Scheme to transfer life insurance business of TLISL to TAL Life Limited

Joint Appointed Actuaries' Report for the Part 9 Transfer
As at 31 March 2024

To: Australian Prudential Regulation Authority
From:
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1. Executive summary

1.1 Background to proposed transfer

TAL Life Insurance Services Limited ACN 003 149 157 ("TLISL") is a life insurance company registered under the Life Insurance Act 1995 ("Life Act") and is prudentially regulated by APRA. TLISL has issued a range of insurance and investment products including lump sum, disability and unit linked business.

TAL Life Limited ACN 050 109 450 ("TAL Life") is a life insurance company registered under the Life Act and is also prudentially regulated by APRA. TAL Life issues a range of insurance and investment products including lump sum and disability business and has previously issued unit linked and participating business.

TLISL and TAL Life are both subsidiaries of TAL Dai-ichi Life Australia Pty Limited ACN 150 070 483 ("TDA") and the ultimate parent is Dai-ichi Life Holdings Inc. TDA is subject to regulatory oversight by APRA as a non-operating holding company.

Whilst both companies are managed within the same group and share many processes, management of two life insurance entities within the same group increases operational complexity, costs, and capital to the insurance operations. The TDA Board has therefore identified that a rationalisation, through a transfer of the life insurance business of TLISL to TAL Life carried out by way of a scheme transfer under Part 9 of the Life Act ("Proposed Transfer"), of the legal entities and statutory fund structures across the two entities, will help it achieve its objectives. All liabilities and assets relating to the policy owners of TLISL will be transferred to TAL Life. The Proposed Transfer will simplify the business, thereby reducing costs, operational risk and capital, and ultimately lead to a better customer experience.

1.2 Purpose and scope of report

This report addresses the actuarial aspects, financial implications and fairness of the Proposed Transfer. The report describes and comments upon the arrangements proposed as the basis of this transfer.

This report has been prepared by Joshua Corrigan and Neil Ch'ng as at 31 March 2024, in our capacities as the Appointed Actuaries of TAL Life and TLISL respectively. We are both Fellows of the Actuaries Institute of Australia ("FIAA").

The key focus of the report is the effect of the Proposed Transfer on:

- the contractual benefits and rights, reasonable benefit expectations and benefit security of the transferring policy owners of TLISL; and
- the contractual benefits and rights, reasonable benefit expectations and benefit security of the existing policy owners of TAL Life.

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

1.3 Key aspects of the Proposed Transfer

The proposed effective date of the Proposed Transfer is 31 March 2025 ("Transfer Date"). It is proposed that:

- all of the life policies referable to TLISL Statutory Fund No. 1 that are in force (including policies which may have expired but under which benefits remain payable) will be transferred to TAL Life's Statutory Fund No. 1; and
- all of the life policies referable to TLISL Statutory Fund No. 2 that are in force will be transferred to TAL Life's Statutory Fund No. 2.

The transfer will involve the transfer of assets and liabilities in TLISL Statutory Fund No. 1 and TLISL Statutory Fund No. 2, including the Insurance Contract Liabilities and the associated reinsurance, including assets sufficient to support 100% of Target Capital requirements. Any excess assets above this will be transferred to the TLISL shareholders' fund prior to the Scheme taking effect. All policies will be transferred with the same policy terms and conditions as applied prior to the transfer.

The TLISL shareholders' fund will retain a level of assets sufficient to settle any outstanding liabilities and capital requirements within the fund. It will receive any excess assets above the target capital requirements of the TLISL statutory funds. Any excess assets of the TLISL shareholders' fund will be maintained in the TLISL shareholders' fund post transfer.

This report examines the impact on the transferring policy owners of TLISL, the existing policy owners of TAL Life, and the financial and risk management impacts of the Proposed Transfer on their prospective benefit security.

There are certain aspects of the operation of, and/or benefits provided to the transferring TLISL policies that have been identified as involving some discretion being exercised by TLISL historically, and TAL Life in the future, that may potentially impact policy owner reasonable benefit expectations. The material discretions addressed in the report are:

- premium rate changes;
- claims handling philosophy;
- policy administration capabilities; and
- underwriting on existing policies.

1.4 Benefits to Policy Owners of the Proposed Transfer

The Proposed Transfer will benefit Policy Owners through:

- Scale – The Proposed Transfer will result in expense synergies from having lower external costs such as lower investment management fees due to the scale of the combined investment portfolio and the ability to be more competitive in the market through pricing.
- Operational Risk – The Proposed Transfer will reduce overall operational risk. The integration program that has been underway since TLISL was acquired has reviewed processes across the business within both TAL Life and TLISL to end up with harmonised processes. Overall, this leads to more streamlined processes and a better policy owner experience. The combining of two companies into one also reduces and streamlines the number of reporting tasks that are required from a regulatory perspective as these will be combined within TAL Life leading to better quality reporting.
- Benefit Security – The Proposed Transfer will also result in increased diversification of insurance and asset risks providing a higher level of benefit security for policy owners. In addition, the increased size of the combined portfolio will result in a lower overall volatility of insurance risk experience across the portfolio which may result in greater pricing stability for policy owners.

1.5 Overall conclusion on Proposed Transfer

The Proposed Transfer will not result in any unfairness to the owners of the policies referable to any of the funds involved in the Proposed Transfer. Additionally, the proposed scheme will not materially prejudice the interests of owners of the policies of TLISL. Immediately after the Proposed Transfer, each of the two receiving statutory funds within TAL Life will satisfy regulatory capital standards and remain in a sound financial position. Further, TLISL will retain sufficient assets to cover any outstanding liabilities and capital requirements after the Proposed Transfer.

The principal conclusions of this report on the Proposed Transfer relating to TLISL's transferring and TAL Life's existing policy owners, are summarised below.

1.5.1 TLISL' transferring policy owners

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

- the Proposed Transfer does not adversely impact the contractual benefits and rights of the transferring policy owners.

In terms of the policy owners' reasonable benefit expectations:

- TAL Life's intended basis of determining and implementing the non-contractually specified and/or discretionary aspects of the transferring policies will continue to meet the overall reasonable benefit expectations of the transferring policy owners.

In terms of the policy owners' benefit security:

- TAL Life will remain in a sound financial position and the transferring policy owners' benefit security will remain adequate after the Proposed Transfer.

1.5.2 TAL Life's existing policy owners

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

- there is no impact to the contractual benefits and rights of the existing policy owners of TAL Life as a result of the Proposed Transfer.

In terms of the policy owners' reasonable benefit expectations:

- there is no impact to the reasonable benefit expectations of the existing policy owners of TAL Life as a result of the Proposed Transfer.

In terms of the policy owners' benefit security:

- each of the statutory funds of TAL Life, and TAL Life as a whole, will remain in a sound financial position and the existing policy owners' benefit security will remain appropriate after the Proposed Transfer; and
- there are no disadvantages for the existing policy owners of TAL Life as a result of the Proposed Transfer.

1.6 Executive summary not report

Please note that this executive summary is intended only as a brief overview of the report and it does not cover or mention all of the issues addressed in the report. To fully understand the analysis and the basis of the comments and conclusions requires an examination of the report in full.

2. Introduction

2.1 Purpose of the report

The purpose of this report is to address the impacts of the Proposed Transfer on both TLISL and TAL policy owners.

2.2 Scope of report

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

- the contractual benefits and rights, benefit security and reasonable benefit expectations of the existing policy owners of TLISL.
- the contractual benefits and rights, benefit security and reasonable benefit expectations of the existing policy owners of TAL Life.

In particular, the report includes the following statements:

- a statement setting out the basis on which the nature and value of the assets to be transferred is to be determined;
- a statement as to whether the Proposed Transfer will result in unfairness to the owners of the policies referable to any of the funds involved in the Proposed Transfer;
- a statement as to whether the Proposed Transfer will adversely impact the contractual benefits and rights, reasonable benefit expectations and the benefit security of the policy owners of TLISL and TAL Life; and
- a statement as to whether, immediately after the Proposed Transfer, a transferring fund and receiving fund will satisfy regulatory capital standards.

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

- the Code of Professional Conduct; and
- Professional Standard 201: Actuarial Advice to a Life Insurance Company or Friendly Society.

In preparing this report, consideration has been given to the interests of both existing policy owners and underlying beneficiaries, including the members of superannuation funds or group insurance scheme members whose lives are insured under such policies.

- Opinions provided are focused on the changes that arise as a result of the Proposed Transfer, rather than changes that might arise in the ordinary course of business irrespective of the Proposed Transfer.

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

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

2.3 Authors

This report has been prepared by Joshua Corrigan and Neil Ch'ng as at 31 March 2024, in our capacities as the Appointed Actuaries of TAL Life and TLISL respectively. We are both Fellows of the Actuaries Institute of Australia ("FIAA").

Sections 3 and 4 covering the overview of TLISL and TAL Life respectively have been prepared by the respective Appointed Actuary. The conclusions in section 7 in relation to the TLISL policy owners and the conclusions in section 8.1 have been made by Mr Ch'ng. The conclusions in sections 7 in relation to the TAL policy owners and the conclusions in section 8.2 have been made by Mr Corrigan. The remaining sections of this report have been prepared jointly by Mr Ch'ng and Mr Corrigan. For the avoidance of doubt, the opinions and views contained in sections 1.4, 5 and 6 represent the opinions and views of both authors.

Whilst we are employees of TAL Services Ltd and hold products issued by TAL Life, we are bound by the Actuaries Institute of Australia Code of Conduct and standards and required by the Federal Court of Australia's Expert Evidence Practice Note ("GPN-EXPT") (**Expert Evidence Practice Note**) to provide independent and impartial advice.

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

2.4 Structure of report

Sections 3 and 4 of this report provides an overview of the financial and business structure of TLISL and TAL Life respectively, and section 5 provides an overview of the Proposed Transfer structure.

Section 6 examines the financial consequences of the Proposed Transfer on TLISL and TAL Life as entities and on the policy owners transferring from TLISL.

Section 7 discusses the ramifications of the Proposed Transfer for the contractual benefits and rights, reasonable benefit expectations and benefit security of the various group of policy owners.

2.5 Reliances and limitations

In preparing this report, the authors have relied on certain data and information provided by TLISL and TAL Life. The key data relied upon include:

- TLISL and TAL Life Financial Condition Reports, 31 March 2024.
- TLISL and TAL Life ICAAP Reports, 31 March 2024.
- TLISL and TAL Life APRA Forms, 31 March 2024.
- TLISL and TAL Life Audited Financial Statements, 31 March 2024.

The conclusions in this report have been formed on the above basis and on the basis of the circumstances and information as at 31 March 2024, which was the end of the most recent financial reporting period audited by external auditors KPMG.

3. Overview of TLISL

3.1 TLISL

TLISL is the most recently acquired of TDA's Australian life insurers which manufactured and distributed both life insurance and investment products. TDA is TLISL's ultimate Australian parent company and is subject to regulatory oversight by APRA as a registered non-operating holding company.

TDA acquired 100% ownership of TLISL from Westpac on the 1 August 2022. Integration activity between TLISL and TAL Life is currently ongoing, with several functions having already been amalgamated.

The corporate structure of TDA and its subsidiaries including TLISL is shown in Appendix A.

TLISL is currently closed to new business for all product lines. Prior to closure, TLISL wrote a range of life insurance products including individual risk, group risk, and investment business.

3.2 Statutory Funds and Shareholders' Fund

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

The products within each statutory fund are shown below:

Table 1: TLISL's Statutory Funds and Shareholders Fund as at 31 March 2024

Statutory Fund	Business written
Statutory Fund No. 1	Individual Risk Policies
	Group Risk Policies
	Lifetime Annuities
Statutory Fund No. 2	Ordinary Investment Linked Policies
Shareholders' Fund	None

3.3 Nature of business and major products

3.3.1 Statutory Fund 1

TLISL's Statutory Fund No. 1 ("SF1") writes the following types of life insurance products:

- life risk insurance business that includes the following benefits:
  - death cover;
  - total and permanent disability ("TPD") cover;
  - critical illness or trauma cover; and
  - income protection benefits resulting from sickness or an accident; and
- lifetime annuities.

TLISL is completely closed to new business for all product lines. The creation of new policies for either individual or group business is not permitted, although changes to existing policies and the addition of new members to group schemes are permitted. Prior to closing to new business, TLISL distributed its products through external Independent Financial Advisers ("IFAs"), aligned financial advisers, directly to the public and through group arrangements.

The table below summarises the life contract liabilities for the product types in SF1 as at 31 March 2024, which will be maintained by their proposed receiving fund.

Table 2: Summary of TLISL SF1 liabilities at 31 March 2024				
Product group	**Total Insurance Contract liability ($m)**	**Total Reinsurance Contract asset ($m)**	**Net Contract liability ($m)**	**API/FUM[1] ($m)**
SF1 - Risk Business				
Retail Risk	2,736	969	1,767	861
Direct Risk	132	13	119	88
Group Risk	101	36	65	0
Annuities	2	1	1	-
Total SF1	**2,971**	**1,019**	**1,952**	**949**

[1]FUM is shown for Annuities. API is shown for all other product groups.

