ASSURANT

Actuarial Function Supplementary Report for the assessment of the Part VII transfer

From London General Life Company Limited (LGL) & Assurant Life Limited (ALL) into Assurant Europe Life Insurance N.V.(AEL)

Effective Date: *02/11/2020*

Purpose: *to update the likely impact of the proposed Transfer of certain life insurance business from LGL and ALL into AEL*

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1. Introduction

This supplementary report has been produced by the actuarial function of Assurant to provide an update to the initial report issued on 15 June 2020[1] to the Boards of Assurant Life Limited (**ALL**) and London General Life Company Limited (**LGL**) with relation to the proposed Part VII Transfer of the non-UK insurance policies of ALL and LGL (the **Transferors**) to Assurant Europe Life Insurance N.V.(**AEL**) in the Netherlands (the **Scheme**[2]). Subject to obtaining regulatory and court approvals, the Scheme is intended to become effective on 2 November 2020 (the **Effective Date**).

Its objectives are to state any updates required to:

- Explain the procedures used to Transfer the portfolio.
- Perform actuarial analysis of the portfolio to highlight its key features.
- Set out the likely impact of the Scheme on Assurant's portfolio, reserving and solvency position, pre- and post-Transfer; and
- Comment on the effectiveness of the Scheme, and its likely impact on the business risk profile and on policyholders.

Assurant has nominated Philip Simpson, a Principal at Milliman, to produce a report on the terms of the Scheme in his capacity as Independent Expert pursuant to section 109(2) of the Financial Services and Markets Act 2000 (FSMA). Philip Simpson has produced his Independent Expert report on 19/06/2020 and will also produce a supplementary report.

The valuation of this proposed Transfer is performed with updated figures:

- as at 31 December 2019 as if the Transfer took place at YE 2019, referring at "as if YE2019"
- as at 30 June 2020 as if "Q22020", with updated figures referring at "as if Q22020"
- and projected roll forward capital positions to 30 September 2020.

This is to allow evaluation of the Transfer on the last known Year End and Mid-Year using the booked amounts and audited[3] financial statements, and to give the view of capital at the nearest quarter end before the Effective Date. The contents of this report should be considered together with the initial report. It has not repeated every fact of the initial report but only those with material or potential change.

As part of this transferring procedure and the actuarial function duties, I, William Diffey, Fellow of the Institute of Actuaries', as the Chief Actuary (SIMR20) of both ALL and LGL, am performing an analysis of the proposed Transfer under the Scheme with the aim of informing the Boards of ALL and LGL, and with the intention that this report will also be provided to the Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA) and the Court. As such, this report is written with Part VII of FSMA in mind.

This supplementary report has been written in accordance to the Technical Actuarial Standards (TAS). TAS 100 that applies to technical actuarial work, and also in accordance of the Actuarial Profession Standard APS X2 with regards to peer review.

2. Update in conclusions

2.1. Recent development

The following development occurred within the business since end June 2020:

[1] The report issued by the Actuarial Function on 15/06/2020 is referred to as first report or initial report throughout the present supplementary report.
[2] We also use the term "Transfer" to refer to the Part VII Transfer of AGIL and LGI to AEI; thus, sometimes the terms "Scheme" and "Transfer" are used interchangeably in this report.
[3] The audit on the YE2019 results was ongoing when the initial report was written. The YE2019 numbers in this supplementary report are consistent with the final audited numbers and there hasn't been any significant change from the YE2019 numbers in the initial report.

- AEL is fully operational and ready to receive the transferring business. It has not underwritten any business to date, and it is not planned for AEL to underwrite business prior to the Part VII transfer date and post Transfer.
- ALL and LGL continue to run-off existing portfolio as expected, no significant issue is identified

2.2. Conclusions

The conclusions in this supplementary report support the conclusions in the initial report, the financial strength of the companies involved in the Transfer is sound pre and post transfer. The detailed explanation behind these conclusions follows in the body of this report and more details are available in the initial report.

