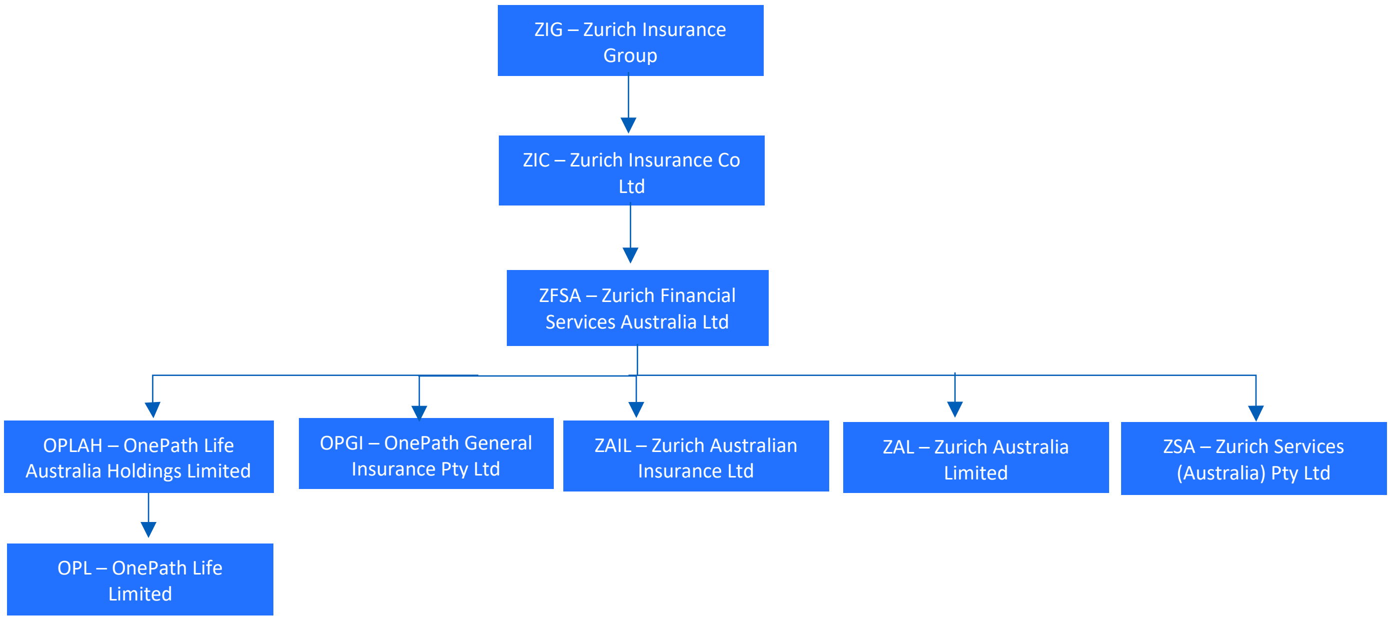
There are no material remediation projects currently underway in ZAL.

3. Overview of OPL

3.1 Introduction

OPL is a life insurance company registered in Australia to carry on life insurance business under the Life Act. OPL is wholly owned by OnePath Life Australia Holdings Limited (**OPLAH**), which in turn is wholly owned by ZFSA. ZFSA is ultimately owned by ZIG a large international company headquartered in Switzerland.

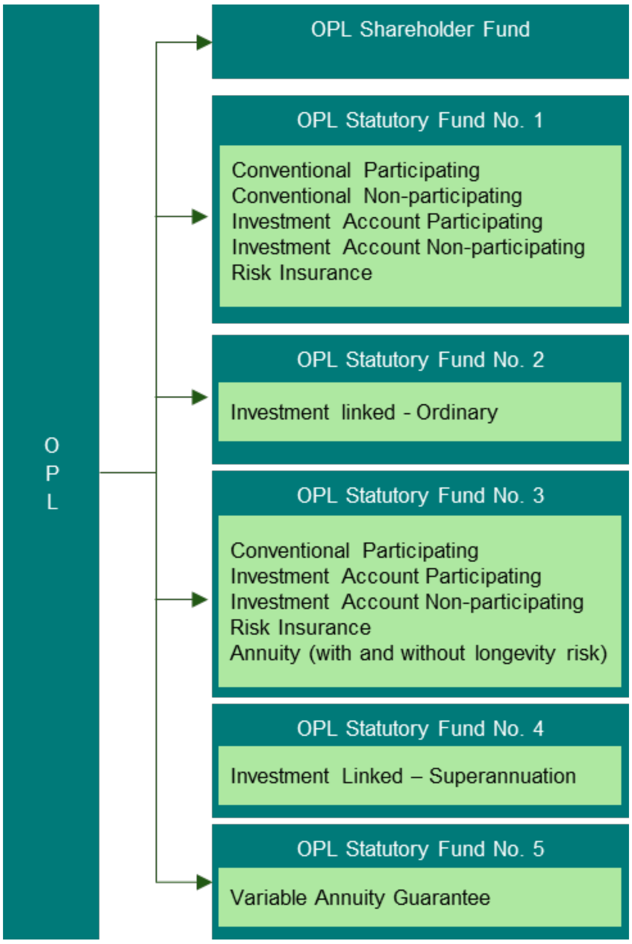
Figure 3: OPL entity structure in relation to ZIG.



3.2 Statutory funds and Shareholder Fund

OPL has 5 Statutory Funds, which contain all the life insurance business of OPL, and a Shareholder Fund as set out in the following diagram.

Figure 4: Diagram of OPL Funds.



Notes:

1. Investment Account Non-participating Business within OPL provides investment returns to Policy Owners based on a formula which is not discretionary.

The above diagram sets out the various types of life insurance business written in the 5 Statutory Funds. Most of these types of life insurance business are the same as ZAL, as described in Section 2.2. except for the following:

- The Risk Insurance Business of the No.1 fund includes a small portfolio of consumer credit and involuntary unemployment cover has been declared by APRA to be life insurance business under Section 12A of the Life Insurance Act 1995.
- OPL does not have any Discretionary Investment Account Business;
- OPL's Investment Account Non-Participating Business relates to contracts where an OPL Policy Owner pays premiums into an account and investment returns are added to it according to a formula and does not include any discretion by OPL.

- The Variable Annuity Guarantee Business in Statutory Fund 5 provides a guarantee that income payments will be made for life to OPL Policy Owners of the "MoneyForLife "product if their account balance in their allocated pension managed by a third party is exhausted. Note that the allocated pension funds are not part of the life insurance business of OPL.

3.3 Key metrics of life insurance business

The following table sets out some key metrics of the life insurance business in each of the Statutory Funds as outlined in section 3.2.

Table 4: Key metrics of OPL Business Types as at 31 December 2021

Statutory Fund	OPL Business Type	Open/ Closed to New Business	In force API ($m)	Sum Insured ($m)	Number of policies
No. 1	Conventional participating	Closed	0	52	2,258
	Investment Account Participating	Closed	0	15	577
	Investment Account Non-Participating	Closed	0	65,290	2,859
	Risk Insurance[1]	Open	1,012	137,090	376,127
Total No1			1,012	202,448	381,821
No. 2	Investment linked - Ordinary	Closed	0	479	7,869
Total No2			0	479	7,869
No. 3	Conventional participating	Closed	0	8	128
	Investment Account (Participating)	Closed	0	76	2,043
	Investment Account (Non-Participating)	Closed	0	449	16,326
	Risk Insurance[1]	Open	506	143,380	72,338
	Annuity	Closed	0	0	2,945
Total No3			506	143,913	93,779
No. 4	Investment linked – Superannuation	Closed	0	418	9,790
Total No4			0	418	9,790
No. 5	Variable annuity guarantee	Closed	0	35	215
Total No5			0	35	215
Grand Total			1,518	347,292	493,474

Notes:

1. Risk Insurance Business includes Conventional Non-Participating Business.

3.4 Financial performance

3.4.1 Recent profitability

The following table sets out the shareholder profits (net of tax) earned by OPL in the last three financial years:

Table 5: OPL Financial performance.