3.3.2 Statutory Fund 2

TLISL's Statutory Fund No. 2 ("SF2") includes the ordinary investment linked products.

The table below summarises the policy liabilities for the product types in SF2, which will be maintained by the proposed receiving fund.

Table 3: Summary of TLISL SF2 liabilities at 31 March 2024		
Related product group	**Investment contract liability ($m)**	**FUM ($m)**
Unit Linked - Ordinary	116	116
Total SF2	**116**	**116**

3.3.3 Shareholders Fund

The Shareholders' Fund of TLISL is maintained separately from the TLISL Statutory Funds. The Shareholders' Fund holds investments which serve as additional capital to support the overall interests of the company's policy owners and shareholders as required. No business is issued from this fund.

3.4 Policy classification

All business within both TLISL's SF1 and SF2 is classified as life policies under section 9 of the Life Act.

SF1 includes all of TLISL's risk business (individual and group) as well as a small amount of investment business, namely lifetime annuities. SF2 is classified as containing life policies as per section 9(1)(g) of the Life Act and includes ordinary investment linked business as per section 12(1) of the Life Act. TLISL does not have any participating business.

3.5 Operations and administration

TLISL is a functional business unit within TDA with a number of TDA functional business areas providing infrastructure and support services to the TLISL.

The functional business areas provide infrastructure and support services to the business units. The key areas are described below.

Table 4: TLISL's Functional and Corporate Business Units	
Business Unit	**Purpose**
Finance	Finance including tax, procurement, strategic planning, accounting, reinsurance, investment management, enterprise data, strategic transactions, ALM and actuarial services.
Technology and Innovation	Information management, communication technology, technology strategy and delivery.
Office of the Chief General Counsel	Legal, company secretarial and Internal/External Disputes Resolution functions.
Office of the CRO	Risk Management and compliance functions.
Office of the Group CEO	Group CEO Office.
People and Culture	People and talent strategy and delivery.
Commercial and Operations – Individual Life	Core life insurance manufacturing, customer service, delivery and business integration for the Individual Life business.
Commercial and Operations – Group Life and Investments	Core life insurance manufacturing, customer service, delivery and business integration for the Group Risk business.
Claims	Claims management of business unit claims.
Customer and Brand	TAL brand, reputation management, customer advocacy, communication and government/media relations.

3.6 Expense allocation basis

TLISL uses an Activity Based Costing ("ABC") model to allocate expenses by category and type to business unit and product.

A detailed, bottom up expense analysis is completed every few years to identify the appropriate drivers and allocation of the expense base to the various life policies. For the interim years a high level top down allocation is used, which focuses on key changes in the business. The basis used for this allocation has broadly been:

- expenses and activities that can be directly attributed to specific products are accordingly allocated to the relevant products and statutory fund; and
- surveys are conducted in order to allocate indirect overhead and general management expenses which reflect both function and type of costs incurred.

Given that all lines of business have been closed to new business, the vast majority of total expenses are allocated to maintenance as opposed to acquisition.

Whilst TLISL is currently being managed jointly with TAL Life, the allocation of overhead expenses between the entities has remained separate as per the statutory requirements.

3.7 Tax status and basis

Under the tax rules applicable, income tax is levied on TLISL at two levels:

- Policy Owner profits associated with investment linked business is taxed at:
  - 30% for ordinary business;
  - 15% for complying superannuation business; and
  - 0% for pension business and segregated exempt assets.
- Shareholder's profits is taxed at the corporate rate of 30%

3.8 Investment strategy

TLISL's responsibilities for investment management are mostly implemented through TDA's Investment Management Framework, which consists of Board approved policies and management guidelines. The Investment Management Policy sets out the current policies, guidelines and agreements within the Investment Governance Framework.

The TLISL investment approach has been aligned to TDA's investment approach. Over time, TLISL's investment strategy will further be harmonised with TDA's including benchmarking processes, instructing asset managers and managing exposures.

The investment approach adopted by management is summarised below:

- each product group has a set strategic asset allocation, which indicates the intended characteristics of each asset class as well as the permitted deviation ranges;
- assets backing risk business in SF1 are invested in cash and Australian fixed interest securities;
- investment linked funds are invested to ensure the asset class structure for each investment option is consistent with the achievement of the investment objectives for the different unitised products over the long term, at an appropriate level of risk and cost given the relevant constraints; and
- assets in the shareholders' fund are held in cash.

3.9 Reinsurance strategy

Reinsurance for TLISL is managed in accordance with TDA's Reinsurance Management Policy ("RMP"). The RMP sets out the reinsurance management framework which enables TLISL to meet its obligations to policy owners, effectively manage capital and risk, and comply with regulatory requirements. The RMP forms part of the Risk Management Framework ("RMF") and is consistent with the TDA Risk Appetite Statement ("RAS"). The RMP is a document that is updated every 2 years.

TLISL's largest reinsurance exposure is with Pacific Life Re Australia ("PLRA"). This reinsurance arrangement with PLRA came into effect on 1 October 2022. During the acquisition process with Westpac, TDA engaged with PLRA to negotiate a new reinsurance arrangement which was approved by the TLISL Board in September 2022. This is a combined quota share and surplus reinsurance arrangement. Overall, the proportion of risk ceded under this treaty is approximately 35% for lump sum and 20% for income protection products.

TLISL also has a number of other less material reinsurance arrangements with exposure to Hannover Re, Munich Re Australia, RGA, Swiss Re and Transamerica Premier Life Insurance Company.

3.10 Capital and risk management

3.10.1 Risks and risk management

- In accordance with Prudential Standard CPS 220 Risk Management ("CPS 220"), the Board and Senior Management of TLISL operate under an established TDA Risk Management Framework ("RMF"). TDA's RMF provides the necessary foundations and organisational arrangements to give effect to TDA's Risk Management Strategy and for managing risk across TDA and its subsidiaries.
- The RMF consists of strategies, policies, procedures and controls to manage risks that the business faces.
- Key principles underpinning the RMF include:
- the use of the three lines of defence, with risk ownership in the first line, with relevant business leaders;
- dedicated first line staff to support the implementation and operation of the risk management framework in relevant functional units;
- an appropriately resourced second line of defence, with risk and compliance professionals, sufficiently skilled to provide effective oversight of and challenge to first line staff;
- a third line of defence consisting of the internal and external audit function;
- a focus on culture and conduct, to reinforce the leadership behaviours that are supportive of risk management and appropriate customer outcomes; and
- a supporting suite of policies, processes, governance and escalations that support management and the Board, in managing risk and compliance in the achievement of sustainable business outcomes.

The Risk Appetite Statement ("RAS") is the Board defined statement which establishes TLISL' attitude towards risk, and the limits and boundaries within which the entity must operate when taking risk to achieve strategic goals and business objectives.

- The key business risks faced by TLISL (as set out below) are managed through various management procedures and processes in the RMF:
- insurance and product risks, such as:
    - the variability and/or mis-pricing of insurance risks;
    - product design risks including the sustainability of disability income insurance; and
    - continual deteriorating experience for disability income insurance;
- asset value risks and asset/liability mismatch risks, such as negative interest and inflation rates; and
- counterparty risk – the risk of default for TLISL's reinsurers.
- Risk management and mitigation is performed through RAS monitoring, business reporting, presenting decisions to the Board and its committees including the Executive Risk Committee ("ERC"), Asset Liability Committee ("ALCo") and Product and Pricing Committee ("PPC") for endorsement or approval.

A review of the RAS has been completed with a focus on the harmonisation of the RAS framework across the TDA Group.

3.10.2 Regulatory capital reserve requirements

The regulatory capital requirement is based on the Prudential Capital Requirement, which is the sum of the Prescribed Capital Amount ("PCA") calculated in accordance with APRA Prudential Standard LPS 110, plus any supervisory adjustment that APRA may impose.

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

TLISL manages capital through its Capital Management Framework and the ICAAP process, which has the following key objectives:

- to satisfy regulatory capital requirements at all times;
- to maintain a Target Capital amount which provides an adequate buffer above the minimum regulatory capital level reflective of the Board's risk appetite; and
- to identify an amount of available assets in excess of its Target Capital where TLISL can operate without any immediate capital response actions. If available assets fall below this amount, then certain capital response actions are required.

3.10.3 Target capital methodology

LPS 110 requires life insurers to set a Target Capital level that ensures an adequate level of capital is maintained over time, which is set in the context of the life company's risk profile, the TLISL Board's risk appetite and regulatory capital requirements. Consequently, life insurers will hold a Target Capital to provide added protection against breaching the regulatory capital requirements under LPS 110 as a result of unanticipated adverse events.

The setting of capital targets follows on directly from the Board's risk appetite as outlined in the TLISL RAS. TLISL's Target Capital is approved by the Board.

The level of surplus in each of the statutory funds and the shareholders' fund may vary above and below the Target Capital over time, depending on the experience in each of those funds. The ICAAP contains trigger points for management actions, including points at which various capital management actions are considered to increase surplus.

3.10.4 Net assets above capital reserves

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

- the total of the PCA and Target Capital represents the total capital that the life insurer believes is appropriate for the prudent and practical management of the company. Any excess above this level represents resources that are available for alternate productive use (e.g. distribution to the shareholders or supporting increased business volumes);
- the TLISL capital management policy anticipates that assets in excess of 100% of Target Capital are available for distribution (known as Available Assets). It is noted that any dividend or other capital reduction exceeding the after-tax earnings of the company over the last 12 months requires APRA approval.

3.11 TLISL's current financial position

3.11.1 Key financial measures

The following table shows the key financial statistics for the TLISL entity as at 31 March 2024.

Table 5: TLISL Key financial measures by Statutory Fund ($m)

	SF1	SF2	Shareholders' Fund	Total
Financial Position at 31 March 2024				
Investments	1,956	134	0	2,090
Other assets	733	5	2	740
Total assets	2,689	139	2	2,830
Less: Net contract liabilities	1,952	116	0	2,068
Less: Other Liabilities	38	6	0	44
Total liabilities	1,990	122	0	2,112
Net Assets	**699**	**15**	**2**	**717**
Less: Regulatory adjustments to net assets	-109	5	-	-104
Tier 2 Capital	-	-	-	-
Capital Base	**808**	**10**	**2**	**820**
Prescribed Capital Amount	274	0	0	274
Capital in excess of PCA	**534**	**10**	**2**	**546**
Capital adequacy multiple	295%	>999%	n/a	299%
Net Asset Ratio	**306%**	**>999%**	**n/a**	**314%**

3.11.2 Comments on financial results and position

3.11.2.1 Overall profitability

The table below shows TLISL's Net Profit after Tax ("NPAT") from the 30 September 2021 year end to the 31 March 2024 year end ("FY23").

Table 6: TLISL Net Profit after Tax from 2021 to 2024

	30 September 2021	30 September 2022	31 March 2023[1]	31 March 2024[2]
Net Profit after Tax	113	-279	33	310

[1]TLISL's year end was changed from September to March given the change in ownership. The figure shown for 31 March 2023 represents a 6 month NPAT.

[2]The 31 March 2023 and prior results are presented on the AASB 1038 basis and 31 March 2024 on a AASB 17 basis.

TLISL's NPAT to 31 March 2024 was a profit of $310m. TLISL's two major categories of business are Risk and Wealth. The Risk NPAT for the half year was $293m and the Wealth business NPAT for the year was $4m.

The experience profit throughout FY23 (1 April 2023 to 31 March 2024) was driven by favourable claims experience profits, particularly for Income protection terminations favourable non-economic assumption changes and ALM experience through investment returns.

3.11.2.2 Regulatory capital requirement

As at 31 March 2024, TLISL was in a sound financial position with assets in excess of PCA of $546m. TLISL held assets above regulatory capital requirements at all times throughout the year.

TLISL's capital base consists entirely of Common Equity Tier 1 ("CET1").

3.11.2.3 Excess assets and target capital

As at 31 March 2024, the capital position for all statutory funds and the shareholders' fund of TLISL remained within the operating range under the ICAAP.

3.11.2.4 Overall capital position

TLISL continues to be well capitalised and positioned for future sustainability. The security this provides to its policy owners is sound, with a rigorous Target Capital framework and ICAAP in place that includes frequent monitoring of the capital position against established benchmarks. As TLISL is closed to new business, and therefore will not incur any future new business strain, TLISL is expected to be in a capital generative state going forward.

4. Overview of TAL Life

4.1 TAL Life

TAL Life is the principal of TAL Dai-ichi Life Australia Pty Limited's Australian life insurers which manufacture and distribute both life insurance and investment products. TDA is TAL Life's ultimate Australian parent company and is subject to regulatory oversight by APRA as a non-operating holding company.

The corporate structure of TDA and its subsidiaries including TAL Life is shown in Appendix A.

TAL Life's business is segmented into Retail, Group, Direct and Investment business units for profit reporting purposes.

