Summary of the Report of the Independent Actuary

1 Introduction

1.1 Background

It is a requirement of Irish law that the proposed Scheme to transfer the life assurance business of MGMI to MGMA should be accompanied by a report by an independent actuary on the impact of that Scheme on the policyholders of MGMI.

I have been engaged to act as independent actuary for the Scheme. I am a Fellow of the Institute of Actuaries and a Fellow of the Society of Actuaries in Ireland.

This note provides for policyholders of MGMI a summary of my report and my conclusions. My full report has been submitted with the documents for the approval of the Scheme and are available for inspection by the policyholders of MGMI.

1.2 Scope of my report

In producing my report I have acted in an independent capacity and my primary audience is the Irish Court whose approval is being sought for the Scheme. I have no other connections with either MGMI or MGMA.

The main purpose of my report is to set out my assessment of the likely effects of the Scheme on the MGMI policyholders transferring to MGMA. I must assess whether the security of benefits or the benefit expectations of these policyholders would be adversely affected if the Scheme is implemented.

1.3 Reliances and Limitations

The full Reliances and Limitations attaching to my report are set out in the report itself and these apply equally to this summary note.

I have made my assessment based on information provided by the management of MGMI and MGMA. Whilst I have placed this reliance on the management for the information and figures, the assessment is entirely my own judgment.

2 Financial aspects of the Scheme

The assets and liabilities attributable to the with profit policyholders of MGMI will be transferred to MGMA. In addition, all shareholder assets, after meeting the relevant costs of the Scheme and the costs of winding down MGMI, will be transferred to MGMA. It is noted that the costs of the Scheme and subsequent wind down of MGMI will not be borne by either the policyholders of MGMI or the policyholders of MGMA.

MGMA will amend its Principles and Practice of Financial Management to reflect the inclusion of the MGMI transferred with profit fund and liabilities. In essence this will state that the financial management of the transferred with profits fund and associated bonus policy will remain the same as it was prior to the Scheme being implemented.

This will be achieved by establishing a subfund within MGMA to accommodate the transferred with profit fund.

3 Assessment of the Scheme

3.1 Security of benefits

The solvency positions before and after the transfer are illustrated in the following Table.

	MGMI as at 30/6/2009	Pro Forma MGMA as at 30/6/2009 but assuming the Transfer had taken place
Required Solvency Margin	€3.2M	€39.8M
Available Assets	€4.1M	€94.1M
Excess of Available Assets over RSM	€0.9M	€54.3M
Available Assets as a percentage of RSM	128%	236%

Note: "Available Assets" are the excess of the company's assets over its liabilities and which are available to meet the statutory Required Solvency Margin (RSM).

The solvency cover, i.e. the excess of Available Assets over the RSM, is greater after the transfer than before both in absolute terms and in percentage terms. Moreover, it is noted that as a closed fund MGMI would have needed further future injections of capital from MGMA in order to continue to meet its solvency margin requirements.

I conclude that the security of benefits for the MGMI policyholders who are transferring would not be adversely affected by the Scheme.

3.2 Benefit expectations

The benefit expectations of the MGMI policies are dependent on three main factors:

1. The Principles of Financial Management and bonus policy adopted by the company.
2. The investment performance of the with profit fund.
3. The charges levied on the with profit fund and the policyholders.

As regards the first point above, it is noted in Section 2 that the intention is to establish a subfund within MGMA to accommodate the transferred MGMI with profit fund and to financially manage the fund in the same fashion as it would have been in MGMI.

In regard to the second point, the main driver of investment performance is the asset mix and particularly the proportion of the fund allocated to equities. The Principles of Financial Management confirms the intention to follow the same investment policy regarding asset mix after the transfer as before.

The third point regarding the charges levied on the with profit fund and its policyholders is the area where the Scheme is likely to have most relevance for transferring policyholders.

Whilst the charges are set out in the policy documentation, the company has the right to increase these if this becomes necessary to meet the expenses of managing the fund and maintaining the policies. MGMI has been experiencing an expense overrun since its commencement in 2004, which is not unusual for a new life assurance company. With the closure to new business the prospects of eliminating this expense overrun have been significantly diminished and it seems likely that MGMI policyholders would face future increases in charges if the company were to remain stand alone.

The actuaries of both companies set out in their valuation reports assumptions regarding the long term costs of maintaining in force policies. These are considerably less in MGMA than in MGMI, reflecting in some part the greater economies of scale in the larger organisation. Furthermore, as a subfund of MGMA the business of MGMI will not incur the overheads associated with a separate stand alone company, which would be the case if the Scheme was not implemented.

Therefore, it can be seen that the transferring policies should be less vulnerable to the possibility of future increases in expense charges (or to their size, should increases still prove necessary) after the transfer to MGMA than they would have been if the Scheme was not implemented.

Accordingly, overall, I am satisfied that policyholder benefit expectations are not adversely affected for the MGMI with profit business transferring to MGMA.

3.3 Other considerations

3.3.1 Taxation of the fund

MGMI funds are currently not subject to domestic Irish taxes. Similarly after the transfer into MGMA's Overseas Life Assurance Business they will not be subject to UK domestic taxes.

There are some minor differences, some positive, some negative, in regard to certain withholding taxes on foreign investment income but overall these differences are negligible.

I am satisfied that the security of benefits and the benefit expectations of transferring MGMI policyholders are not adversely affected by fund taxation considerations.

3.3.2 Membership of the MGMA Society

MGMA is a mutual life assurance society. On the establishment of the MGMI subsidiary, the Memorandum and Articles of Association of MGMA were amended to confer membership of the Society on MGMI policyholders. Indeed the product documentation supplied to MGMI policyholders states it to be the case that they are members of the MGMA Society.

The membership status will not change after the transfer of the MGMI policies to MGMA.

4 Conclusions

I confirm that, in my opinion, the Scheme will not adversely affect the security of the MGMI policies which are transferring to MGMA.

I am also satisfied that the benefit expectations of these policyholders are not adversely affected by the Scheme.

Brian Woods, B.Sc., FIA, FSAI, November 2009