OPL Profit ($m)				
	FY18[1]	FY19[2]	FY20	FY21
Statutory Fund No. 1	-141	-343	33	46
Statutory Fund No. 2	6	5	6	4
Statutory Fund No. 3	14	-72	-49	-9
Statutory Fund No. 4	61	-4	2	2
Statutory Fund No. 5	0	0	0	1
Shareholder Fund	0	-6	0	0
Total	**-60**	**-420**	**-8**	**45**

Notes:

1. 12 months ended 30 Sep 2018
2. 15 months ended 31 December 2019
3. FY20 and FY21 is 12 months ending 31 December

The following observations are made on the above table:

- OPL has made shareholder losses from FY18 to FY20, returning to profitability in FY21.
- The losses in Statutory Fund No. 1 and No. 3 were due to:
  - Strengthening of the risk business assumptions resulting in losses of $(211)m in FY18 and $(297)m in FY19; and
  - The establishment of provisions of $114m in FY19 for remediation programs; and
  - Adverse claims experience.
- Shareholder losses in FY19 relate to remediation provisions set up in FY19.
- The drop in the profitability of the Statutory Fund No. 4 from FY18 to FY19 reflects that the majority of the business in Statutory Fund No. 4, being Superannuation investment-linked business invested into OPL by the OnePath MasterFund, was redeemed by OnePath Custodians Pty Ltd in April 2019 as part of the successor fund transfer from the OnePath MasterFund to Retirement Portfolio Service, prior to the sale of OPL to the Zurich Group. OnePath Custodians Pty Ltd, the OnePath MasterFund, and the Retirement Portfolio Service were not part of that sale and are not part of the Zurich Group.
- OPL advised Shareholder profitability in OPL is forecast to remain profitable in the future. The Zurich Insurance Group also benefits from profits arising from OPL's reinsurance of lump sum Risk Insurance Business to ZIC.

3.5 Capital position

3.5.1 Regulatory capital requirements

The Regulatory capital requirements of OPL are the same as ZAL. These requirements are described in Section 2.5.1.

Consistent with ZAL:

- OPL holds additional Target Surplus above the PCR at a company level in line with the Board approved risk appetite such that OPL can continue to meet the PCR requirement over the next 12 months to a confidence level of 97.5%;
- OPL's ICAAP contains the same trigger point and management actions as the ZAL ICAAP as discussed in Section 2.5.1. This includes management actions to restore the Target Surplus Coverage Ratio to within the Target Surplus Normal Operating Range; and
- All monies above the PCR plus the bottom of the Target Surplus Normal Operating Range may be paid as dividends to ZFSA subject to Board approval and are therefore not locked within OPL.

3.5.2 OPL current capital position

The following table sets out the capital position for OPL as at 31 December 2021:

Table 6: OPL capital position as at 31 December 2021

	Transfer to ZAL SF[1] No. 2 under the Scheme					Transfer to ZAL SF No. 3 under the Scheme			
$m	**SF No. 1**		**SF No. 3**		**SF No. 5**	**SF No. 2**	**SF No. 4**	**Shareholder Fund**	**Total OPL**
	Par	**Non par**	**Par**	**Non par**	**Non par**	**Non par**	**Non par**		
Net assets	14	870	1	315	19	13	20	2	1,253
Intangibles assets	0	0	0	0	0	0	0	0	0
Regulatory adjustments	-1	-425	-1	-13	-1	0	-1	0	-441
Capital Base	**14**	**445**	**0**	**302**	**18**	**13**	**19**	**2**	**812**
	459		**302**						
PCA	272		213		9	3	2	0	499
Surplus above PCA	187		88		8	10	17	2	313
PCA Coverage Ratio[2]	**169%**		**142%**		**189%**	**408%**	**1,089%**	**5,391%**	**163%**

Notes:

1. SF = Statutory Fund
2. PCA Coverage Ratio = Capital Base / PCA

The following observations are made on the table:

- As at 31 December 2021 all the Statutory Funds, Shareholder Fund and OPL as a whole had sufficient Capital Base to cover its PCA.
- The Surplus above the PCA is sufficient to cover supervisory adjustments required by APRA and maintain Target Surplus Coverage Ratio above the bottom of the Target Surplus Normal Operating Range as outlined above in Section 3.5.1.

3.6 Company management practices

3.6.1 Risk and capital management

OPL has a Board approved RMF, RAS, RMS and business plan as required under APRA Prudential Standard CPS 220.

As discussed in Section 2.6.1:

- OPL has a common RMS with ZAL;
- A common governance framework for the management of OPL and ZAL has been adopted; and
- OPL and ZAL have a common ICAAP including Target Surplus confidence levels and trigger points for management action at the same confidence levels.

3.6.2 Investment strategy

- **Statutory Fund No. 1 and No. 3:**
  - All assets backing Participating Business and Investment Account Non-Participating business are invested in line with underlying commitments to OPL Policy Owners or in line with OPL's interpretation of their reasonable expectations. This business is held within a number of separate sub-funds each with their own investment strategy.
  - Assets for all other business in this Statutory Fund are invested in line with the ZFSA risk appetite including investments in pooled investment trusts managed by third parties, direct holdings managed through investment mandates or assets managed by OPL in house.
- **Statutory Fund No. 5:**
  - Assets backing the Variable Annuity Guarantee are invested in line with the ZFSA risk appetite as the Shareholder bears the investment risk. These assets may include investments in pooled investment trusts managed by third parties, direct holdings or managed through investment mandates or assets managed by OPL in house.
- **Statutory Fund No. 2 and No. 4:**
  - The Assets are primarily invested in unit trusts managed by external fund managers in line with underlying commitments to ZAL Policy Owners.

3.6.3 Management of Participating Business

The Participating Business is all ring-fenced, in separate sub-funds, within Statutory Fund No. 1 and No. 3. Each sub-fund has its own investment strategy.

Each year the Board of OPL obtains advice from the Appointed Actuary on the bonus rates to be applied to the Conventional Participating OPL Policies and the crediting rates to be applied to the Investment Account Participating OPL Policies.

3.6.4 Reinsurance

As at 31 December 2021 OPL reinsured approximately 68% of the Risk Insurance benefits mainly to ZIC (OPL's ultimate parent), and two APRA licenced subsidiaries of global reinsurers.

All OPL's reinsurers are large global organisations and have a Standard and Poor's rating of at least AA-.

3.6.5 Underwriting and claims management

As noted in Section 2.6.5, the ZAL and OPL claims and underwriting teams were combined during 2020. Policies and processes are aligned to an extent with differences remaining where appropriate to reflect differing policy terms and conditions, systems or underlying reinsurance arrangements.

Irrespective of whether the Scheme is implemented:

- The completion of policy and process alignment is expected to be finalised before the Effective date.
- Processes and procedures that relate to policy terms and conditions or systems that only apply OPL Policy Owners or only to Existing ZAL Policy Owners will be maintained.

OPL's underwriting rules reflect a combination of ZAL underwriting philosophy and OPL's reinsurer guidelines.

3.6.6 Expense allocation

As noted in Section 2.6.6, the methodology and principles for allocating expenses to individual polices in ZAL Policies and OPL Policies were aligned in 2020. The approach uses an activity-based costing method and reflects the drivers of volume of business in force in each entity.

3.6.7 Unit pricing approach

Unit pricing is conducted:

- In-house for some Investment Linked options using the pControl system, a specialist application used by several companies in Australia; and
- Oasis Asset Management Limited for other Investment Linked options.

OPL regularly reviews and maintains its unit pricing policy (which is common to ZAL) and processes that are applied to all unit linked investment business.

3.6.8 Repricing philosophy

Certain Risk Insurance Business gives OPL the right to change premium rates. OPL reviews the premiums on these OPL Policies each year and may adjust the premiums to achieve target levels of profitability defined by global Zurich Risk Policy.

Example recent price increases in OPL are as follows:

- Increases in OPL individual disability income insurance premium rates in 2020 and 2021; and

- Repricing group Risk Insurance to achieve a certain technical profit margin.

Investment management and other charges on Investment Linked and Investment Account Business may also be changed and are also assessed against profitability targets in the global Zurich Risk Policy.

3.6.9 Other operational functions

Policy administration, sales and marketing, business management, finance, investment management, reporting functions are conducted in-house by employees of ZFSA and ZSA under a Resources Deed with OPL.

Policy records are currently maintained on numerous administration platforms. There is a project underway to migrate the majority of OPL policy data onto ZAL systems, principally Life3, which is scheduled to complete prior to the Effective Date. This will occur regardless of the Scheme and is unaffected by the Scheme.