Retail business is primarily sold via IFAs including dealer groups. Group business is distributed via industry superannuation schemes, MasterTrust platforms and corporate superannuation schemes. Products are also sold directly to individuals through the TAL and InsuranceLine brands, as well as through alliance partner distribution channels. The Investment business comprises of traditional participating products, superannuation and retirement products and service offerings. Most of these products are closed to new business, with the only on-sale business being Group retirement income.

4.2 Statutory Funds and Shareholders' Fund

As at the 31 March 2024, the financial structure of TAL Life is comprised of two statutory funds and a shareholders' fund. The two statutory funds maintain all the business of TAL Life and are as follows:

Table 7: TAL Life's Statutory Funds and Shareholders Fund as at 31 March 2024

Statutory Fund	Business written
Statutory Fund No. 1	Individual Risk Policies
	Group Risk Policies
	Participating Traditional and Investment Account Policies
	Non-participating Traditional and Investment Account Policies
	Group Retirement Income Policies
	Immediate Annuities
Statutory Fund No. 2	Ordinary Investment Linked Policies
	Superannuation Investment Linked Policies
	Allocated Annuity and Allocated Pension Investment Linked Policies
Shareholders' Fund	None

4.3 Nature of business and major products

4.3.1 Statutory Fund 1

TAL Life's SF1 writes the following types of life insurance products:

- life risk insurance business that includes the following benefits:
  - death and terminal illness cover;
  - TPD cover;
  - critical illness or trauma cover; and
  - income protection benefits resulting from sickness or an accident;
- participating and non-participating conventional (whole of life and endowment cover) and investment account business; and
- immediate annuities.

TAL Life currently distributes its life risk insurance products through external IFAs, direct to customers and through group arrangements.

As at 31 March 2024, TAL Life's annuities, participating and non-participating conventional and investment accounts lines of businesses are closed with only Group retirement income arrangements open to new business.

The table below summarises the Insurance Contract Liabilities for the product types in SF1 as at 31 March 2024.

Table 8: Summary of TAL Life SF1 insurance contract liabilities and assets as at 31 March 2024

Product group	Total insurance contract liability	Total reinsurance contract asset	Net contract liability	API/FUM[1]
SF1 - Risk Business				
Retail Risk	4,135	1,566	2,570	1,852
Group Risk	4,728	1,589	3,139	2,855
Direct Risk	71	-1	72	444
Total SF1 - Risk	**8,935**	**3,154**	**5,782**	**5,151**
SF1 - Wealth Business				
Participating business	1,521	-	1,521	1,521
Non participating business	10	-	10	10
Annuities	111	94	17	-
Total SF1 – Wealth Business	**1,642**	**94**	**1,548**	**1,531**
Total SF1	**10,577**	**3,248**	**7,330**	**6,682**

[1]FUM is shown Wealth product groups. API is shown for all other product groups.

4.3.2 Statutory Fund 2

All of TAL Life's ordinary and super investment linked business is issued from SF2. This fund also writes allocated annuities and allocated pension products.

Table 9: Summary of TAL Life SF2 liabilities at 31 March 2024

Product group	Investment contract liability	FUM
Unit Linked - Ordinary	77	77
Unit Linked – Super	159	159
Total SF2	**236**	**236**

4.3.3 Shareholders' Fund

The shareholders' fund of TAL Life is maintained separately from the TAL Life statutory funds. The shareholders' fund holds investments which serve as additional capital to support the overall interests of the company's policy owners and shareholders as required. No insurance business is issued from this fund.

4.4 Policy classification and participation rights

The business within SF1 is Life insurance as per section 9(1)(a) – (f) of the Life Act.

Products classified as investment linked as per Section 9(1)(g) of the Life Act are within SF2. SF2 covers both ordinary investment linked products and superannuation business as per Section 12(1) of the Life Act. All of TAL Life's participating policies as per section 15 of the Life Act are written in SF1. TAL Life's participating policies consist of Traditional Business (endowment assurances and whole of life) and Investment Account business. The determination and management of bonus and crediting rates follow a set of equitable principles and practices that are not changing as a result of the Proposed Transfer. The principles and practices are set out in the Board approved TDA Principles and Practices of Financial Management ("PPFM") for the Par business. The declaration of bonuses for TAL Life participating business is made at 30 June, 30 September and 31 December each year.

All other products are non-participating and are not entitled to share in the profits or performance of TAL Life.

4.5 Operations and administration

TAL Life does not own any subsidiary companies, although it is deemed to control some managed investment schemes that it invests in. Other companies that are part of TDA that interact closely with TAL Life are described below:

- TAL Direct Pty Limited operates a financial services distribution business selling life insurance products under a general advice model and attracting potential customers using mass media marketing techniques.
- TAL Services Limited is a service company that employs the majority of TDA group staff. TAL Services Limited provides staff and other services to TAL Life in return for a reimbursement of costs on a full cost recovery basis with no profit margin.
- Lifebroker Pty Limited ("Lifebroker") is an online life insurance comparator that commenced operations in 2005.

The functional business areas provide infrastructure and support services to the business units. The key areas are described below.

Table 10: TAL Life's Functional and Corporate Business Units

Business Unit	Purpose
Finance	Finance including tax, procurement, strategic planning, accounting, reinsurance, investment management, data, M&A and actuarial services.
Technology and Innovation	Information management, communication technology, technology strategy and delivery, as well as continuous delivery.
Office of the Chief General Counsel	Legal, company secretarial and Internal/External Disputes Resolution functions.
Office of the CRO	Risk Management and compliance functions.
Office of the Group CEO	Group CEO Office.
People and Culture	People and talent strategy and delivery.
Commercial Operations – Individual Life	Core life insurance manufacturing, customer service, delivery and business integration for the Individual Life business which includes the Retail and Direct channels.
Commercial Operations – Group Life and Investments	Core life insurance manufacturing, customer service, delivery and business integration for the Group Risk business and the Investments business including unit linked and participating products.
Claims	Claims management of business unit claims.
Customer and Brand	TAL brand, reputation management, customer advocacy, communication and government/media relations.
Distribution	Customer facing distribution strategy and execution.

4.6 Expense allocation basis

TAL Life uses an Activity Based Costing ("ABC") model to allocate expenses by category and type to business unit and product.

A bottom up expense apportionment analysis is completed every few years, with the interim years using a high level top down allocation focusing on key changes in the business. The basis used for this allocation has broadly been:

- expenses and activities that can be directly attributed to specific products are accordingly allocated to the relevant products and statutory fund; and
- surveys are conducted in order to allocate indirect overhead and general management expenses which reflect both function and type of costs incurred.

Whilst TAL Life is currently being managed jointly with TLISL, the allocation of overhead expenses between the entities has remained separate as per the statutory requirements.

4.7 Tax status and basis

Under the tax rules applicable, income tax is levied on TAL Life at two levels:

- Policy Owner profits associated with the participating and investment linked business is levied at:
    - 30% for ordinary business;
    - 15% for complying superannuation business; and
    - 0% for pension business and segregated exempt assets.
- Shareholder's profits is levied at the corporate rate of 30%.

4.8 Investment strategy

The investment strategy for TAL Life is a composite of the strategies for different product types and policy owners. TAL Life's investment assets are classified based on asset owners and include shareholder's assets (backing liabilities and assets in excess of liabilities), participating assets (80% policy owner and 20% shareholder) and policy owner assets.

TAL Life's responsibilities for investment management are implemented through the Investment Governance Framework, which consists of Board approved policies and management guidelines. The Investment Management Policy sets out the current policies, guidelines and agreements within the Investment Governance Framework.

The investment approach adopted by management for TAL Life is summarised below:

- each product group has a set strategic asset allocation, which indicates the intended characteristics of each asset class as well as the permitted deviation ranges;
- assets backing risk business in SF1 are invested in cash and Australian fixed interest securities;
- investment linked funds are invested to ensure the asset class structure for each investment option is consistent with the achievement of the investment objectives for the different unitised products over the long term, at an appropriate level of risk and cost given the relevant constraints;
- assets backing the policy liabilities for participating business are predominantly invested in Australian fixed interest securities, with a small portion held in cash and equities; and
- assets in the shareholders' fund are held in cash.

4.9 Reinsurance strategy

Reinsurance is managed in accordance with TAL Life's Reinsurance Management Policy ("RMP"). The RMP sets out the reinsurance management framework which enables TAL Life to meet its obligations to policy owners, effectively manage capital and risk, and comply with regulatory requirements. The RMP forms part of the Risk Management Framework and is consistent with the TDA RAS. The RMP is a document that is updated every 2 years.

The current reinsurance structure results in TAL Life reinsuring around 35% of its core insurable risks of mortality and morbidity based on premiums received. The structure also provides some relief on the capital costs of funding acquisition unit costs.

TAL Life's reinsurance agreements are predominately quota share with some surplus treaty arrangements.

TAL Life's single largest open reinsurance exposure is to Munich Re. This exposure is in SF1 with the exposure amounts remaining within the relevant limits prescribed by LPS 117. These treaties span between both the Group and Retail portfolios.

A significant proportion of TAL Life's reinsurance is via offshore reinsurers, mostly via Dai-ichi Life.

4.10 Capital and risk management

4.10.1 Risks and risk management

- TDA's comprehensive Risk Management Framework (RMF), in accordance with APRA Prudential Standard CPS 220, has regard to the risks TAL Life is exposed to. The RMF consists of strategies, policies, procedures and controls to manage risks that the business faces.
- Key principles underpinning the RMF include:
- the use of the three lines of defence, with risk ownership in the first line, with relevant business leaders;
- dedicated first line staff to support the implementation and operation of the risk management framework in relevant functional units;
- an appropriately resourced second line of defence, with risk and compliance professionals, sufficiently skilled to provide effective oversight of and challenge to first line staff;
- a third line of defence consisting of the internal and external audit function;
- a focus on culture and conduct, to reinforce the leadership behaviours that are supportive of risk management and appropriate customer outcomes; and
- a supporting suite of policies, processes, governance and escalations that support management and the Board, in managing risk and compliance in the achievement of sustainable business outcomes.
- The TAL Life Risk Appetite Statement ("RAS") is the Board defined statement which establishes TAL Life's attitude towards risk, and the limits and boundaries within which the entity must operate when taking risk to achieve strategic goals and business objectives. The RAS is reviewed annually and considers the strategy, business plan, key risks, capacity and capability to assume risk.
- The key business risks faced by TAL Life (as set out below) are managed through various management procedures and processes in the RMF:
- insurance and product risks, such as:
    - the variability and/or mis-pricing of insurance risks;
    - product design risks including the sustainability of disability income insurance; and
    - continual deteriorating experience for morbidity insurance including disability income insurance and lump sum morbidity products;
- asset risks and asset/liability mismatch risks; and
- counterparty risk – the risk of default for TAL Life's reinsurers.
- TAL Life manages many of these risks via various management procedures and processes in the RMF. Risk management and mitigation is performed through RAS monitoring, business reporting, presenting decisions to the Board and its committees including the ERC, ALCo and PPC for endorsement or approval.

4.10.2 Regulatory capital reserve requirements

The regulatory capital requirement is based on the Prudential Capital Requirement, which is the sum of the PCA calculated in accordance with APRA Prudential Standard LPS 110, plus any supervisory adjustment that APRA may impose.

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

TAL Life manages capital through the Capital Management Framework and the ICAAP process, which has the following key objectives:

- to satisfy regulatory capital at all times;
- to maintain a Target Capital amount which provides an adequate buffer above the minimum regulatory capital level reflective of the Board's risk appetite; and
- to identify an amount of available assets in excess of Target Capital where TAL Life can operate without any immediate capital response actions. If available assets fall below this amount, then certain capital response actions are required.

4.10.3 Target capital methodology

LPS 110 requires life insurers to set a target capital level that ensures an adequate level of capital is maintained over time, which is set in the context of the life company's risk profile, the TAL Life Board's risk appetite and regulatory capital requirements. Consequently, life insurers will hold a Target Capital to provide added protection against breaching the regulatory capital requirements under LPS 110 as a result of unanticipated adverse events.

The setting of capital targets follows on directly from the Board's risk appetite. TAL Life's Target Capital is approved by the Board.

The level of surplus in each of the statutory funds and the shareholders' fund may vary above and below the Target Capital over time, depending on the experience in each of those funds. The ICAAP contains trigger points for management actions, including points at which various capital management actions are considered to increase surplus.

4.10.4 Net assets above capital reserves

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

- the total of the PCA and Target Capital represents the total capital the life insurer believes is appropriate for the prudent and practical management of the company. Any excess above this level represents resources that are available for alternate productive use (e.g. distribution to the shareholders or supporting increased business volumes) and
- the TAL Life capital management policy anticipates that assets in excess of 100% of Target Capital are available for distribution (known as Available Assets). It is noted that any dividend or other capital reduction exceeding the after-tax earnings of the company over the last 12 months requires APRA approval.