The financial strength of the companies involved in the Transfer measured in terms of ratio of Solvency II Own Funds (OF) to Capital Requirement (MCR), the MCR coverage ratio (MCR%), pre- and post-Transfer is presented in the table below.

	Initial report (as at 16/06/2020)						Supplementary report (as at 09/09/2020)					
	ALL	LGL	AEL	ALL	LGL	AEL	ALL	LGL	AEL	ALL	LGL	AEL
(£' m)	Pre-transfer (as IF **YE2019**)			Post-Transfer (as IF YE2019 + impact of Transfer)			Pre-transfer (as IF **YE2019**)			Post-Transfer (as IF YE2019 + impact of Transfer)		
Eligible Own Funds	7.6	5.2	4.6	7.6	5.2	4.6	7.6	5.2	4.3	7.6	5.2	6.3
Capital Requirement (aMCR)	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
aMCR%	239%	162%	146%	239%	162%	146%	239%	162%	136%	239%	162%	200%
	Pre-transfer (as IF **YE2019**) With impact of COVID-19			Post-Transfer (as IF YE2019 + impact of Transfer) With impact of COVID-19			Pre-transfer (as IF **YE2019**) With COVID-19 impact			Post-Transfer (as IF YE2019 + impact of Transfer) With COVID-19 impact		
Eligible Own Funds	7.3	4.6	4.6	7.3	4.6	4.6	7.3	4.6	4.3	7.3	4.6	6.3
Capital Requirement (aMCR)	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
aMCR%	229%	145%	146%	229%	145%	146%	229%	145%	136%	229%	145%	200%
	Pre-transfer (as IF Q22020) With impact of COVID-19			Post-Transfer (as IF Q22020 + impact of Transfer) With impact of COVID-19			Pre-transfer (as IF Q22020) With COVID-19 impact			Post-Transfer (as IF Q22020 + impact of Transfer) With COVID-19 impact		
Eligible Own Funds	N/A	N/A	N/A	N/A	N/A	N/A	7.4	4.7	4.6	7.4	4.7	6.6
Capital Requirement (aMCR)	N/A	N/A	N/A	N/A	N/A	N/A	3.2	3.2	3.3	3.2	3.2	3.3
aMCR%	N/A	N/A	N/A	N/A	N/A	N/A	234%	147%	138%	234%	147%	198%
	Pre-transfer (as at **Q32020**) With impact of COVID-19			Post-Transfer (as at Q32020 + impact of Transfer) With impact of COVID-19			Pre-transfer (as at **Q32020**) With COVID-19 impact			Post-Transfer (as at Q32020 + impact of Transfer) With COVID-19 impact		
Eligible Own Funds	7.2	4.8	4.8	7.2	4.8	4.8	7.3	4.8	4.8	7.3	4.8	6.8
Capital Requirement (aMCR)	3.3	3.3	3.3	3.3	3.3	3.3	3.2	3.2	3.3	3.2	3.2	3.3
aMCR%	220%	145%	146%	220%	145%	146%	228%	150%	147%	228%	150%	208%

Note that in the initial report the Transfer has been assessed at Year End 2019 (YE2019) on a "as-if" basis[4] and at the end of the third quarter of 2020 (Q32020)[5]. In the current supplementary report, we have provided updated numbers for the YE2019 and 3Q20 positions and the 2Q20 position has been provided in addition. AEL does not have any insurance business before the Transfer at YE2019.