OPL currently has a Transitional Services Agreement in place with Australia and New Zealand Banking Group Limited (“**ANZ”**), the prior owner of OPL, to provide a suite of administration and other services whilst various operational functions, data and systems are being migrated to ZFSA. It is expected that this Transitional Services Agreement will terminate and all functions will commence being conducted on ZAL/ZFSA systems (either on current ZAL/ZFSA systems or systems transferred from ANZ to ZAL/ZFSA), prior to the Effective date.

3.7 Class Actions and Remediations

3.7.1 Class Actions

Two class actions have commenced in the Federal Court against OPL;

- Superannuation class action; and
- Consumer Credit Insurance (CCI) class action.

3.7.2 Superannuation class action

This class action commenced in the Federal Court in December 2020 against the following entities:

- OnePath Custodians Pty Ltd (“**OPC**”),
- ANZ; and
- OPL.

The class action was brought on behalf of certain members of the OnePath MasterFund (“**OPMF**”) and the Retirement Portfolio Services Superannuation Fund (“**RPSSF**”).

OPC, OPMF and RPSSF were not part of ANZ’s sale of OPL to ZFSA and are therefore not owned by ZFSA and also not part of the wider Zurich Group. Note that OPC still owns some policies within OPL as trustee of RPSSF.

It is alleged that: OPC breached its statutory and general law duties in relation to the investments of OPMF and RPSSF into three term deposit investment funds at ANZ and by charging excessive fees to OPMF members in order to pay higher commissions to financial advisers.

OPL was the administrator to OPMF and the issuer of Investment Linked policies to OPC via Statutory Fund No. 4.

This matter is at an early stage and OPL intends to mount a vigorous defence. Therefore the ultimate outcome and any potential obligation and resulting financial impacts on OPL are unknown and not expected to be known before implementation of the Scheme.

3.7.3 CCI class action

This class action commenced in the Federal Court in February 2020 against the following entities:

- ANZ;
- OPL;
- OnePath General Insurance Pty Ltd ("**OPGI**"); and
- QBE Insurance (Australia) Limited ("**QBE**").

It is alleged that ANZ, OPL, OPGI and QBE engaged in misleading or deceptive conduct and unconscionable conduct by selling certain CCI policies to customers where the CCI policies had little value to those customers.

This matter is at an early stage and OPL intends to mount a vigorous defence. Therefore the ultimate outcome and any potential obligation and resulting financial impacts on OPL are unknown and not expected to be known before implementation of the Scheme.

These polices were issued from Statutory Fund No. 1.

3.7.4 Other remediation activity

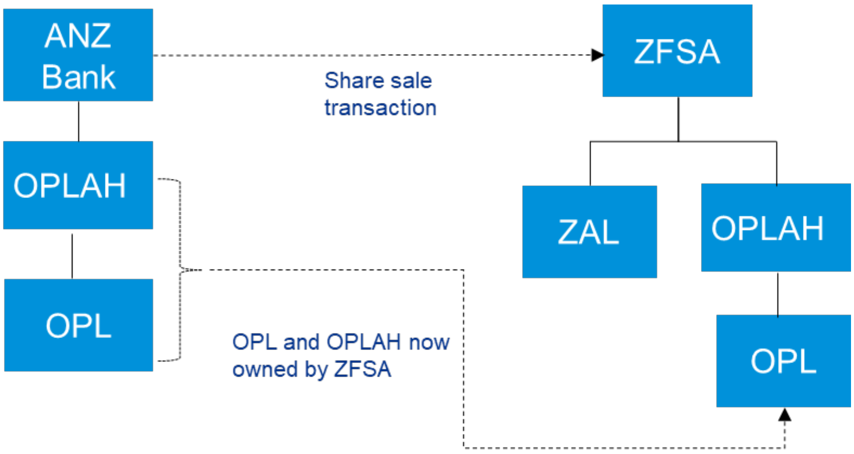
OPL is conducting other remediation activity which were fully provisioned for. The remediations are expected to be completed after the Effective Date.

4. Overview of the Scheme

4.1 Background

In 2019, ZFSA acquired all the shares in OPLAH, who was the sole shareholder of OPL. OPL therefore became a wholly owned subsidiary of ZFSA along with ZAL as set out in the following diagram:

Figure 5: Purchase of OPL.



The Scheme will result in the transfer of the life insurance business of OPL to ZAL thus consolidating all the life insurance business of OPL and ZAL into a single legal entity with a simplified statutory fund structure which has the following benefits:

- Improved risk diversification;
- Simplification of administrative processes such as the production of statutory financial reports and APRA reporting; and
- Facilitation of future operational efficiency improvements.

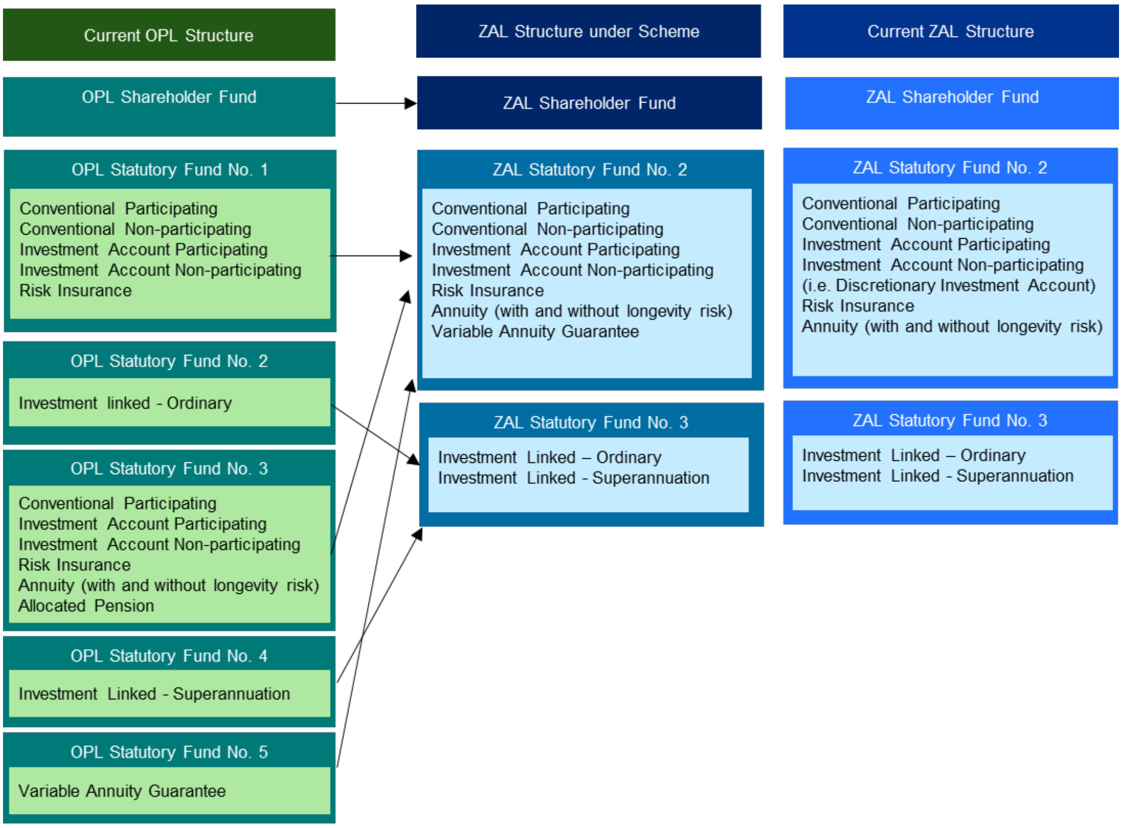
4.2 Description of the Scheme

The following diagram sets out:

- The structure of the OPL Statutory and Shareholder Funds ("**Current OPL Structure**") prior to the Scheme;
- The structure of the ZAL Statutory and Shareholder Funds ("**Current ZAL Structure**") prior to the Scheme;

- The transfers of the various types of life insurance policies and related assets and liabilities that will take place as at the Effective Date of the Scheme (black arrows); and
- The structure of the ZAL Statutory and Shareholder Funds as at the Effective Date of the Scheme ("**ZAL Structure under Scheme**").