4.11 TAL Life's current financial position

4.11.1 Key financial measures

Table 11: TAL Life Key financial measures by Statutory Fund ($m)				
	SF1	**SF2**	**Shareholders' Fund**	**Total**
Financial Position at 31 March 2024				
Investments	7,356	244	-	7,600
Other assets	980	9	-	989
Total assets	8,336	253	0.3	8,589
Less: Net contract liabilities	7,330	236	-	7,566
Less: Other Liabilities	24	8	-	32
Total liabilities	7,355	243	-	7,598
Net Assets	**982**	**10**	**0.3**	**992**
Regulatory adjustments to net assets	-7	0	0	-7
Tier 2 Capital	-	-	-	-
Capital Base	**989**	**10**	**0**	**1,000**
Prescribed Capital Amount	599	2	0	601
Capital in excess of PCA	**390**	**8**	**0**	**399**
Capital adequacy multiple	165%	531%	n/a	166%
Net Asset Ratio	**197%**	**>999%**	**n/a**	**198%**

4.11.2 Comments on financial results and position

4.11.2.1 Overall profitability

The table below shows TAL Life's NPAT from the year ending 31 March 2021 to 31 March 2024.

Table 12: TAL Life Net Profit after Tax from 31 March 2021 to 31 March 2024 ($m)				
	31 March 2021	**31 March 2022**	**31 March 2023**	**31 March 2024[1]**
Net Profit after Tax	99	158	343	308

[1] The 31 March 2023 and prior results are presented on the AASB 1038 basis and 31 March 2024 on a AASB 17 basis.

NPAT for the life entities has steadily grown over the years in line with both organic and inorganic growth. TAL Life's FY23 NPAT result was strong at $308m, above its plan and slightly decreased from the prior year due to higher interest rates. Profit was driven primarily by the two largest Retail and Group Life business units at $190m and $117m respectively. Performance was driven primarily due to favourable Group Life claims experience and favourable Retail and Group Life volume experience. Lapse profit experience was relatively neutral.

4.11.2.2 Regulatory capital requirement

The Capital Base is calculated as the TAL Life's accounting net assets less regulatory adjustments. The regulatory adjustments consist primarily of replacing the insurance contract liability and reinsurance contract assets with the adjusted policy liability, which typically is the termination value, and eliminating any net shareholder's deferred tax asset.

As at 31 March 2024 TAL Life has a PCA of $601m which is almost entirely driven by SF1.

As at 31 March 2024, TAL Life was in a sound financial position with a PCA coverage ratio of 166%. TAL Life held assets above regulatory capital requirements at all times throughout the year.

4.11.2.3 Excess assets and target capital

As at 31 March 2024, the capital position for all statutory funds and the shareholders' fund of TAL Life remained within or above the target operating range under the ICAAP throughout FY23.

4.11.2.4 Overall capital position

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

5. Overview of Proposed Transfer

5.1 Background to Proposed Transfer

Whilst both companies are managed within the same group and share many processes, management of two life insurance entities within the same group increases operational complexity, costs, and capital of the insurance operations. The TDA Board has therefore identified that a rationalisation of the existing legal entity and statutory fund structures across the two entities will help it achieve its objectives by simplifying the business, thereby reducing costs, operational risk and capital, and ultimately leading to a better customer experience.

As a result, TDA proposes to rationalise and simplify TDA's Life entity structure by transferring business from TLISL to TAL Life in accordance with Part 9 of the Life Act. All liabilities and assets relating to the policy owners will be transferred. The proposed effective date of transfer is 31 March 2025 ("Transfer Date").

5.2 Policies being transferred

5.2.1 Overview

It is proposed that:

- All TLISL policies will be transferred to TAL Life on the Transfer Date. Benefits provided under the TLISL policies include:
- life risk insurance business that includes the following benefits:
  - death cover;
  - total and permanent disability ("TPD") cover;
  - critical illness or trauma cover; and
  - income protection benefits resulting from sickness or an accident;
- lifetime annuities; and
- ordinary investment linked policies.
- Under the Proposed Transfer, there will be no life policies retained within the TLISL entity.

5.2.2 Transfer of liabilities

The tables below outline the insurance contract liabilities before and after the Proposed Transfer, as if the transfer had occurred as at 11.59pm on 31 March 2024. The total value of liabilities within the statutory funds as at the Transfer Date will not change as a result of the Proposed Transfer. The Proposed Transfer will consist of the following:

- All liabilities from TLISL SF1 will be transferred into TAL Life SF1.
- All liabilities from TLISL SF2 will be transferred into TAL Life SF2.

The liabilities within the TLISL shareholders' fund will be unaffected by the Proposed Transfer.

Table 13: Summary of liabilities before the transfer ($m)					
Entity	**Fund**	**Net Contract Liabilities**	**Other Liabilities**	**Total**	**Receiving or Transferring Statutory Fund**
TLISL	**SF1**	1,952	38	1,990	Transferring to TAL Life SF1
	SF2	116	6	122	Transferring to TAL Life SF2
	SHF	-	-	-	N/A
	Sub-Total	**2,068**	**44**	**2,112**	
TAL Life	**SF1**	7,330	24	7,355	Receiving from TLISL SF1
	SF2	236	8	243	Receiving from TLISL SF2
	SHF	-	-	-	N/A
	Sub-Total	**7,566**	**32**	**7,598**	
	Total	**9,634**	**76**	**9,709**	

Table 14: Summary of liabilities after the transfer ($m)					
Entity	**Fund**	**Net Contract Liabilities**	**Other Liabilities**	**Total**	**Receiving or Transferring Statutory Fund**
TLISL	**SF1**	-	-	-	N/A
	SF2	-	-	-	N/A
	SHF	-	-	-	N/A
	Sub-Total	**-**	**-**	**-**	
TAL Life	**SF1**	9,282	62	9,344	N/A
	SF2	352	14	365	N/A
	SHF	-	-	-	N/A
	Sub-Total	**9,634**	**76**	**9,709**	
	Total	**9,634**	**76**	**9,709**	

5.2.3 Transfer of assets

The tables below outlines the value of assets before and after the Proposed Transfer, as if the transfer had occurred as at 11.59pm on 31 March 2024. The total value of assets, collectively within the statutory funds as at the date of transfer will not change as a result of the transfer.

Prior to the Proposed Transfer:

- TLISL SF1 will distribute any Available Assets (i.e. assets in excess of prudential requirements and Target Capital) to the TLISL shareholders' fund.
- TLISL SF2 will distribute any Available Assets (i.e. assets in excess of prudential requirements and Target Capital) to the TLISL shareholders' fund.
- If Available Assets is negative for any of TLISL's statutory funds, a capital injection will be made from TDA prior to the Proposed Transfer.

The Proposed Transfer will consist of the following:

- The remaining assets within TLISL SF1 after distributions to the TLISL shareholders' fund will be transferred into TAL Life SF1.
- The remaining assets within TLISL SF2 after distributions to the TLISL shareholders' fund will be transferred into TAL Life SF2.

The assets within the TLISL shareholders' fund will be unaffected by the Proposed Transfer.

The tables below show the assets prior to the transfer and distributions, after the distributions and then post the transfer.

Table 15: Summary of assets before the transfer and distributions ($m)			
Entity	**Fund**	**Total Assets**	**Distributions to be made**
TLISL	**SF1**	2,689	$382m transferred to TLISL SHF
	SF2	138	$9m transferred to TLISL SHF
	SHF	2	$391m received in total from TLISL SF1 and SF2
	Sub-Total	**2,829**	
TAL Life	**SF1**	8,336	Receiving from TLISL SF1
	SF2	253	Receiving from TLISL SF2
	SHF	0	N/A
	Sub-Total	**8,589**	
	Total	**11,418**	

Table 16: Summary of assets before the transfer after distributions ($m)			
Entity	**Fund**	**Total Assets**	**Receiving or Transferring Statutory Fund**
TLISL	**SF1**	2,307	Transferring to TAL Life SF1
	SF2	129	Transferring to TAL Life SF2
	SHF	393	N/A
	Sub-Total	**2,829**	
TAL Life	**SF1**	8,336	Receiving from TLISL SF1
	SF2	253	Receiving from TLISL SF2
	SHF	0	N/A
	Sub-Total	**8,589**	
	Total	**11,418**	

Table 17: Summary of assets after the transfer ($m)			
Entity	**Fund**	**Total Assets**	**Receiving or Transferring Statutory Fund**
TLISL	**SF1**	-	N/A
	SF2	-	N/A
	SHF	393	N/A
	Sub-Total	**393**	
TAL Life	**SF1**	10,643	N/A
	SF2	382	N/A
	SHF	0	N/A
	Sub-Total	**11,025**	
	Total	**11,418**	

5.3 Transfer process

5.3.1 Transfer of policies and liabilities

The Proposed Transfer is to be undertaken by the way of a scheme transfer under Part 9 of the Life Act. If the scheme is confirmed by the Federal Court of Australia, on and from the Transfer Date, all of the life policies, associated liabilities and remaining assets within TLISL SF1 and SF2 will be transferred to the TAL Life SF1 and SF2, respectively. In this respect:

- TAL Life becomes the issuer of the TLISL policies and TLISL ceases to be the issuer of the TLISL policies.
- The TLISL policy owners cease to be TLISL policy owners and become TAL Life policy owners.
- The rights and liabilities of the TLISL policy owners shall be the same in all respects as they would have been if:
    - the applications on which the TLISL policies were based had been made to, or accepted by, TAL Life instead of TLISL; and

  - TLISL policies had originally been issued by TAL Life instead of TLISL (subject to the variations set out in the scheme).
- TAL Life assumes all liabilities and obligations of TLISL under, or in respect of, the TLISL policies. TLISL is released and discharged from all liabilities and obligations under, or in respect of, the TLISL policies.
- TAL Life is entitled to all rights and benefits of TLISL under, or in respect of, the TLISL Life policies, including but not limited to:
  - the right to receive any fees, charges or any other form of remuneration payable under, or in respect of, the TLISL policies;
  - the right to receive premiums payable under, or in respect of, the TLISL policies; and
  - the right to enforce all rights and remedies available under the TLISL policies in respect of any non-payment of such premiums or fees.
- All reinsurance arrangements associated with the TLISL policies will be transferred to TAL Life.
- The assets within TLISL supporting policy liabilities and regulatory capital levels (including Target Capital) will form part of TAL Life's assets and sufficiently cover the respective policy liabilities and regulatory capital requirements for each statutory fund.

5.3.2 Policy "cut-off" rules and error remediation

TLISL is currently closed to new business for all product lines and as a result there will be no new applications made to or received by TLISL for a policy prior to the Transfer Date that has not been accepted by that time.

Any policy alterations requested by existing TLISL policy owners prior to the Transfer Date that have not been actioned by that time will be passed to TAL Life and treated as a request to TAL Life. Continuation options currently in force for group business that are exercised after the Transfer Date will be issued with the equivalent policy under the TAL Life brand.

Any policy benefits or premiums that are due or payable by TLISL prior to the Transfer Date, which remain unpaid at the Transfer Date, will become an asset or liability of TAL Life. In general terms these include, but are not limited to:

- Any historic claims in course of payment, outstanding claim payments or claims payable prior to the Transfer Date, that are unpaid as at the Transfer Date.
  Note: Claims payable after the Transfer Date, where the policy was "in-force" on the Transfer Date, will be transferred to TAL Life, regardless of whether the actual date of claim of the life insured occurred prior to the Transfer Date.
- Any other policy payment liabilities will follow consistent rules. The key determinant will be whether:
  - the policy is in-force or on claim as at the Transfer Date, in which case it will be transferred with an amount contributing to the Policy Liabilities;
  - the policy is out-of-force, in which case it will not transfer and will not contribute to the Policy Liabilities. However, in the event of a reinstatement of an out-of-force policy, TAL Life will assume the liability.

Any liability to a policy owner that becomes payable after the Transfer Date as a result of any action, error or omission of TLISL (or any related body corporate of TLISL), for example a previous policy administration error, will be assumed by TAL Life.

5.3.3 Contractual policy terms

All contractual benefits and rights (including surrender value bases) under the existing TLISL policies will remain unchanged as a consequence of the Proposed Transfer. The Scheme does not propose to modify contractual policy terms.

5.3.4 Policy administration and claims management systems

TLISL policies are managed through the CLOAS policy administration system ("PAS") which is separate to the TAL PAS. This policy administration system for TLISL policies will be directly transferred to TAL Life as part of the Proposed Transfer.

For claims management, TLISL claims are managed through a separate FINEOS claims management system. This claims management system for TLISL policies will also be directly transferred to TAL Life as part of the Proposed Transfer.

No changes will be made to TAL Life's and TLISL's existing administration and claims management systems as a result of the Proposed Transfer.

5.3.5 Investment strategy

Both TLISL and TAL Life are governed by their respective Investment Governance Frameworks, which cover all investible assets of the entities, including shareholders' funds and funds that support technical reserves. These frameworks have been largely aligned prior to the Proposed Transfer.

Since the investment strategy and its governance are largely consistent between TLISL and TAL Life there will be no material changes to the investment strategy of the assets backing the existing non-participating and non-investment linked TLISL business or any of the shareholders' funds as part of the Proposed Transfer.