There have been two changes impacting the financials since the issuance of the initial report:

- ***Increase in initial capital injection*** **–** in the initial report the initial capital injected to AEL was £4.65m(EUR 5.4m at YE2019) and has been increased to £6.3m in this supplementary report, split as £4.3m initial seed capital and £2m additional capital provided to make sure that the solvency ratio coverage of AEL remains very high, to give even greater comfort that AEL's solvency will remain above its MCR over its business planning period. As a result, the capital coverage ratio (MCR%) of AEL at YE2019 (without COVID-19) that was 146% in the initial report is now 200% in this supplementary report.
- ***Adjustment in FX rates*** **–** in the initial report the Solvency capital amounts (aMCR) and balance sheet amounts (Own Funds) were using the same FX rate from EIOPA at YE2019 and Q32020 to convert to and from Euro to GBP. That created some minor reconciliation differences as Assurant reporting entities use Assurant's assessment of FX in the balance sheet at the balance sheet date, not the EIOPA FX rates. To address this, we have now used EIOPA rates for Solvency capital amounts (aMCR) and Assurant's in-house assessment of FX for balance sheet items such as Own Funds. The differences between the 2 approaches are immaterial.

The updated financials indicated that ALL, LGL and AEL are all well capitalised, pre- and post-Transfer, as their solvency ratio (MCR%), where calculated, is much higher than 100% and are above their targets pre- and post-Transfer. On the YE2019 assessment basis, the solvency ratios are maintained as the capital requirement and the eligible own funds are projected to remain at the same strong level under the capital management policy for AEL. In addition, the solvency ratio of AEL is expected to stay above 140% for the 3 forthcoming years.

The Transferring policyholders of ALL and LGL to AEL and the remaining non-Transferring policyholders will benefit from strong financial capacity of the companies from which they have their policies. AEL will also benefit from a letter of support from TWGE effective at the date of transfer.

In my opinion as the Chief Actuary, considering the likely impact of the Scheme on those specified solvency positions as well as other considerations set out throughout this report, I confirm that I have considered the various issues affecting the policyholders.

I am satisfied that the implementation of the Scheme has no material adverse effects on:

- The security of the benefits and the reasonable expectations of policyholders for the transferred policies.
- The risk profile and the financial solidity of ALL, LGL and AEL Post-Transfer (ALL will have no policyholders once the Transfer is implemented); and
- The risk profile of the remaining policies within LGL which are reinsured at 100%.

AEL will have no policyholders prior to the Transfer taking effect and does not intend to write any new business in the future other than contractual renewals. It will run-off the policies that are proposed to be transferred to it under the Scheme. In particular, I believe that the Scheme will at least maintain the same level of quality of the insurance coverage and the service whether transferring or for any residual non-transferring policies if there is a delay in part of the scheme becoming effective. I am satisfied that the Scheme is equitable to all classes of ALL, LGL and AEL policyholders.

2.3. Opinion of the Chief Actuary

The opinion I expressed in the initial report has not changed. I have conducted a detailed assessment of the Transfer, its likely impact on the different policyholder groups of the companies involved.

[4] The actual Transfer will take place at 2 November 2020. However, we have performed an assessment of the Transfer on a "as-if" basis at YE2019 as this is the last date of public and audited financial results. The YE2019 assessment is referred to as the "as-if" Transfer in this report.
[5] We have done an assessment of the financial position of the Transfer at 30 September 2020 (Q32020), as this is the last quarter before the actual Transfer.

I have assessed the Transfer from an actuarial point of view but also with consideration to the other non-technical, non-actuarial aspects. My conclusion is that the risk of any policyholder group of ALL, LGL or AEL being adversely affected is immaterial.

Considering the recent development and the analysis set out in this supplementary report and in the initial report, my conclusions stay unchanged. I include an update of the narrative of my conclusions expressed in the initial report herein:

Assessment of pre- and post-Transfer financial positions

I conclude that the financials provided during this assessment are reliable. The solidity of ALL, LGL and AEL post-Transfer, thanks to the analysis undertaken with YE2019 figures, as if YE2019, as if Q22020 and as at Q32020.