Figure 6: ZAL structure under the Scheme.



The Scheme will entail the following as at the Effective Date as set out in the preceding diagram:

- All assets and liabilities in the Shareholder Fund of OPL will be transferred to the Shareholder Fund of ZAL.
- All OPL Policies, assets and liabilities in OPL Statutory Funds No. 1 will be transferred to ZAL Statutory Fund No. 2, except for:
  - The contingent liability which may arise in respect of the CCI class action, which will be transferred to the ZAL Shareholders Fund.
  - Shareholder assets of $12m which will remain in OPL Statutory Fund No. 1 to satisfy the prudential capital requirements of OPL after the proposed transfer.
- All OPL Policies, assets and liabilities in OPL Statutory Funds No. 3 and No. 5 will be transferred to ZAL Statutory Fund No. 2.

- All OPL Policies, assets and liabilities in OPL Statutory Fund No. 2 and OPL Statutory Fund No. 4 will be transferred to ZAL Statutory Fund No. 3, except for the contingent liability which may arise from the Superannuation class action, which will be transferred to the ZAL Shareholders Fund.
- All rights and obligations of OPL under reinsurance treaties to which OPL is a party will become rights and obligations of ZAL. The OPL treaties will continue on the same terms and will continue after the Effective Date and therefore unaffected by the Scheme.
- All OPL Policy Owners become ZAL Policy Owners.
- No OPL Policies, assets or liabilities remain in OPL.
- OPL ceases to carry on any life insurance business.

4.3 Policy "Cut-off" rules

Any application made to OPL for a policy prior to, and received by, the Effective Date that has not been accepted by that time will be treated as a ZAL application. Any policy alterations requested will be passed to ZAL.

Any policy benefits or premiums that are due or payable prior to the Effective Date, which remain unpaid at the Effective Date, will become a liability or asset of ZAL.

Any liability to a Policy Owner that becomes payable after the Effective Date as a result of any action, error or omission of OPL, for example a previous policy administration error, will be assumed by ZAL.

4.4 Contractual Policy Terms

No changes to contractual terms and conditions of both ZAL and OPL policies will be made due to implementation of the Scheme.

The only change that will be made to OPL Policies as a result of the Scheme will be that all references in the policies to OPL will be deemed to be a reference to ZAL and references to an OPL statutory fund will be deemed to be a reference to the corresponding destination statutory fund in ZAL.

4.5 Costs and expenses

All costs and expenses (including any additional taxes or stamp duty) incurred by OPL and ZAL in connection with the Scheme will be borne by ZFSA. Therefore no costs or expenses will be borne either directly or indirectly by ZAL or OPL Policy Owners.

4.6 Tax implications

Any OPL tax liabilities or assets, including income tax, GST or stamp duty, will be settled by ZAL on and from the Effective Date from the assets of the relevant ZAL Statutory Fund or the ZAL Shareholder Fund. There are no capital gains tax consequences of the transfer as the transfer is within the same consolidated tax group.

5. Financial Impact of the Scheme

5.1 Introduction

This section of the report examines the financial impact of the proposed transfer on OPL and ZAL.

5.2 Regulatory capital impacts of the Scheme on ZAL

The following table set out the impact of the Scheme on the regulatory capital position of the Statutory Funds, Shareholder Fund and ZAL as a whole as at 31 December 2021 if the Scheme had been implemented at that date. The net asset position also allows for the post 31 December 2021 transfer of $25m from ZAL Statutory Fund No. 2 to the ZAL Shareholder Fund, which was approved by the ZAL Board on 23 March 2022.

Table 7: Adjusted Capital position before and after Scheme implementation as at 31 December 2021

<table>
<tr><th>$m</th><th colspan="2">Statutory Fund No. 2</th><th>Statutory Fund No. 3</th><th>Shareholder Fund</th><th>Total ZAL</th></tr>
<tr><td colspan="6">After the Scheme</td></tr>
<tr><td></td><td>Par</td><td>Non par</td><td>Non Par</td><td></td><td></td></tr>
<tr><td>Net assets[1]</td><td>21</td><td>2,488</td><td>52</td><td>299</td><td>2,860</td></tr>
<tr><td>Intangibles assets</td><td>-</td><td>-</td><td>-</td><td>-246</td><td>-246</td></tr>
<tr><td>Regulatory adjustments</td><td>4</td><td>-1,460</td><td>-2</td><td>-1</td><td>-1,459</td></tr>
<tr><td rowspan="2">Capital Base</td><td>25</td><td>1,028</td><td rowspan="2">50</td><td rowspan="2">52</td><td rowspan="2">1,155</td></tr>
<tr><td colspan="2">1,052</td></tr>
<tr><td>PCA</td><td colspan="2">600</td><td>8</td><td>2</td><td>611</td></tr>
<tr><td>Surplus above PCA</td><td colspan="2">452</td><td>42</td><td>50</td><td>544</td></tr>
<tr><td>PCA Coverage Ratio</td><td colspan="2">175%</td><td>605%</td><td>2367%</td><td>189%</td></tr>
<tr><td colspan="6">Before the Scheme</td></tr>
<tr><td>PCA Coverage Ratio</td><td colspan="2">211%</td><td>539%</td><td>2318%</td><td>252%</td></tr>
</table>

Notes

1. $25m of shareholder assets are assumed to be moved from ZAL Statutory Fund No. 2. into the Shareholder Fund of ZAL as discussed in Section 1.5 and Section 2.5.2.

The following observations are made on the above table:

- ZAL has sufficient Capital Base to cover its PCA in each Statutory Fund, Shareholder Fund and ZAL as a whole after implementation of the Scheme.

- The Surplus above the PCA is sufficient to cover any supervisory adjustment required by APRA and maintain Target Surplus Coverage Ratio above the bottom the Target Surplus Normal Operating Range as outlined above in Section 2.5.1.
- The PCA for ZAL after implementation of the Scheme ($611m) is smaller than the sum of the PCA for ZAL and OPL ($640m) before implementation of the Scheme. This shows the benefit of improved diversification of risks.
- The PCA Coverage Ratio for ZAL falls from 252% to 189% after implementation of the Scheme.

5.3 Product strategy after the Scheme

Both OPL and ZAL Risk Insurance products that are open to new Policy Owners prior to the effective date will remain open after the Effective Date. OPL products will continue to be sold under the "OnePath" brand.

Both OPL and ZAL products will continue to be priced to achieve target levels of profitability in their own right and in aggregate subject to competitive market pressures.

The Scheme will therefore have no impact on the future product strategy of the OPL and ZAL Risk Business.

5.4 Profitability impacts of the Scheme

The following table sets out the shareholder profits made by OPL and ZAL in the last four financial years as outlined in Section 2.4.1 and Section 3.4.1:

Table 8: Profitability, 12 month ending 31-December

Profitability ($m)				
	FY18	FY19	FY20	FY21
ZAL	95	71	111	76
OPL[1]	-60	-420	-8	45

1. FY18 is 12 months ended 30 Sep 2018 and FY19 is 15 months ended 31 December 2019 for OPL

The following observations are made on the above table:

- ZAL has been profitable in each of the last four financial years.
- OPL made significant losses in the FY18 to FY20 financial years largely driven by strengthening assumptions around future experience and setting up provisions for in flight remediation activity.
- ZAL and OPL have advised that the combined business is forecasted to be profitable.

5.5 Observations and conclusions

- Each Statutory Fund, the Shareholder Fund and ZAL as a whole will continue to satisfy the PCA and PCR requirements as well as maintain the Target Surplus Coverage Ratio above the bottom of the Target Surplus Normal Operating Range.
- ZAL overall (i.e. including the OPL business) is projected to continue to be profitable after the Effective Date.

6. Impact on transferring OPL Policy Owners

6.1 Overview

In order to assess the impact of the Scheme on the transferring OPL Policy Owners the following has been considered:

- The impact of any changes to OPL Policy Owners' contractual rights and benefits resulting from implementation of the Scheme;
- The impact on OPL Policy Owners' reasonable expectations; and
- The impact on OPL Policy Owner benefit security.

6.2 Transferring OPL Policy Owner contractual rights and benefits

The existing charging structures, terms and conditions of all OPL Policies will remain unchanged and therefore unaffected by the Scheme.