TLISL cash assets supporting the liabilities and TLISL of TLISL statutory funds will be combined into the current larger pool of TAL Life cash assets. There will be no change to the assets initially as the assets will be transferred in specie to reduce the impact of transactions costs on the transfer. While there is no anticipation of transaction costs for asset transfer, where any transaction costs are incurred in order to affect the transfer, these will be borne by the shareholder.

For both TLISL and TAL life, Investment-linked funds are invested to ensure the asset class structure for each investment option is consistent with the achievement of the investment objectives for the different unitised products over the long term. This will continue to be the case post the Transfer Date.

Combining the cash funds across the entities will provide access to scale resulting in the advantage of having lower investment management fees.

5.3.6 Reinsurance

TLISL holds 23 reinsurance treaties. TLISL will provide notice to all its reinsurers that these treaties will transfer to TAL Life under the scheme. Only one of TLISL's reinsurers are foreign-domiciled, Transamerica, who reinsure 0.5% of the portfolio with an annual reinsurance premium paid of $2.4m. While TLISL does not anticipate there will be any need to novate any of its reinsurance treaties as part of its preparation work for the scheme, all reinsurers have been notified.

5.3.7 Costs and expenses

All costs and expenses incurred by TLISL and TAL Life in connection with the transfer will be borne by TDA and not by the policy owners of either TLISL or TAL Life.

5.3.8 Tax implications of transfer

The implications for tax from this transfer are:

- GST: TAL Life will assume obligation for the payment of GST following the transfer. TLISL will transfer the liabilities for any GST accruing prior to the transfer to TAL Life;
- Stamp duty: TAL Life will assume obligation for the payment of any stamp duty following the transfer. Any stamp duty associated with the transfer of the TLISL business will be borne by TDA and not by TLISL policy owners or TAL Life policy owners;
- Employee tax: All employees working on the TLISL entity are employees of TAL Services Limited so there will be no residual employee tax.

5.3.9 Risk management implications

TLISL and TAL Life currently operate under the TDA Risk Management Strategy which sets out TDA's strategies for managing material risks. During FY23, the RAS and Recovery Plans were harmonised ensuring consistency across the risk management framework for TDA.

TLISL and TAL Life currently operate under the same ICAAP with a single approach taken for stress and scenario testing. The target operating capital ranges for the two entities are consistent with one another as they have already been harmonised.

The Recovery Plan sets out the framework that TDA, TAL Life and TLISL will implement to recover from an extreme stress event. This should be distinguished from a resolution plan which outlines the steps authorities such as APRA would initiate to wind up an organisation. The Recovery Plan was harmonised with TAL Life's during FY23, so a single TDA Recovery Plan is now in place.

5.3.10 Remediation matters

TLISL is undertaking 2 material remediation programs which have been reported to ASIC. These remediation programs relate to:

a) **Incorrect benefit period expiry on CLOAS**: CLOAS was set up with the incorrect benefit expiry date. The issue was caused by a combination of system rule errors and administration errors. This led to a number of policy owners having the incorrect expiry date listed on their relevant policies, further resulting in policy owners either having their policy lapse early or being required to pay additional premiums due to a policy lapsing later than intended. There are approximately 2,686 policy owners to be remediated under this program and a $0.9m provision has been allowed for this. This remediation is intended to be completed by 31 October 20204; and

b) **Stamp duty issue (NSW) for TLISL flexible linked benefit policies**: In September 2019, Revenue NSW clarified that flexible linked benefits do not need to have stamp duty applied after a policy owner's first year of cover. This change was not applied to the TLISL policy administration system and as a result, stamp duty was applied annually to policies where policy owners resided in NSW. This led to policy owners being overcharged in stamp duty payments. There are approximately 19,000 policy owners to be remediated under this program and a $4.5m provision has been allowed for this. This remediation is intended to be completed by 31 December 2024.

TAL Life is undertaking 3 material remediation programs which have been reported to ASIC. These remediation programs relate to:

a) **Application of incorrect stamp duty rates**: TAL Life is remediating policy owners for incorrect stamp duty rates that were applied to their policies after they relocated to a different state within Australia. This resulted in a number of policy owners being either overcharged or undercharged stamp duty in respect of their policies. There are approximately 10,523 policy owners to be remediated under this program and a $7.5m provision has been allowed for this. This remediation is intended to be completed by 31 October 2024;

b) **Application of incorrect Consumer Price Index (CPI) across different direct products**: TAL Life is remediating policy owners for the application of incorrect CPI rates across different direct products. In Financial Year 2012, the CPI rate increased to 3.42% but TAL Life only applied 3% to the affected policies. There are approximately 13,456 policy owners to be remediated under this program and a $3.8m provision has been allowed for this. This remediation is intended to be completed by 31 December 2024;

c) **Incorrect premium charges in Life400 (policy administration system)**: TAL Life is remediating policy owners for incorrect premium charges arising from discrepancies between the way that dates of birth were updated after commencement of their policies under the ALSL policy administration system and claims system. As a result, some policy premiums were incorrectly charged due to miscalculation of relevant policy owners' ages. There are approximately 1,697 policy owners to be remediated under this program and a $1.5m provision has been allowed for this. This remediation is intended to be completed by 31 December 2024.

The remediation programs for policies issued by both TAL Life and TLISL are overseen by the respective project teams within TAL Life. TLISL and TAL Life do not intend to make any changes to the design or resourcing of these remediation programs as a result of the proposed Scheme. In particular, TAL Life intends that the same project teams will remain responsible for each remediation program to its conclusion.

Accordingly, the resourcing for these remediation programs will continue to be ultimately supported by the same corporate group, TAL Group. The Proposed Transfer from TLISL to TAL Life will not in any way affect these remediation programs and policy owners will not be disadvantaged or inequitably treated in any way as a result of the transfer. These remediation programs are internally managed with no changes to the management structure or methodology for remediation post transfer. Provisioning for these remediation matters remains centrally managed within the TDA Group.

6. Financial impact of transfer

6.1 Overview

This section of the report examines the financial impact of the proposed transfer on TAL Life and TLISL.

TAL Life is currently the largest insurer in Australia, and will become larger and more diversified due to the Proposed Transfer. As a result of this, its capital requirements will reduce. Since the TAL Life statutory funds are receiving the assets required to support the target capital requirements from the TLISL statutory funds, this transfer is fully funded and does not diminish the capital position of the TAL Life receiving funds.

The table below summarises annual premium in-force ("API") and funds under management ("FUM") for the different lines of business within TLISL, TAL Life and the combined entity after the transfer.

Table 18: Summary of TAL Life liabilities at 31 March 2024

	TLISL	TAL Life	Combined Entity
Retail (API)	861	1,852	2,713
Direct (API)	88	444	532
Group (API)	0	2,855	2,855
Wealth Non-participating (FUM)	-	10	10
Wealth Participating (FUM)	-	1,521	1,521
Unit linked (FUM)	116	236	352

Overall, there is an expected increase to the excess assets above the prescribed capital amount of TAL Life. This increase to the excess assets will be used to fund the $10m minimum capital requirement of TLISL after the Proposed Transfer. The capital base will still be considered sufficient having regard to both the prudential requirements and TAL Life's risk appetite.

The capital calculations are not being changed and remain in line with the requirements of APRA Prudential Standards LPS 110 and LPS 112. The calculations of the Target Capital remain consistent with the TDA Board Target Capital policy and continue at the same probability of sufficiency.

All the numbers and projections in this section are based on the 31 March 2024 position, which is TAL Life and TLISL's most recent reporting date.

6.2 Impact of transfer on TAL Life

6.2.1 Net assets and regulatory capital position of TAL Life

TLISL intends to distribute any Available Assets from the TLISL statutory funds into the TLISL shareholders' fund prior to the Proposed Transfer.

The tables below set out TLISL and TAL Life's financial position before the Proposed Transfer and distributions, before the Proposed Transfer and after distributions, and after the Proposed Transfer on a pro-forma basis, based on:

- TAL Life's financial position and policy liabilities as at 31 March 2024 as set out in section 4.11.1;
- the TLISL financial position and policy liabilities as at 31 March 2024 as set out in section 3.11.1; and
- proposed capital transfers and dividend payments.

Table 19: Combined Regulatory Capital Position – TAL Life SF1 – 31 March 2024 ($m)						
	Before the transfer and distributions		**Before the transfer after distributions**		**After the transfer**	
	TLISL SF1	**TAL Life SF1**	**TLISL SF1**	**TAL Life SF1**	**TLISL SF1**	**TAL Life SF1**
Net Assets	699	983	317	983	-	1,300
Regulatory adjustments to net assets	-109	-7	-109	-7	-	-116
Tier 2 Capital	-	-	-	-	-	0
Capital Base	**808**	**989**	**426**	**989**	**-**	**1,416**
Prescribed Capital Amount	**274**	**599**	**274**	**599**	**-**	**765**
Capital in excess of PCA	534	390	152	390	-	651
Capital adequacy multiple	**295%**	**165%**	**155%**	**165%**	**-**	**185%**

Prior to the Proposed Transfer, $382m of Available Assets are transferred from TLISL SF1 to TLISL SHF. The remaining $317m of assets in TLISL SF1 are transferred to TAL Life SF1.

The PCA for the combined SF1 reduces by $109m, due to a reduction in the ACRC and increased diversification within the combined entity. See section 6.2.2 for further details.

The reduction to capital adequacy multiple for TLISL policy owners from 295% to 185% after the transfer is related to the assets held as at 31 March 2024 which can change over time. It is worth noting that assets in excess of 100% of Target Capital are available for distribution to shareholders in accordance with the ICAAP.

Table 20: Combined Regulatory Capital Position – TAL Life SF2 – 31 March 2024 ($m)						
	Before the transfer and distributions		**Before the transfer after distributions**		**After the transfer**	
	TLISL SF2	**TAL Life SF2**	**TLISL SF2**	**TAL Life SF2**	**TLISL SF2**	**TAL Life SF2**
Net Assets[2]	15	10	6	10	-	16
Regulatory adjustments to net assets	5	0	5	0	-	5
Tier 2 Capital	-	-	-	-	-	-
Capital Base	**10**	**10**	**1**	**10**	**-**	**11**
Prescribed Capital Amount	**0**	**2**	**0**	**2**	**-**	**2**
Capital in excess of PCA	10	8	1	8	-	9
Capital adequacy multiple	**>999%**	**531%**	**270%**	**531%**	**-**	**488%**

Prior to the Proposed Transfer $9m of Available Assets are transferred from TLISL SF2 to TLISL SHF The remaining $6m of assets in TLISL SF2 are transferred to TAL Life SF2.

Table 21: Combined Regulatory Capital Position – TAL Life and TLISL SHF – 31 March 2024 ($m)						
	Before the transfer and distributions		Before the transfer after distributions		After the transfer	
	TLISL SHF	TAL Life SHF	TLISL SHF	TAL Life SHF	TLISL SHF	TAL Life SHF
Net Assets[3]	2	0	393	0	393	0
Regulatory adjustments to net assets	-	-	-	-	-	-
Tier 2 Capital	-	-	-	-	-	-
Capital Base	**2**	**0**	**393**	**0**	**393**	**0**
Prescribed Capital Amount	**0**	**0**	**0**	**0**	**10**	**0**
Capital in excess of PCA	2	0	393	0	383	0
Capital adequacy multiple	**>999%**	**n/a**	**>999%**	**n/a**	**>999%**	**n/a**

TLISL Shareholders' fund will receive a total of $391m of distributions constituting $382m from TLISL SF1 and $9m from TLISL SF2.

As noted in section 5, the Proposed Transfer will result in an increase the assets within TAL Life's statutory funds because of the transfer of TLISL's business into the entity. Excess capital in TLISL's SF1 and SF2 will be transferred to the TLISL shareholders' fund where it will be used to settle any outstanding liabilities and support minimum capital requirements.

The PCA for TAL Life will increase following the Proposed Transfer, while TLISL will be required to hold the minimum capital requirement of $10m. Overall, the total capital requirement post the Proposed Transfer is expected to be lower than the total capital requirements across the two entities. This is considered further in the next section.

Capital adequacy multiples shown in the tables above, are shown before any possible distribution. It is expected that any reduction in PCA and target capital requirements resulting from the Proposed Transfer will be released as a distribution to the shareholders in due course.

6.2.2 PCA impact

TLISL and TAL Life are required to hold capital for claims experience variations through the random stress margin within the Insurance Risk Charge. The impacts below do not allow for any prospective changes to be made to the stress margins and calculation methodologies as part of the Proposed Transfer, though it is noted that such margins are subject to revision in the normal course of business.