6.2.1 Conclusion in respect of transferring OPL Policy Owner contractual rights and benefits

It is therefore concluded that the Scheme will have no impact on transferring OPL Policy Owners' contractual rights and benefits.

6.3 Transferring OPL Policy Owner reasonable expectations

The fundamental expectation of OPL Policy Owners is that they will receive their contractual benefits when they are due regardless of the implementation of the Scheme. However, there are aspects of the operation of the OPL Policies that involve some discretion being applied historically and therefore have an impact on the expectations of OPL Policy Owners. The Business Types written by OPL and key areas of discretion that may be applied to these Business Types are set out as follows:

- **Participating Business:** Discretion may be applied by OPL in respect of:
  - The investment of the assets (i.e. the asset allocations adopted);
  - The setting of bonuses and/or crediting rates;
  - The determination of surrender values; and
  - Allocation of expenses to the policies.

- **Risk Insurance Business:** Discretion may be applied by OPL in respect of:
  - Premium rate changes;
  - Upgrading of benefit definitions;
  - Underwriting of sum insured increases; and
  - Implementation of claims management practices and philosophies.
- **Investment Linked Business and Investment Account Non-Participating Business:** Discretion may be applied by OPL in respect of:
  - Investment management and other charges which may be changed where contractually permitted; and
  - The investment of assets.
- **Annuity and Variable Annuity Guarantee**:
  - Limited scope for the application of discretions. Note that under the Variable Annuity Guarantee a fee is paid to OPL by OPC (the trustee of the Superannuation Fund which purchased the guarantee). The fee is reviewed by OPL every five years.
- **For all Business Types:** policy administration and customer service.

These are discussed in turn below.

6.3.1 Participating Business

Practices and policies

ZAL advised that:

- Participating Business will continue to be ringfenced within sub-funds in ZAL Statutory Fund No. 2 on implementation of the Scheme. This will involve replicating the current sub-funds established within OPL Statutory Fund No.1 and OPL Statutory Fund No. 3 for the Participating Business within ZAL Statutory Fund No. 2.
- There will be no change to the asset allocations, bonus and/or crediting rate declaration practices or surrender value bases or the expense allocation methodology as a result of the Scheme.

Observations

As outlined above there will be no changes to the practices and policies related to Participating Business due to the Scheme.

The Scheme will therefore not have a material impact on Policy Owner reasonable expectations in respect of Participating Business.

6.3.2 Risk Insurance Business

Premium rate change practices

ZAL advised that:

- Premium rates may be changed for both OPL and ZAL Policies where contractually permitted.
- Premium rate changes will continue to be assessed for OPL and ZAL Policies. This assessment will continue to consider:
  - Individual product experience and the experience of the portfolio of similar products. A portfolio may contain products of both ZAL and OPL;
  - Target levels of profitability in line with the global Zurich Risk Policy; and
  - Competitive positioning of the products' premium rates in the market.

  This approach will continue for both ZAL and OPL Policies after the Effective Date and is unaffected by the Scheme.
- Both ZAL and OPL aim to achieve the same technical profit margin on the group Risk Insurance Business.
- Where premium rates are guaranteed, these guarantees will continue to apply on implementation of the Scheme.
- No OPL or ZAL products will be closed to new Policy Owners due to the Scheme so there is no potential impact on premium rates due to closure of products under the Scheme.

Observations

As outlined above, premium rate changes will continue to be assessed for the OPL and ZAL Policies on implementation of the Scheme considering:

- Target levels of profitability which have been aligned under the global Zurich Risk Policy;
- Competitive positioning; and
- The experience of the OPL Policies separately from the ZAL Policies as well as considering the combined experience.

It is therefore not expected that premium rate changes for the OPL Policies will be impacted by implementation of the Scheme.

It is therefore expected that the Scheme will not have a material impact on the reasonable expectations of OPL Policy Owners in respect of changes to premium rates.

Upgrading of benefit definitions

ZAL advised that:

- The approach to upgrading benefit definitions has been similar for both OPL and ZAL, and both entities have historically reviewed benefit definitions on a regular basis.
- Both entities are signatories to the Life Insurance Code of Practice and its principles around currency of definitions. For trauma cover both entities have a policy of reviewing at least every three years for medical currency.
- The product and pricing teams have been now combined and a similar approach has been adopted to benefit review and upgrade for both entities. Definitions are expected to continue to be aligned over time.

Observations

Given the alignment of the approach to upgrading benefit definitions between OPL and ZAL, it is expected that the Scheme will not have a material impact on OPL Policy Owners' reasonable expectations in this respect.

Underwriting and claims management practices

ZAL advised that:

- The OPL and ZAL underwriting and claims management teams were combined in 2020.
- Underwriting and claims management philosophies and practices were aligned to an extent but some differences still remain. For OPL policies ZAL will adopt the current OPL philosophies and practice in respect of those differences. In particular, where policy terms and conditions, systems, or reinsurance arrangements require a particular treatment.
- There is therefore no change to the underwriting and claims management practices for transferring OPL Policies as a result of the Scheme.

Observations

OPL Policy Owner reasonable expectations in respect of underwriting of sum insured increases and claims management will continue to be met after implementation of the Scheme.

OPL will be subject to the same customer protection bodies (i.e. FOS and SCT) as ZAL. This will also provide a level of protection to transferring OPL Policy Owners.

6.3.3 Investment Linked Business and Investment Account Non-participating Business

Investment management charges and investment of assets

ZAL advised that:

- The ZAL and OPL investment governance frameworks were aligned in late 2021.
- The asset pools backing Investment Linked and Investment Account Non-participating Business in OPL will be transferred to ZAL on implementation of the Scheme and managed by the same investment managers either in house or external that managed those investments before implementation of the Scheme.

- Investment management and other charges may be changed if contractually permitted. The approach to revising these charges will not change due to the Scheme, which involves assessments against profitability targets in the global Zurich Risk Policy.

Observations

As outlined above, investment management charges and other charge revision practices will not change due to the Scheme.

There will be no change to the investment of assets backing Investment Linked and Investment Account Non-participating business.

It is therefore expected that the Scheme will not have a material impact on the reasonable expectations of OPL Policy Owners in respect of changes to investment management charges and the investment of assets.

6.3.4 Policy administration and customer service

ZAL advised that:

- The processes for administering (including customer service) OPL Policies as well as all other operational processes in respect of OPL Policies such as unit pricing and investment management will not change due to the Scheme.
- After the sale of OPL from ANZ to ZFSA, a Transitional Services Agreement was established between ANZ and OPL to provide administration and a range of other operational services while these services are migrated to ZFSA and ZAL. All these services and relevant Information Technology platforms are expected to be migrated to ZFSA and ZAL before the implementation of the Scheme.

Observations

As outlined above, there will be no changes to administration, operational and customer service practices due to the Scheme.

The Scheme will therefore not have a material impact on the OPL Policy Owners' reasonable expectations related to policy administration or customer service.

6.3.5 Conclusion in respect of transferring OPL Policy Owner reasonable expectations

Given the above analysis it is concluded that the Scheme will not have a material impact on transferring OPL Policy Owners' reasonable expectations in respect of the key areas of discretion,

6.4 Transferring OPL Policy Owner benefit security

In this section the impact on benefit security of transferring OPL Policy Owners is assessed.

6.4.1 Position before implementation of the Scheme

OPL Policy Owners enjoy a sound level of benefit security in terms of:

- Coverage of the PCA, PCR and Target Surplus Coverage Ratio within each Statutory Fund, Shareholder Fund and OPL as a whole;
- Relatively conservative asset strategy (cash and term deposits) for assets that back Risk Insurance Business where the shareholders of OPL bear the investment risk;
- Expected future profitability of OPL; and
- The potential for parental support from the Zurich Group.

The following Sections discuss the impact on OPL Policy Owner benefit security after implementation of the Scheme.

6.4.2 Regulatory capital position

ZAL advised that:

- As discussed in Section 5.2, ZAL will have sufficient Capital Base as at the Effective Date to cover its PCA and PCR in each Statutory Fund and Shareholder Fund as well as maintain a Target Surplus Coverage Ratio above the bottom the Target Surplus Normal Operating Range.
- The PCA Coverage Ratio improves from 163% for OPL as a whole before implementation of the Scheme to 189% for ZAL as a whole after implementation of the Scheme had the scheme been implemented at 31 December 2021.