The Proposed Transfer is expected to increase the pro-forma regulatory capital required in TAL Life by $166m. The following table summarises the PCA before and after the Proposed Transfer. The capital position after the Proposed Transfer are calculated with the aligned random stress margins that were implemented at 31 March 2024 as part of a standard capital harmonisation initiative, and in accordance with LPS 110:

Table 22: Combined Regulatory Capital Position – 31 March 2024 ($m) Before the transfer							
	TLISL			TAL Life			
	SF1	SF2	SHF	SF1	SF2	SHF	Total
Insurance Risk Charge	169	-	-	265	0	0	434
Asset Risk Charge	57	0.0	0	191	1.0	-	250
Asset Concentration Risk Charge	-	-	-	78	-	-	78
Operational Risk Charge	37	0.3	-	159	0.6	-	196
Aggregation Benefit	-37	-	-	-100	-	-	-137
Combined Stress Scenario	48	0.0	0	6	0.3	-	55
Prescribed Capital Amount	**274**	**0.4**	**0**	**599**	**1.9**	**0**	**876**

Table 23: Combined Regulatory Capital Position – 31 March 2024 ($m) After the transfer							
	TLISL			TAL Life			
	SF1	SF2	SHF	SF1	SF2	SHF	Total
Insurance Risk Charge	-	-	-	429	-	0	429
Asset Risk Charge	-	-	-	241	1.1	0	242
Asset Concentration Risk Charge	-	-	-	-	-	-	-
Operational Risk Charge	-	-	-	188	0.9	-	189
Aggregation Benefit	-	-	-	-138	-	-	-138
Combined Stress Scenario	-	-	-	45	0.3	0	45
Minimum PCA adjustment	-	-	10	-	-	-	10
Prescribed Capital Amount	**-**	**-**	**10**	**765**	**2.3**	**0**	**777**

There is an overall $99m reduction in the combined PCA allowing for the $10m of minimum capital required within the TLISL entity. This is due to a reduction in the Asset Concentration Risk Charge and a more even balance of risks, which increases diversification in the combined TAL Life entity.

- The Insurance Risk Charge reduces by $5m due to greater diversification between the insurance stresses.
- The Asset Risk Charge reduces by $8m due to greater diversification between the asset stresses. This is due to TAL Life having a greater credit spread exposure, whereas TLISL has a greater exposure to real interest rate stresses.
- TAL Life currently holds an Asset Concentration Risk Charge due to a large profit share receivable from a super fund. A one-off reduction at completion of the Proposed Transfer is expected due to higher asset concentration limits under the combined entity. The Asset Concentration Risk Charge is expected to reduce by $78m to $0. Management is currently considering options to eliminate the Asset Concentration Risk Charge prior to the Proposed Transfer, in which case this reduction in PCA will no longer occur as a result of the Proposed Transfer.
- The Operational Risk Charge reduces by $8m due to gross premiums being the dominant component of the combined SF1. The ORC calculation is formula driven, and this reduction is due to TLISL having a lower adjusted policy liability when compared to premiums, and vice versa for TAL Life and the combined entity.
- The aggregation benefit increases by $0.4m due to a more even split of insurance risk and asset risk in the combined entity.
- There is a $10m decrease in the Combined Stress Scenario adjustment, due to the interaction of the above changes.
- The PCA of TLISL will be the minimum PCA amount of $10m. It is intended that TLISL's Australian Business Number and Australian Financial Services Licence will remain active and current after the proposed Scheme takes effect at 11.59 pm on 31 March 2025. TAL Life is currently exploring strategic and commercial opportunities involving the use of the TLISL entity after the proposed Scheme. This consideration is only at a preliminary stage and is currently commercially confidential and market sensitive.

  While these opportunities are in preliminary stages of discussion and evaluation TLISL will not remain within TAL Group as a dormant life insurance company for a significant amount of time. In this context, TLISL and the TAL Group will ensure that they comply with all legal and regulatory requirements with respect to any opportunity that is pursued, including any notification or approval requirements from government agencies.

6.2.3 Risk profile considerations

Combining different levels of insurance risks within TAL Life's SF1 will result in an increased level of diversification of risks. This increased diversification is considered to improve non-participating policy owner security in that fund, since the profitability of one set of products can provide some support to another in the case of adverse experience, while the risk that a loss in one product exceeds the capital resources of the combined fund is highly improbable. In addition, a wider range of products spreads risk.

There is no change to the level of risk for participating policy owner security within TAL Life's SF1 as these are managed within a separate sub-fund and are treated independently. As there are no incoming participating policies from TLISL, there is no change to the risk within this sub-fund.

At present, TLISL is exposed to credit risk through a large reinsurance exposure to Pacific Life Reinsurance. Although this individual exposure will not change as a result of the Proposed Transfer, TAL Life's overall exposure to credit risks will be diversified following the Proposed Transfer.

While operational risks may be heightened for a period of time as the portfolios are integrated, TLISL and TAL Life have been integrating the business since the acquisition of TLISL was completed in October 2022. The additional risk from the Proposed Transfer is small as no operational changes are expected as part of the Proposed Transfer.

TLISL and TAL Life are projected in the ICAAP to continue to be profitable. The Proposed Transfer will result in minor capital efficiencies, slightly increasing the return on capital supported by the business.

In aggregate, the risk profile of the combined business will be improved due to the increased scale and greater diversity of insurance risks and credit risks. The combined business will also benefit from lower operational risks by being able to streamline operational and reporting processes for a single entity rather than having multiple processes.

6.2.4 Target capital

TLISL and TAL Life currently operate under the TDA Capital Management Framework within TDA's ICAAP. Both TAL Life and TLISL use the same methodology and probability of sufficiency to determine the Target Capital, with an objective to maintain a Target Capital amount which provides an adequate buffer above the minimum regulatory capital level reflective of the Board's risk appetite.

The impact of the Part 9 on Target Capital has not been considered yet, but there is expected to be a small reduction in Target Capital for the combined entity. Similar to the PCA, the Part 9 will result in a more even split of risks within the Target Capital, which will provide a capital benefit due to improved diversification.

Capital is consumed when new business is written and is released in subsequent years. Capital will also be generated through profits. Rapid growth in new business may require more new business capital than is released by the inforce portfolio and net profits, resulting in capital injections being required to support new business. As TLISL is currently closed to new business, it is expected to generate material capital releases, as well as small profits. TAL Life's expectation is to continue to grow its business despite subdued growth in the overall life insurance market. As a result, TAL Life is expected to generate profits with relatively little additional capital requirements.

Since the TLISL business being transferred into TAL Life includes capital, TAL Life's overall capital position will not diminish as would have been the case if this business had been acquired through new sales.

TAL Life also expects to realise some synergies through economies of scale from managing a larger portfolio. These expense savings are not reflected in the TAL Life PCA numbers outlined above for conservatism, as allowing for them would have reduced the PCA.

6.2.5 Insurance liabilities

TLISL and TAL Life currently adopt the same economic assumptions across all lines of non-participating business. A range of different non-economic assumptions are applied for all lines of business, allowing for the features and characteristics of the business, and the demographics of the customer base. Following the Proposed Transfer, separate non-economic assumptions will continue to be applied for TLISL and TAL Life business, as there is no reason to believe that future operating experience will materially change as a result of the proposed transfer. The TAL Life Appointed Actuary will continue to monitor the experience and recommend assumptions as appropriate. Insurance liabilities will continue to be compliant with the requirements of APRA Prudential Standard LPS 340.

6.2.6 Observations and conclusions

On the basis of the above discussion and analysis, it is concluded, subject to Court approval of the Proposed Transfer, that:

- following the transfer, each transferring statutory fund and TAL Life as a whole will remain in a sound financial position and TAL Life policy owners' benefit security will remain adequate after the Proposed Transfer;
- immediately after the Proposed Transfer the statutory funds of TAL Life as a whole will continue to satisfy the requirements of the applicable prudential capital standards;
- TAL Life is projected to be profitable on an ongoing basis with relatively stable capital coverage; and
- the risk profile considerations and expected profitability of the TAL Life statutory funds and TAL Life as a whole, will maintain the security of policy owners' benefits.

6.3 Impact of transfer on TLISL

TLISL will retain sufficient assets to cover any outstanding liabilities and capital requirements after the Proposed Transfer.

7. Policy owner considerations

7.1 Overview

In this section policy owner considerations relevant to the transferring TLISL and TAL Life policy owners are reviewed, including the impact of the transfer on:

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

7.2 Contractual benefits and rights

As set out in Section 5.3, all TLISL policies will be transferred with the same policy terms and conditions as applied prior to the transfer. There are no impacts as a result of this Part 9 transfer that are expected to hinder the servicing of the business with unchanged policy terms and conditions.

There are no proposed changes to the policy terms and conditions for existing TAL Life SF1 and SF2 policy owners after the transfer.

Therefore, there are no reductions to the transferring or existing policy owners' contractual benefits and rights.

7.3 Reasonable benefit expectations

The fundamental expectation of policy owners is that they will receive their contractual benefit entitlements when due.

Nonetheless, there are a number of areas identified that involve some discretion being exercised by TLISL historically and TAL Life in the future. These have the potential to impact policy owners' reasonable benefit expectations.

These discretions are discussed further below and relate to:

- premium rate changes (section 7.3.1);
- claims handling (section 7.3.1.4);
- policy administration (section 7.3.2.4);
- underwriting (section 7.3.3.2); and
- product improvements and policy maintenance (section 7.3.4.45)

7.3.1 Premium rate changes

7.3.1.1 TLISL approach

As TLISL and TAL Life are both entities owned by TDA, the approaches in which premium rates are set follow a consistent philosophy. There will be no changes in this approach as a result of the Proposed Transfer.

Management has advised that the premium rates currently adopted by TLISL were set after considering a number of factors, including claims experience, customer impacts, relative competitor positioning and the expected return on capital for the portfolio. Management has indicated that their primary goal is to provide value for customers and that premiums continue to support the long-term sustainability of the portfolio.

No explicit metric applies in relation to the profitability of the inforce business, and any decision to adjust premium rates will depend on the relevant factors at the time of review. The Product Disclosure Statement and Policy Documents that apply to TLISL policy owners states that the company can review premiums in the future provided the premium change impacts all policies in a specified risk cohort (i.e. an individual customer cannot be singled out for a premium change). This is consistent with the TAL Life approach.

There will be no increase to the TLISL premium rates as a result of the Proposed Transfer as profitability of the TLISL policies will remain at least in line with pre-transfer levels. This reflects:

- no changes to the reinsurance terms and commission terms applying to transferring policies as a result of the transfer; and
- claims experience analysis will continue to be assessed separately to the TAL Life products.

It is noted that this does not rule out future increases in premium rates for TLISL policies, which may occur across the market as experience and key factors change.

7.3.1.2 TAL Life approach

As noted above, TAL Life and TLISL adopt the same philosophy in the approach to setting premium rates. This will not change due to the Proposed Transfer.

TAL Life considers similar factors when setting premium rates, including claims experience, customer impacts, relative competitor positioning and the expected return on capital for the portfolio.

Premium rate changes are made with consideration to the experience of individual product groups. Therefore, the transferring TLISL Policies will have no impact on potential future premium rate changes to the TAL Life products until such time the TLISL business becomes too small to justify separate analysis and management.

7.3.1.3 Other observations

Since the TLISL portfolio is currently closed to all new business, the focus in terms of equity would be on the inforce customers. The philosophies adopted by both companies are broadly similar with some key distinguishing factors, specifically on the advised business, being:

- the reinsurance ceded is lower within TLISL and has a shorter duration of coverage on the reinsurance treaties which results in greater longer term profitability sensitivity to reinsurance premium changes; and
- the higher proportion of previously advised customers within the TLISL portfolio.

Experience analysis and assumption setting will continue to occur at the levels deemed appropriate by the Appointed Actuary, and therefore customers will be charged appropriately for their risks. For the TLISL loss making business, it is expected that losses would be funded from the capital that is being transferred or otherwise from the TAL Life shareholders, and therefore premium increases would not be expected to be passed on to existing TAL Life customers.

There is a single pricing team for both TAL Life and TLISL products. With the staff that transitioned as part of the acquisition, TLISL in-house knowledge and historical practices will be maintained following the Proposed Transfer. There will be no changes to the current approach or team structure of TAL Life as a result of the Proposed Transfer.

7.3.1.4 TLISL conclusion

Given the above observations it is concluded:

- A reasonable expectation of policy owners is likely to be that a transfer to TAL Life would not lead to a premium rate increasing becoming more likely than would have been in the case if the policy owner continued to be insured by TLISL.
- TAL Life's intended approach to reviewing premium rates would be similar to the approach currently applied by TLISL.

Therefore, the policy owners' reasonable benefit expectations are expected to be met with regards to premium rate changes.

7.3.1.5 TAL Life conclusion

TAL Life's current policy owners are unlikely to be affected by the transfer since the business will continue to be priced according to the TAL Life Product Pricing Policy, and profitability assessment will continue to be separate from the former TLISL policies.

Therefore, the policy owners' reasonable benefit expectations are expected to be met with regards to premium rate changes.

7.3.2 Claims handling

7.3.2.1 TLISL's approach

As TLISL and TAL Life are both entities owned by TDA, the approaches to claims handling follow a consistent philosophy, use consistent policies and adopt consistent practices. Both companies operate under the Life Insurance Code of Practice ("LICOP"). TLISL and TAL Life claims are managed separately but under an aligned philosophy, using aligned policies and have adopted aligned practices with reporting to the same executive manager. This will not change as a result of the Transfer.