Observation

The benefit security of transferring OPL Policy Owners will be improved by the fact that PCA Coverage Ratio improves for OPL Policies after implementation of the Scheme.

6.4.3 Profitability

ZAL advised that:

- As discussed in Section 5.4, ZAL has been profitable in the last four financial years while OPL was profitable in FY21 but was loss making in the FY18 to FY20 periods.
- The Scheme will transfer OPL Policies to ZAL which has been a more profitable company than OPL.
- ZAL is expected to continue to be profitable after implementation of the Scheme.
- The overall expense base of ZAL is not expected to be adversely impacted by the implementation of the Scheme as most integration and rationalisation activity would have been implemented by the Effective Date. Some cost savings are expected in the Actuarial and Finance functions as the need to report on two sets of accounts and regulatory reporting (for ZAL and OPL) would no longer be required which may improve profitability.
- All costs of the Scheme implementation would be borne by the shareholders of ZAL and would not impact the transferring OPL Policy Owners.

Observation

Given that:

- ZAL has historically been more profitable than OPL;
- ZAL is expected to continue to be profitable on implementation of the Scheme;
- The regulatory capital position makes some allowance for expected profitability; and
- There will be no adverse change to the expense base;

the benefit security of transferring OPL Policy Owners is not expected to be adversely impacted in these respects.

6.4.4 Risk and capital management

ZAL advised that:

- Risk and capital management policies and processes (including RAS, RMF, RMS and ICAAP) are aligned between ZLA and OPL and will not change as a result of the Scheme.
- Investment governance frameworks of ZAL and OPL were aligned in late 2021.
- ZAL will be a larger life insurance company after the Effective Date than either OPL or ZAL prior to the Effective Date. OPL Policy Owners will therefore benefit from risk diversification as a result of the Scheme.

Observation

The capital requirements are risk sensitive.

The risk profile of ZAL (and its individual statutory funds) will differ in some respects from OPL (and its individual statutory funds). For example, to due to product mix differences, reinsurance level differences and asset allocation differences. However, the regulatory capital requirements of the statutory funds on implementation of the Scheme will respond to reflect the risk profile of the statutory funds on the Effective Date.

Therefore, the benefit security of transferring OPL Policy Owners is not expected to be materially affected by changes to the risk profile of the combined entity, or the individual statutory funds, due to implementation of the Scheme.

6.4.5 Policyholders Covered by Class Actions

All of the contingent liabilities relating to the CCI class action and the Superannuation class action will be transferred to the ZAL Shareholder Fund.

ZAL advised that:

- The intention of ZIC is to continue to provide capital support to ZAL in order to maintain its Target Surplus Coverage Ratio within the Target Surplus Normal Operating Range.
- ZAL Target Surplus reserves in relation to conduct risk will be transferred to the ZAL Shareholder Fund prior to the Effective Date.

- There is a contractual arrangement taking effect from the Effective Date requiring ZIC to support the contingent liabilities arising from the CCI and Superannuation class actions, subject to certain limits.

Observation

Transferring the class action contingent liabilities to the Shareholders Fund will have positive and negative impacts on the security of the contingent liabilities. The negative impacts, as at the Effective Date, are:

- For the CCI class action, the surplus over PCA of the ZAL Shareholder Fund is lower than the surplus over PCA of OPL Statutory Fund No. 1.
- For the Superannuation class action, while the surplus over PCA of the ZAL Shareholder Fund is higher than OPL Statutory Fund No. 4, the ZAL Shareholders Fund is exposed to both class actions while the OPL Statutory Fund No. 4 is only exposed to the Superannuation class action.

The positive impacts, as at the Effective Date are that:

- The surplus over PCA across the ZAL Statutory Funds after the Scheme is completed will be higher than OPL has immediately prior to the Effective Date. These excess assets can be transferred to the ZAL Shareholders Fund, subject to Board Approval.
- ZIC's intention is to continue to provide capital support to ZAL to maintain its Target Surplus Coverage Ratio in the Target Surplus Normal Operating Range. By combining the ZAL and OPL businesses together, the financial consequences to ZIC of not providing parental support are likely to be increased.
- A contractual arrangement requiring ZIC to provide ZAL with financial support to meet the potential liabilities arising from the CCI and super class actions will take effect from the Effective Date, subject to certain limits.

There is also the potential ability as outlined in Section 7.4.3 to make recoveries from third parties under contractual and/or insurance arrangements.

On balance, the positive benefit security impacts are considered to materially outweigh the negative benefit security impacts.

6.4.6 Conclusion in respect of transferring OPL Policy Owner benefit security

Given the above observations it is concluded that the Scheme will not result in any material change to transferring OPL Policy Owners' benefit security.

7. Impact on existing ZAL Policy Owners

7.1 Overview

In order to assess the impact of the Scheme on the existing ZAL Policy Owners the following has been considered:

- The impact of any changes to ZAL Policy Owners' contractual rights and benefits resulting from implementation of the Scheme;
- The impact on ZAL Policy Owners' reasonable expectations resulting from implementation of the Scheme; and
- The impact on ZAL Policy Owner benefit security.

7.2 Existing ZAL Policy Owner contractual rights and benefits

The existing contractual terms and conditions of all ZAL Policies will remain unchanged and therefore unaffected by the Scheme.

7.2.1 Conclusion in respect of existing ZAL Policy Owner contractual rights and benefits

It is therefore concluded that the Scheme will have no impact on existing ZAL Policy Owners' contractual rights and benefits.

7.3 Existing ZAL Policy Owner reasonable expectations

The fundamental expectation of ZAL Policy Owners is that they will receive their contractual benefits when they are due regardless of the implementation of the Scheme. There are aspects of the operation of the ZAL Policies that involve some discretion being applied historically and therefore have an impact on the expectations of ZAL Policy Owners.

For Business Types that are common to both companies, the discretions that apply to the different ZAL Business Types are the same as those applying to OPL Business Types. Section 6.3 outlines these discretions.

There is only one Business Type that is specific to ZAL, Discretionary Investment Account Business. These contracts have similar discretions to Investment Account Participating Business.

ZAL has advised that there are no proposed changes to the management of any ZAL Business Types due to the Scheme. In particular, ZAL has advised that:

- Premium rate changes on Risk Insurance Business, which operate as described in Section 6.3.2, will not change due to implementation of the Scheme;
- Underwriting of sum insured increases and claims management for Risk Insurance Business will continue to adopt the existing ZAL rules;
- Fee changes will operate as described in Section 6.3.3, and will not change due to the implementation of the scheme.
- There will be not changes to the assets backing unit linked business as a result of the scheme.
- Participating Business and Discretionary Investment Account Business will continue to be notionally ringfenced within sub-funds in ZAL Statutory Fund No. 2, and these pools will be separate to those established of the OPL Participating Business. ZAL will not change the allocation of investment returns to the participating policies, bonus and/or crediting rate declaration practices, surrender value bases or the expense allocation methodology for ZAL's Participating Business and Discretionary Investment Account Business as a result of the Scheme; and
- Policy administration and customer service will not change.

7.3.1 Conclusion in respect of existing ZAL Policy Owner reasonable expectations

As ZAL has advised that there are no proposed changes to the management of any ZAL Business Types due to the Scheme, and the addition of the OPL business to the ZAL Statutory Funds will not impact the asset pools supporting the ZAL Participating Business and Discretionary Investment Account Business, it is therefore concluded that the Scheme will not have a material impact on the reasonable expectations of ZAL Policy Owners.

7.4 Existing ZAL Policy Owner benefit security

In this Section the impact on the benefit security of existing ZAL Policy Owners is assessed.

7.4.1 Position before implementation of the Scheme

ZAL Policy Owners enjoy a sound level of security in terms of:

- Regulatory capital position: Coverage of the PCA, PCR and Target Surplus within each Statutory Fund, Shareholder Fund and ZAL as a whole;
- Profitability of ZAL; and
- Parental support from the Zurich Group.

The following Sections discuss the impact on ZAL Policy Owner benefit security after implementation of the Scheme.