The TLISL PDSs and Policy Documents outline the obligations of customers in the event of a claim (e.g. to provide various medical and financial evidence and information).

TLISL is aligned with TAL's claim philosophy shared on TAL's website: *"We will deliver on the promise we make to every customer, ensuring they understand and feel confident in how we will handle their claim."*

TLISL also utilises aligned policies and have adopted aligned practices with TAL Life for claims handling.

TLISL also follows the industry prescribed complaints handling process which includes both an internal and external complaints process. Specifically, TAL Life's website states that if a customer has a complaint regarding their claim they should contact:

- TAL Life initially with an assigned claims consultant through an Internal Dispute Resolution process;
- the Australian Financial Complaints Authority ("AFCA") if the complaint is not resolved to the customer's satisfaction.

7.3.2.2 TAL Life's approach

As noted above, TAL Life and TLISL follow a consistent philosophy for claims handlings. They have both adopted consistent policies and apply consistent practices to the handling of claims. Both companies operate under the Life Insurance Code of Practice. This will not change as a result of the Proposed Transfer.

The TAL Life PDSs and Policy Documents outline, similarly to TLISL, the obligations of customers in the event of a claim (e.g. to provide various medical and financial evidence and information).

TAL Life operates under a similar claims philosophy to TLISL, with processes such as a dedicated claims manager, a dedication to process and pay claims as quickly as possible and relevant regular communication throughout the process.

TAL Life's approach is the same as what is described above for TLISL.

7.3.2.3 Other observations

The current TAL Life claims management system for all policies is FINEOS AdminSuite ("FINEOS"). TLISL also utilises a FINEOS system, albeit a slightly different version of the claims management system. This will not change as a result of the Transfer.

TAL Life has had prior experience in managing two separate claims handling functions during the consolidation process under the Asteron Life Part 9 Transfer back in 2021.

The complaints management system and handling process is aligned between TAL Life and TLISL, with the same legal support, escalation, definitions and monitoring in place. There are no material differences in the PDS and Policy Documents in terms of claims handling.

Dispute resolution statistics are reported to APRA on a half yearly basis and the below table shows these in comparison to each other.

Table 24: TAL Life & TLIS Dispute Reporting Statistics for the 6-month period ending 31 December 2023						
	TAL Life			TLIS		
	Internal	External	Litigated	Internal	External	Litigated
# Policies	763,482			443,709		
# Lives insured	4,819,465			375,371		
Disputes @ beginning	125	134	63	23	28	18
Disputes Lodged	814	150	23	87	29	2
Disputes Withdrawn	45	52	-	2	6	-
Disputes Resolved	792	120	22	97	23	6
Disputes @ end	102	112	64	11	28	14

The main observations from the above table are:

- The number of disputes for both entities relative to the number of policies and number of lives insured are low, with number of disputes lodged being in the 0.02% to 0.03% range of number of lives insured for both entities.
- Resolution rates for both are also similar, again being within the 0.02% to 0.03% range of number of lives insured for both entities.
- The absolute number of disputes for TAL Life is much larger and is due to the large group portfolio and comprises of a number of industry superannuation funds which number of members in the millions. This is relative to TLIS where the portfolio is mainly made up of individual risk contracts.

7.3.2.4 TLISL conclusion

Given the observations above it is concluded:

- The transferring policy owners will have an expectation that claims will be assessed fairly and in utmost good faith.
- TAL Life's current approach to assessing claims is consistent with TLISL's which satisfies the above expectation.
- Transferring policy owners will continue to have a right to refer complaints to IDR and to the AFCA.

Therefore, the policy owners' reasonable benefit expectations are expected to be met for transferring TLISL policy owners with regards to the claims handling philosophy and any ongoing remediation programs.

7.3.2.5 TAL Life conclusion

Given the observations made above it is concluded:

- TAL Life's current approach to assessing claims will not be affected as a result of the Proposed Transfer.
- Current TAL Life policy owners will continue to have to right to refer complaints to IDR and to the AFCA.

Therefore, the policy owners' reasonable benefit expectations are expected to be met for current TAL Life policy owners with regards to the claims handling philosophy and any going remediation programs.

7.3.3 Policy administration

7.3.3.1 Transition

The majority of TLISL policies are managed through the CLOAS policy administration system. This administration system for TLISL policies will be directly transferred to TAL Life as part of the Proposed Transfer. No changes will be made to these systems as a result of the Proposed Transfer.

Some legacy products are administered using spreadsheets or extracts sourced from external parties. No changes will be made to these sources as a results of the Proposed Transfer.

7.3.3.2 TLISL Conclusion

Given the above observations, it is concluded that TLISL policy owners will not be adversely affected as there is no planned migration of policy administration systems. Therefore, the policy owners' reasonable benefit expectations are expected to be met for transferring TLISL policy owners with regards to policy administration.

7.3.3.3 TAL Life conclusion

There will be no functional changes to the systems that administer the TAL Life products as a result of the Proposed Transfer. Therefore, the policy owners' reasonable benefit expectations are expected to be met for current TAL Life policy owners with regards to policy administration.

7.3.4 Underwriting

7.3.4.1 TLISL approach

As TLISL is closed to new business, underwriting will be limited to benefit changes for existing policies. TLISL policy owners who currently have the option to increase their sum insured will continue to have that option and will be assessed against TLISL's underwriting standards.

TLISL's underwriting standards are based on a combination of internal rules and the underwriting manual published by TLISL's main reinsurer Pacific Life Reinsurance. These rules are extensive and cover the wide range of medical and financial circumstances that apply. TLISL underwriting guidelines for existing customers are not published and are changed from time to time in accordance with the LICOP. TLISL is currently refining its underwriting philosophy by reviewing the information presented in both TLISL and TAL Life Adviser Guides. TAL Life's management intends to harmonise the TLISL and TAL Life practices so that, in time, a consistent approach can be adopted for both TLISL and TAL Life customers.

TLISL's underwriting system is ringfenced within TAL's ecosystem in accordance with TLISL underwriting agreements and policies. This will not be impacted as a result of the Proposed Transfer.

7.3.4.2 TAL Life approach

There will be no impact on the existing TAL Life underwriting philosophy and rules as a result of the Proposed Transfer. TAL Life's management intends to harmonise the TLISL and TAL Life practices so that, in time, a consistent approach can be adopted for both TLISL and TAL Life customers.

7.3.4.3 Other observations

Policy owners will have some expectations of the underwriting process, given that they have been through the process when their policy was originally accepted. However, the underwriting process varies depending on the circumstances applying at the time of underwriting and therefore policy owners should not have any specific expectations as to how their policies will be underwritten. Any expectation is likely to be that the underwriting should be performed fairly.

As noted above, post the Proposed Transfer TAL Life will continue to underwrite TLISL and existing TAL Life policies according to each entity's current underwriting philosophy and rules.

The TLISL underwriting team currently operates separate to the TAL Life team. There will be no changes to the current approach or team structure of TAL Life and TLISL as a result of the Proposed Transfer.

Similar to what was described in sections 7.3.1.3 and 7.3.2.3, TAL Life has prior experience in managing two separate underwriting functions during a consolidation process with the Asteron Life Part 9 Transfer back in 2021.

7.3.4.4 TLISL conclusion

Given the observations above it is concluded:

- The transferring policy owners should not have specific expectations regarding how policies will be underwritten. Any expectation would likely be that the underwriting should be performed fairly and on a basis that is not more conservative than what was adopted at the time the policy was originally underwritten.

- TAL Life intends to adopt the TLISL underwriting rules for transferring TLISL policies.

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

7.3.4.5 TAL Life conclusion

Given the observations made above it is concluded:

- TAL Life's current approach to underwriting policies will not be affected as a result of the Proposed Transfer.

Therefore, the policy owners' reasonable benefit expectations are expected to be met for current TAL Life policy owners with regards to underwriting philosophy.

7.3.5 Product improvements and policy maintenance

7.3.5.1 TLISL approach

The TLISL philosophy towards product improvements is that improvements which do not result in additional premiums will automatically be passed to the policy owner, while policy owners will have a choice as to whether they accept improvements which require an additional premium increase.

Given that TLISL is currently closed to new business, future product changes are likely to be limited. As such, TLISL can only make enhancements to product features or changes to policy definitions which do not adversely impact current policy owners and do not result in an increase in the premiums. This approach aligns with TAL Life and its treatment of its own legacy businesses and will not change as a result of the Transfer Proposal.

7.3.5.2 TAL Life approach

TAL Life's approach to policy improvements is to automatically pass on any improvements to policy owners when they do not result in an increase in to premium.

As TAL Life's retail offering is on-sale for new business, it is regularly reviewed and updated – meaning product changes (and therefore pass back of improvements) are more frequent than on the closed TLISL book. Otherwise, TAL Life has a similar approach to policy maintenance as TLISL with only beneficial changes to product features and/or policy definitions being automatically passed back to existing policy owners within the same product.

TAL Life also has significant legacy retail business which has previously been closed to new business. Future product changes to these legacy products are limited to enhancements or product features or changes to policy definitions which do not adversely impact current policy owners and do not result in an increase in the premiums.

7.3.5.3 TLISL conclusion

Product improvements on the closed TLISL book that do not result in a premium increase to existing TLISL customers will automatically be passed on. Any other product alterations (either enhancements that come at a cost or restriction which provide a discount) are not intended to be offered to customers. This will not change due to the Proposed Transfer.

Therefore, there will be no impact on the reasonable benefit expectations for transferring TLISL policy owners in regards to product improvements and policy maintenance since TAL Life follows a similar approach.

7.3.5.1 TAL Life conclusion

As there are no changes to the TAL Life approach, it is concluded that current TAL Life policy owners will not be impacted by the Proposed Transfer for any future product improvements, feature changes or policy definition changes.

Therefore, the policy owners' reasonable benefit expectations are expected to be met for current TAL Life policy owners with regards to product improvements and policy maintenance.

7.3.6 Overall conclusion on benefit expectations

7.3.6.1 TLISL conclusion

On the basis of the above discussion and analysis, it is concluded that TLISL's intended basis of determining and implementing the non-contractually specified and/or discretionary aspects of the transferring policies will continue to meet the overall reasonable benefit expectations of the transferring policy owners.

7.3.6.2 TAL Life conclusion

On the basis of the above discussion and analysis, it is concluded that TAL Life's intended basis of determining and implementing the non-contractually specified and/or discretionary aspects of the transferring policies will continue to meet the overall reasonable benefit expectations of current TAL Life policy owners.

7.4 Benefit security

7.4.1 Overview

In this section the benefit security issues relevant to the transferring TLISL policy owners, transferring TAL Life policy owners and the existing TAL Life policy owners will be discussed.

7.4.2 Position pre-transfer

7.4.2.1 TLISL position pre-transfer

The transferring TLISL policies currently enjoy a sound level of benefit security in terms of:

- the PCA, Target Capital and the excess assets above these reserves held directly within TLISL SF1 and SF2;
- the existing investments of TLISL SF1 that back the non-participating policy liabilities are being maintained in predominantly cash and investment grade, marketable assets;
- the existing investments of TLISL SF2 that back the investment policy liabilities are being maintained in line with the investment mixes outlined in the PDS;
- TLISL's business and management of risks, and the existing administration and management systems which are fit for purpose;
- the sound capital position and profitability of the overall TLISL entity that is capable of providing further support to the obligations of TLISL's statutory funds; and
- limited future capital expenditure as the TLISL policies are all closed to new business.

7.4.2.2 TAL Life position pre-transfer

The current TAL Life policies currently enjoy a sound level of benefit security in terms of:

- the PCA, Target Capital and the excess assets above these reserves held directly within TAL Life SF1 and SF2;
- the existing investments of TAL Life SF1 that back the non-participating policy liabilities are being maintained in predominantly cash and investment grade, marketable assets;
- the existing investments of TAL Life SF1 that back the participating policy liabilities are ring-fenced from the remainder of the statutory fund in a separate participating sub-fund;
- the existing investments of TAL Life SF2 that back the investment policy liabilities are being maintained in line with the investment mixes outlined in the PDS;
- TAL Life's business and management of risks, and the existing administration and management systems which are fit for purpose;
- the positive profit flows emerging in TAL Life SF1 and SF2 that support the overall future financial position of these funds; and

- the sound capital position and profitability of the overall TAL Life entity that is capable of providing further support to the obligations of TAL Life's statutory funds.

7.4.3 Position post-transfer

Under the Life Act, after the transfer, the policy liabilities of the TLISL policies must continue to be maintained within a statutory fund of TAL Life, which is required to continue to satisfy the same regulatory capital requirements, as well as other regulatory risk management standards and requirements, as those that apply to TLISL.

TAL Life has an existing substantial interest in similar business to the transferring TLISL policies. TAL Life's management has an existing understanding of the business and its risks and TAL Life currently utilises existing administration and management systems that are designed to accommodate such business.