7.4.2 Regulatory capital position

ZAL has advised that:

- As set out in Section 5.2, ZAL will have sufficient Capital Base to cover its PCA, PCR in each Statutory Fund and Shareholder Fund as well as maintain a Target Surplus Coverage Ratio above the bottom of the Target Surplus Normal Operating Range.
- The PCA Coverage Ratio of ZAL falls from 252% to 189% after implementation of the Scheme.
- Under the ZAL ICAAP, it is able to pay all monies above the bottom of the Target Surplus Normal Operating Range as a dividend to its shareholders at any time with Board approval.
- The amount of Capital Base above the bottom of the Target Surplus Normal Operating Range can vary materially over time.

Observations

Given that:

- ZAL is expected to have sufficient Capital Base to cover PCA, PCR and maintain Target Surplus in the Target Surplus Normal Operating Range upon implementation of the Scheme; and
- All money above the bottom of the Target Surplus Normal Operating Range can be paid as a dividend to ZAL's shareholders at any time;

the benefit security of ZAL Policy Owners is not expected to be materially adversely impacted by the fall in PCA Coverage Ratio.

7.4.3 Class action proceedings

As described in Section 3.7 OPL is the subject (among other ANZ entities) of two class actions:

- CCI class action; and
- Superannuation class action.

As at the Effective Date the class action proceedings and any other legal proceedings in connection with an OPL Policy, must be continued against ZAL instead of OPL.

ZAL has advised that the key protections for ZAL Policy Owners will be as follows:

- The ongoing operation of ZAL's ICAAP and RMF which is aligned between OPL and ZAL;
- The potential for recoveries from third parties under contractual or insurance arrangements;
- Availability of Target Surplus and assets in excess of PCA in ZAL after implementation of the Scheme;

- Allowance for conduct risk within the Target Surplus which will be held in the Shareholder Fund of ZAL;
- Parental support from ZIC (i.e. capital injections), which has an S&P AA stable credit rating:
  - ZIC has made multiple capital injections in the last three years to both OPL and ZAL in order to maintain the Target Surplus Coverage Ratio within the Target Surplus Normal Operating Range.
  - The Zurich Group has invested significant money into Australia, as indicated by its acquisition of Macquarie Life Limited's insurance business and OPL in recent years. Therefore, the financial consequences of not providing parental support are likely to outweigh costs of providing the parental support.
  - The intention of ZIC is to continue to provide capital support to ZAL to maintain its Target Surplus Coverage Ratio within the Target Surplus Normal Operating Range.
  - As noted in Section 6.4.5, a contractual arrangement requiring ZIC to provide ZAL with financial support to meet the potential liabilities arising from the CCI and super class actions will take effect from the Effective Date, subject to certain limits.
- Any class action liability in respect of the Superannuation class action or the CCI class action will arise in the Shareholder Fund of ZAL. The existing ZAL Policy Owners will be protected by the Statutory Fund protections.

Observations

Irrespective of the outcome of the class action, ZAL has outlined a number of actions to maintain the Target Surplus Coverage Ratio of ZAL in the Target Surplus Normal Operating Range. These actions include obtaining further capital from ZIC or seeking remedy via contractual or insurance arrangements.

Should these actions not be successful the capital deficiency will arise in the Shareholders Fund, with the existing ZAL Policy Owners protected by the Act and APRA's prudential rules (e.g. the transfer of assets from a statutory fund to the Shareholder Fund is subject to a number of restrictions and requirements). Given these observations the benefit security of ZAL Policy Owners is not expected to be materially adversely impacted by the class actions being successful.

7.4.4 Other remediation activity

ZAL has advised that:

- The remediation programs currently underway are fully supported by existing provisions held in the OPL Statutory Funds.
- Any residual liability transferred to ZAL is expected to be immaterial.

Observations

Given the above, it is not expected that the benefit security of ZAL Policy Owners will be materially adversely impacted by the remediation programs currently underway in OPL.

7.4.5 Profitability

ZAL has advised that:

- The OPL business and the ZAL business are forecast to remain profitable in the future.
- The overall expense base is not expected to change on implementation of the Scheme as most integration and rationalisation to avoid duplication of activity would have been implemented by the Effective Date. There are however some cost savings expected in the Actuarial and Finance functions as the need to report two sets of accounts and regulatory reporting (for ZAL and OPL) would no longer be applicable.
- All costs of the Scheme implementation would be borne by the shareholders of ZAL.

Observations

Given the above points, the benefit security of ZAL Policy Owners is not expected to be materially adversely impacted on implementation of the Scheme in respect of profitability.

7.4.6 Risk and capital management

ZAL has advised that:

- Risk and capital management policies and processes (including RAS, RMF, RMS and ICAAP) with ZAL will not change on implementation of the Scheme.
- The regulatory capital position reflects the risks in the company.
- The risk profile of ZAL may differ in some respects from OPL. However, the regulatory capital position responds to changes in the risk profile once the OPL Business is transferred to ZAL and more capital is required where risks increase and vice versa.
- ZAL will be a much larger insurance company with the benefit of risk diversification once the OPL Policies are transferred into it.

Observations

The capital requirements are risk sensitive.

The risk profile of ZAL (and its individual statutory funds) will differ in some respects from OPL (and its individual statutory funds). For example, to due to product mix differences, reinsurance level differences and asset allocation differences. However, the regulatory capital requirements of the statutory funds on implementation of the Scheme will respond to reflect the risk profile of the statutory funds on the Effective Date.

Therefore, the benefit security of transferring OPL Policy Owners is not expected to be materially affected by changes to the risk profile of the combined entity, or the individual statutory funds, due to implementation of the Scheme.

Given the above points, the benefit security of ZAL Policy Owners is not expected to be impacted by changes to the risk profile in ZAL due to implementation of the Scheme.

7.4.7 Conclusion in respect of existing ZAL Policy Owner benefit security

Given the above observations it is concluded that the Scheme will not result in a material adverse change to ZAL Policy Owners' benefit security.

8. Summary of conclusions

8.1 Introduction

This section provides a summary of the conclusions reached in respect of existing ZAL Policy Owners and transferring OPL Policy Owners on implementation of the Scheme at the Effective Date.

8.2 Transferring OPL Policy Owners

8.2.1 Policy Owner contractual rights and benefits

The Scheme will have no impact on OPL Policy Owners' contractual rights and benefits.

8.2.2 Policy Owner reasonable expectations

The Scheme will not have a material impact on OPL Policy Owners' reasonable expectations.

8.2.3 Policy Owner benefit security

The Scheme will not result in a material adverse change to OPL Policy Owners' benefit security.

8.3 Existing ZAL Policy Owners

8.3.1 Policy Owner contractual rights and benefits

The Scheme will have no impact on existing ZAL Policy Owners' contractual rights and benefits.

8.3.2 Policy Owner reasonable expectations

The Scheme will not have a material impact on existing ZAL Policy Owners' reasonable expectations.

8.3.3 Policy Owner benefit security

The Scheme will not result in a material adverse change to ZAL Policy Owners' benefit security.

A Glossary

ANZ	Australia and New Zealand Banking Group Limited
FOS	Financial Ombudsman Service
FY	Financial year
ICAAP	Internal Capital Adequacy Assessment Process
OPL	OnePath Lime Limited
PCA	Prudential Capital Amount
PCR	Prudential Capital Requirement
RAS	Risk Appetite Statement
RMF	Risk Management Framework
RMS	Risk Management Strategy
SCT	Superannuation Complaints Tribunal
SF	Statutory Fund
ZAL	Zurich Australia Limited
ZIC	Zurich Insurance Company Limited
ZIG	Zurich Insurance Group
ZFSA	Zurich Financial Services Australia Limited

B Documents relied upon

This Appendix summarises the key data and information relied on for this report.

Reference	Item	Data
1.Introduction		
1.2	Policy Owners, Members and Beneficiaries	Actuarial Report on the Proposed Transfer of Life Insurance Business from OnePath Life Limited (OPL) to Zurich Australia Limited (ZAL)" by Ian Wong and Stuart Turner dated 23 March 2022 (the **Actuarial Report**) Section 2.2 and Section 2.3
2.Overview of ZAL		
2.1	ZAL entity structure	Zurich Australia Limited Financial Condition Report (December 2021) Part C1.1 ZFSA Annual Report 2020
2.2	Statutory funds and Shareholder Fund	Actuarial Report Section 3.2, Section 3.3 and Section 5.2 Zurich Australia Limited Financial Condition Report (December 2021) Section B.2
2.3	Key metrics of life insurance business	Actuarial Report Section 3.2.4
2.4.1	Recent profitability	Actuarial Report Section 3.4
2.5.1	Regulatory capital requirements	Actuarial Report Section 3.5 ZAL 2021 ICAAP Report Section 3.1 ICAAP Summary Statement ZAL and OPL 23 Feb 2021 Section 4.6
2.5.2	ZAL current capital position	Actuarial Report Section 2.3, Section 3.5 Zurich Australia Limited Financial Condition Report (December 2021) (Part A6.1)
2.6.1	Risk and capital management	Actuarial Report Section 3.6.1 ZAL/OPL RAS 2021 ICAAP Summary Statement ZAL and OPL 23 Feb 2021
2.6.2	Investment strategy	Actuarial Report Section 3.6.3
2.6.3	Management of participating business	Actuarial Report Section 3.6.2 and Section 3.6.3
2.6.4	Reinsurance	Zurich Australia Limited Financial Condition Report (December 2021) (Part C4 and Part D3)
2.6.5	Underwriting and claims management	Actuarial Report Section 3.6.2 Zurich Australia Limited Financial Condition Report (December 2020 and December 2021) (Part C1.3 and Part C1.4)
2.6.6	Expense allocation	Actuarial Report Section 5.10 Zurich Australia Limited Financial Condition Report (December 2020 and December 2021) (Part C7.2)

Reference	Item	Data
2.6.7	Unit pricing approach	Actuarial Report Section 3.6.2
2.6.8	Repricing philosophy	Actuarial Report Section 3.6.2 Attachment 1 to Joint ZAL, OPL and OPGI 2021 - 2023 Plan dated 23 February 2021
2.6.10	Other operational functions	Actuarial Report Section 3.6.2.
2.7	Remediation	Actuarial Report Section 7.4.5
3.Overview of OPL		
3.1	OPL entity structure	OnePath Life Financial Condition Report (December 2021) (Part C1.1) ZFSA Annual Report 2020
3.2	Statutory funds and Shareholder Fund	Actuarial Report Section 4.2, Section 4.3, Section 5.2, Section 7.3.2
3.3	Key metrics of life insurance business	Actuarial Report Section 4.2.7
3.4.1	Recent profitability	Actuarial Report Section 4.4
3.5.1	Regulatory capital requirements	Actuarial Report Section 4.5 OPL 2021 ICAAP Report Section 3.1 ICAAP Summary Statement ZAL and OPL 23 Feb 2021 Section 4.6
3.5.2	OPL current capital position	Actuarial Report Section 2.3, Section 4.5 OnePath Life Financial Condition Report (December 2021) (Part A6.1)
3.6.1	Risk and capital management	Actuarial Report Section 4.6.1 ZAL/OPL RAS 2021 ICAAP Summary Statement ZAL and OPL 23 Feb 2021
3.6.2	Investment strategy	Actuarial Report Section 4.6.3
3.6.3	Management of participating business	Actuarial Report Section 4.6.2, Section 4.6.3
3.6.4	Reinsurance	OnePath Life Financial Condition Report (December 2021) (Part C4 and Part D3)
3.6.5	Underwriting and claims management	Actuarial Report Section 4.6.2 OnePath Life Financial Condition Report (December 2020 and December 2021) (Part C1.3 and Part C1.4)
3.6.6	Expense allocation	Actuarial Report 5.10 OnePath Life Financial Condition Report (December 2020 and December 2021) (Part C7.2)
3.6.7	Unit pricing approach	Actuarial Report Section 4.6.2
3.6.8	Repricing philosophy	Attachment 1 to Joint ZAL, OPL and OPGI 2021 - 2023 Plan dated 23 February 2021 Actuarial Report Section 4.6.2

Reference	Item	Data
3.6.9	Other operational functions	Actuarial Report Section 4.6.2
3.7	Class Actions and Remediations	Actuarial Report Section 4.4, Section 4.7, Section 4.8
4.Overview of the Scheme		
4.1	Background	Actuarial Report Section 5.1
4.2	Description of the Scheme	Actuarial Report Section 5.1, Section 5.2
4.3	Policy “Cut-Off” Rules	Actuarial Report Section 5.10
4.4	Contractual policy terms	Actuarial Report Section 5.9
4.5	Costs and expenses	Actuarial Report Section 5.8
4.6	Tax implications	Actuarial Report Section 5.10
4.7	Class actions and remediations	Actuarial Report Section 5.13
5. Financial impact of the Scheme		
5.2	Regulatory capital impacts of the Scheme on ZAL	Actuarial Report Section 5.11, Section 6.4.2, Section 7.4.2
5.3	Product strategy after the Scheme	Actuarial Report Section 3.2.4, Section 4.2.7
5.4	Profitability impacts of the Scheme	Actuarial Report Section 3.4, Section 4.4
6. Impact on transferring OPL Policy Owners		
6.2	Transferring OPL Policy Owner contractual rights and benefits	Actuarial Report Section 5.9 and Section 7.2
6.3	Transferring OPL Policy Owner reasonable expectations	Actuarial Report Section 4.3,Section 4.6.1, Section 3.6.2 and Section 7.3
6.3.1	Participating business	Actuarial Report Section 7.3.1
6.3.2	Risk Insurance Business	Actuarial Report Section 3.6.2, Section 4.6.2, Section 7.3.2
6.3.3	Investment Linked Business and Investment Account Non-participating Business	Actuarial Report Section 7.3.2
6.3.4	Policy administration and customer service	Actuarial Report Section 4.6.2 (OPL unit pricing and transition), Section 7.3.1, Section 7.3.2, Section 7.3.3
6.4.1	Position before implementation of the Scheme	Actuarial Report Section 4.4, Section 4.5 Interview with Ian Wong and Stuart Turner on 8 June 2021
6.4.2	Regulatory capital position	Actuarial Report Section 4.5, Section 5.11, Section 7.4.2, Section 7.4.3, Section 6.4.3.
6.4.3	Profitability	Actuarial Report Section 3.4, Section 4.4, Section 5.8, Section 5.10

Reference	Item	Data
		OnePath Life Financial Condition Report (December 2020 and December 2021) (Part C7.2)
6.4.4	Risk and capital management	Actuarial Report Section 4.6.1, Section 6.4.1 ZAL/OPL RAS 2021 ICAAP Summary Statement ZAL and OPL 23 Feb 2021
6.4.5	Policyholders Covered by Class Actions	Actuarial Report Section 6.4.7 Draft Class Action Liability Funding Deed (04.04.22) ZAL Part 9 Board Committee Paper – Class Action Liability Funding Deed (14 March 22) Board Paper ZAL Part 9 Committee 24 August 2021
7. Impact on existing ZAL Policy Owners		
7.2	Existing ZAL Policy Owner contractual rights and benefits	Actuarial Report Section 5.9, Section 6.2
7.3	Existing ZAL Policy Owner reasonable expectations	Actuarial Report Section 3.3, Section 3.6.2, Section 4.6.1, Section 4.6.2, Section 6.3,
7.4.1	Position before implementation of the Scheme	Actuarial Report Section 3.4, Section 3.5
7.4.2	Regulatory capital position	Actuarial Report Section 5.11, Section 6.4.2, Section 3.5.2, Section 4.5.2. ZAL 2021 ICAAP Report ICAAP Summary Statement ZAL and OPL 23 Feb 2021
7.4.3	Class action proceedings	Actuarial Report Section 6.4.7 Draft Class Action Liability Funding Deed (04.04.22) ZAL Part 9 Board Committee Paper – Class Action Liability Funding Deed (14 March 22) Board Paper ZAL Part 9 Committee 24 August 2021
7.4.4	Other remediation activity	Actuarial Report Section 6.4.5
7.4.5	Profitability	Actuarial Report Section 3.4, Section 4.4, Section 5.8, Section 5.10 Zurich Australia Limited Financial Condition Report (December 2020 and December 2021) (Part C7.2)
7.4.6	Risk and capital management	Actuarial Report Section 3.6.1 ZAL/OPL RAS 2021 ICAAP Summary Statement ZAL and OPL 23 Feb 2021

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