The following sub-sections discuss the benefit security of the transferring TLISL policy owners and the existing TAL Life policy owners after the Proposed Transfer.

7.4.3.1 Capital reserving levels

The following observations are made in relation to the capital reserving levels impacting TLISL and TAL Life policies:

- as set out in section 6.2.1, TLISL policy owners are currently insured with an entity which has $546m of capital in excess of the PCA. Existing TAL Life policy owners are currently insured with an entity which has $398m of capital in excess of the PCA;
- it is noted that, assets in excess of those required to meet the target capital requirements can, by Board approval (and subject to certain other constraints), be paid as a dividend to shareholders. Hence capital levels at a single point in time do not necessarily reflect the ongoing likely capital position;
- following the Proposed Transfer, the TLISL and TAL Life policy owners will be part of an entity with capital in excess of PCA of $660m as set out in section 6.2.1. There will be a reduction in the PCA required to support the transferring TLISL business due to the increased diversification benefits within a larger statutory fund. Distributions to the TLISL shareholders' fund are expected to occur prior to the Proposed Transfer of any excess capital above a target capital ratio of 100% from TLISL SF1 and SF2; and
- the current capital adequacy levels for TLISL SF1 and SF2 and TAL Life SF1, SF2 and SF3 are all greater than 100%. As per section 6.2.1, the indicative capital adequacy multiple for post-transfer TAL Life Statutory Funds No. 1 and No. 2 are 185% and 488% respectively. These ratios remain sufficiently high to provide adequate security, exceed the minimum prudential capital requirements and do not adversely impact the level of prudential protection for the transferring TLISL policy owners or existing TAL Life policy owners.

Given the above, it can be concluded that the post-transfer capital reserving levels of TAL Life SF1 and SF2 will not adversely impact the transferring TLISL and TAL Life existing policy owners' benefit security.

7.4.3.2 Quality of capital

TLISL policy owners are currently insured with an entity where the liabilities are wholly supported by CET1. The TLISL policies will transfer into TAL Life SF1 and SF2. The receiving TAL Life statutory funds are also wholly supported by CET1.

7.4.3.3 Risk profile considerations

TAL Life issues a variety of insurance and investment business from TAL Life SF1 and SF2 that includes ordinary and superannuation risk business, investment linked business and annuities.

The Proposed Transfer is not considered as a whole to adversely impact the risk profile and benefit security of both the transferring TLISL policy owners and existing TAL Life policy owners as:

- TAL Life manages the various life insurance risk products independently of each other. This reduces the risk that unexpected profits and losses can emerge on a product line that can materially impact the benefit security of other product lines;

- as the TLISL policies will be moving into a larger entity in TAL Life, the TLISL policies will benefit from diversification of risks within TAL Life SF1. This benefits TLISL policy owner benefit security, since the profitability of one set of products can provide some support in terms of meeting contractual obligations to another in cases of adverse experience;
- existing TAL Life participating policyholders are unaffected as there is no transferring participating business from TLISL and the assets and liabilities for the existing participating portfolio will continue to be ring-fenced and managed separately;
- there are practical benefit security advantages to maintaining a larger single statutory fund compared to maintaining multiple smaller funds including additional diversification benefits;
- the assets being transferred are being provided in the form of cash and investment grade, marketable fixed interest securities, which are suitable investments with respect to the liabilities being transferred. Any subsequent changes will be consistent with TAL Life's existing Risk Appetite Statement; and
- the net assets above the regulatory capital requirement for TAL Life SF1 and SF2 will increase slightly after the proposed transfer and will continue to meet the regulatory prudential capital requirements.

Given the above, the post-transfer risk profile of TAL Life SF1 and SF2 will positively contribute towards the transferring TLISL and TAL Life existing policy owners' benefit security.

7.4.3.4 Cash flow and profitability

In addition to the capital reserves held, the financial stability and strength of an insurer, is also a function of its profitability and the strength of its cash-flows.

TLISL and TAL Life have been profitable in recent years. SF1 and SF2 within the combined entity are projected in the joint ICAAP report to continue to be profitable in future years.

Given the above, the post-transfer cash-flow and expected profitability of TAL Life SF1 and SF2 will positively contribute towards the transferring TLISL and TAL Life existing policy owners' benefit security.

7.4.3.5 Total capital above PCA

TAL Life has significant excess capital over PCA after the Proposed Transfer with $660m in excess assets.

Future dividends will continue to be paid to TDA in compliance with TAL Life's current dividend policy which is to dividend any excess above target capital levels. It is noted that an entity can only transfer excess assets out of a statutory fund following advice from the Appointed Actuary. It is noted that the excess assets will not reduce to levels below that enjoyed currently by the policy owners as a result of the Proposed Transfer.

7.4.3.6 TLISL conclusion on benefit security

On the basis of the above discussion and analysis, it is concluded that the transferring TLISL policy owners' benefit security will remain adequate immediately after the Proposed Transfer and forecasts of the combined entity indicate that transferring TLISL policy owners' benefit security will remain adequate after the Proposed Transfer.

7.4.3.7 TAL Life conclusion on benefit security

On the basis of the above discussion and analysis, it is concluded that:

- Each of the Statutory Funds of TAL Life No. 1 and No. 2 as a whole will remain in a sound financial position immediately after the transfer and forecasts of the combined entity indicate that the existing policy owners' benefit security will remain appropriate after the proposed transfer.
- There are no disadvantages to the existing policy owners of TAL Life in having the TLISL policies transferred to TAL Life. The existing TAL Life policy owners will benefit from the improved capital position following the Proposed Transfer as well as having a more diversified risk profile.

8. Overall conclusion on Proposed Transfer by the Appointed Actuary

8.1 Appointed Actuary of TLISL

I, Neil Ch'ng, in my capacity as the Appointed Actuary of TLISL and a Fellow of the Actuaries Institute of Australia, am of the opinion that the Proposed Transfer will not result in any unfairness to the owners of the policies referable to any of the funds involved in the Proposed Transfer. Additionally, the proposed scheme will not materially prejudice the interests of owners of the policies of either TAL Life or TLISL. Immediately after the Proposed Transfer, the transferring fund, TLISL will satisfy regulatory capital standards and remain in a sound financial position.

Specifically, regarding TLISL transferring policy owners:

- The Proposed Transfer does not adversely impact the contractual benefits and rights of the transferring policy owners;
- TAL Life's intended basis of determining and implementing the non-contractually specified and/or discretionary aspects of the transferring policies will continue to meet the overall reasonable benefit expectations of the transferring policy owners; and
- TAL Life will remain in a sound financial position immediately post the transfer and forecasts of the combined entity also indicate that the transferring policy owners' benefit security will remain adequate after the proposed transfer.

8.2 Appointed Actuary of TAL Life

I, Josh Corrigan, in my capacity as the Appointed Actuary of TAL Life and a Fellow of the Actuaries Institute of Australia, am of the opinion that the Proposed Transfer will not result in any unfairness to the owners of the policies referable to any of the funds involved in the Proposed Transfer. Additionally, the proposed scheme will not materially prejudice the interests of owners of the policies of either TAL Life or TLISL. Immediately after the Proposed Transfer, the receiving fund, TAL Life will satisfy regulatory capital standards and remain in a sound financial position.

Specifically, regarding TAL Life's existing policy owners:

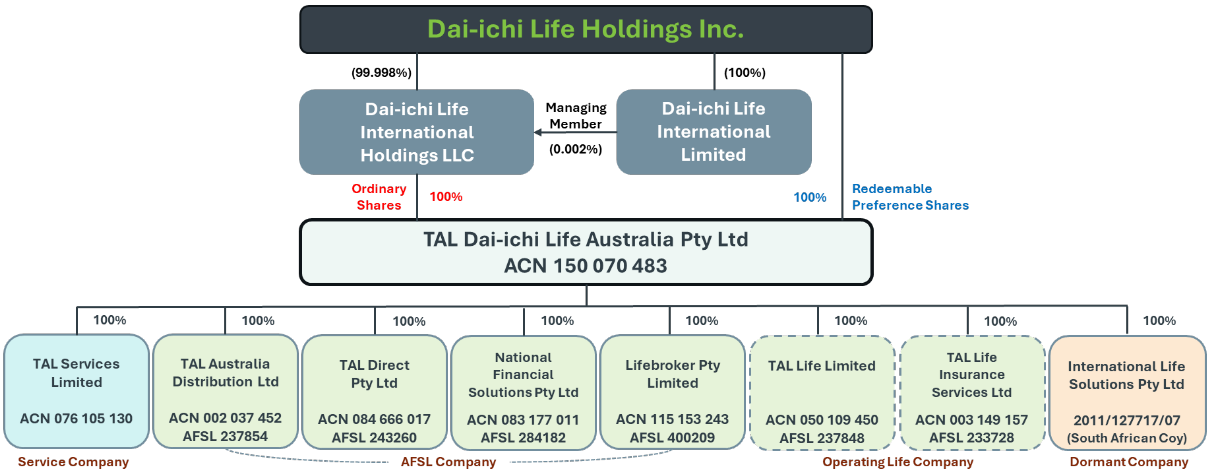
- In terms of the policy owners' contractual benefits and rights
  - There is no impact to the contractual benefit and rights of the existing policy owners of TAL Life as a result of the Proposed Transfer.
- In terms of the policy owners' benefit reasonable expectations
  - There is no impact to the reasonable benefit expectations of the existing policy owners of TAL Life as a result of the Proposed Transfer.
- In terms of the policy owners' benefit security
  - Each of the Statutory Funds of TAL Life and TAL Life as a whole will remain in a sound financial position immediately post the transfer, and forecasts of the combined entity also indicate that the existing policy owners' benefit security will remain appropriate after the Proposed Transfer; and
  - There are no disadvantages for the existing policy owners of TAL Life as a result of the Proposed Transfer.

Specifically, regarding any remediation programs:

- The Proposed Transfer from TLISL to TAL Life will not in any way affect the remediation programs outlined in section 5.3.10, and the policy owners will not be disadvantaged or inequitably treated in any way as a result of the Proposed Transfer.

Appendix A Corporate structure

TDA's corporate structure is shown in the diagram below.



TLISL and TAL Life's ultimate Australian parent company is TDA and is subject to regulatory oversight by APRA as a non-operating holding company.

On 1 October 2022, TDA acquired 100% ownership of TAL Life Insurance Services Limited ("TLISL") from Westpac.

Dai-ichi Life is a major life insurance company listed on the Tokyo Stock Exchange with the majority of its business in Japan. In addition to TAL Life, TLISL and its Japanese subsidiaries, Dai-ichi Life owns Protective Life Corporation in the USA, as well as shares in several Asian life insurance businesses outside Japan, including a wholly owned subsidiary entity in Vietnam, Cambodia, Myanmar and New Zealand, and affiliates in India, Indonesia and Thailand.

Appendix B Glossary of terms

Table 25: Glossary of terms	
Term	**Description**
ABC	Activity Based Costing
AFCA	Australian Financial Complaints Authority
ALCo	Asset Liability Committee
API	Annual premium in-force
TLISL	TAL Life Insurance Services Limited
Available Assets	Assets in excess of prudential capital requirements and Target Capital
CET1	Common Equity Tier 1
CPS 220	APRA Prudential Standard CPS 220 Risk Management
ERC	Executive Risk Committee
FIAA	Fellow of the Actuaries Institute of Australia
FINEOS	FINEOS AdminSuite
FUM	Funds under management
GST	Goods and Services Tax
IA	Investment Account
ICAAP	Internal Capital Adequacy Assessment Process
LICOP	Life Insurance Code of Practice
Life Act	Life Insurance Act 1995
Lifebroker	Lifebroker Pty Limited
LPS 110	APRA Prudential Standard LPS 110 Capital Adequacy
LPS 112	APRA Prudential Standard LPS 112 Capital Adequacy: Measurement of Capital
LPS 117	APRA Prudential Standard LPS 117 Capital Adequacy: Asset Concentration Risk Charge
LPS 340	APRA Prudential Standard LPS 340 Valuation of Policy Liabilities
LPS 600	APRA Prudential Standard LPS 600 Statutory Funds
NPAT	Net Profit After Tax
Part 9	Part 9 of the Life Act
PAS	Policy Administration System
PCA	Prescribed Capital Amount
PDS	Product Disclosure Statement and Policy Document
PLRA	Pacific Life Reinsurance Australia
PPC	Product and Pricing Committee
PPFM	Principles and Practices of Financial Management (for participating business)
PRBE	Policy owner reasonable benefit expectations
Proposed Transfer	The proposed scheme transfer under Part 9 of the Life Act
RAS	Risk Appetite Statement
ReMS	Reinsurance Management Strategy
RMF	Risk Management Framework
RMP	Reinsurance Management Policy
RMS	Risk Management Strategy
SF(x)	Statutory Fund No. (x)
SHF	Shareholders' fund
TAL Life	TAL Life Limited
TCR	Target Capital Ratio
TDA	TAL Dai-ichi Life Australia Pty Limited
TPD	Total and permanent disability
Trad	Traditional
Transfer Date	31 March 2025