I considered the risk posed by the COVID-19 on the world economy with the impacts on assets, increased mortality in some age groups, the disruption in some supply chains and additional volatility in the markets. There has been a significant hit to the UK and European economies, although investment markets have recovered somewhat at the time of writing. The impact on the Creditor book may be seen through higher claims – however, these have not been seen at the time of writing and this eventuality is well covered by the COVID-19 related stressed balance sheets in this report. The most material impact of COVID-19 has been on LGL and ALL's investment portfolios. However, these consist of highly rated (i.e. A or AA rated) and have not witnessed material downgrades or market movements in such a way as would invalidate the conclusions in this report, and the valuation of these portfolios have held up during the COVID-19 related economic downturn, and this can be seen by the robustness of LGL and ALL's own fund position at Q2 2020 and Q3 2020 as illustrated in the above table.

My report, which is based on year end 2019 data, June 2020 end data and a roll forward to 30 September 2020 takes actual market movements from January 2020 to June 2020 into account with a projection in the near future. This allows for uncertainties related to a potential second wave of COVID-19 and a double dip recession resulting from COVID-19. It is important to explicitly consider whether it remains appropriate and fair to continue with the proposed transfer in light of COVID-19, its forecasted impacts and the risks that it poses. It is my opinion, as a result of my assessment of the impact of COVID-19 and updated based on experience to September 2020, that the risk posed by this new disease on the Transfer is within the limits of manageable risk and it does not constitute an impediment to the Transfer.

Governments are anticipating a second round of the pandemic impact and that has been considered in this supplementary report. The previous assessment of the impact has been reviewed for this supplementary report and the risk is closely monitored by management -in particular the risk of this eventuality is covered by the COVID-19 related stress tests applied to the balance sheets in this report.

Consideration of Risk Management implications including reinsurance and other risk mitigation aspects

I have considered the broader risk management issues in relation to the underlying businesses and risk profiles of the Transferors and AEL, including an assessment of insurance risk, market risk, credit risk and operational risks. I am satisfied with the risk management framework, including governance and compliance which are of a high standard and will remain to be of same standard post-Transfer.

Effectiveness of the scheme and its impact on policyholders and risk profile

I believe policyholders are fairly treated in terms of the before and after positions of the scheme. These are covered in detail in section 12.3 to 12.8 of my initial report.

3. Significant events since 15 June 2020

3.1. Transferring business

No significant development took place at ALL and LGL, both companies continue to run-off as expected.

3.2. Non-Transferring business

No significant development took place at LGL impacting the non-transferring policies. All policies of ALL transfer and that has not changed. Both portfolios have continued to run off as expected since the initial report was issued.

3.3. Transferee

AEL

The company was authorised on 09 June 2020 as noted in the initial report. Since authorisation, AEL is fully operational and is ready to receive the transferring portfolio.

There are no other developments relevant to AEL.

4. Update in Financial Position pre- and post-Transfer

4.1. Changes in key assumptions in forecasting the financial position

In order to assess the financial position pre- and post-Transfer (excluding Assurant's cost of the transfer which are borne by the US parent company), forecasted balance sheets of the Transferors (ALL and LGL) and that of the transferee (AEL) have been constructed. The methodology to assess the financial position has not changed. As a reminder, here are the key assumptions used in constructing these balance sheets:

- Insurance contracts transferred at economic value (Solvency II basis), for no profit or loss. This essentially assumes that the portfolios have no commercial value. This is not an unreasonable assumption given that the portfolios are small and have no commercial franchise.
- ALL and LGL will Transfer EU business to AEL on 2 November 2020, AEL begins managing insurance business after the Transfer.
- Assets and Liabilities likely to be transferred, forecast using 2019 Year end balances as a proxy:
    - Financial investments
    - Debtors (including Reinsurance)
    - Cash and cash equivalents
    - Technical provisions
    - Creditors (including Reinsurance)

There have been two changes impacting the financials since the issuance of the initial report:

- ***Increase in initial capital injection*** **-** in the initial report the initial capital injected to AEL was £4.65m(EUR 5.4m at YE2019) and has been increased to £6.3m in this supplementary report, split as £4.3m initial seed capital and £2m additional capital provided to make sure that the solvency ratio coverage of AEL remains very high, to give additional comfort that AEL will remain solvent in the foreseeable future. As a result, the capital coverage ratio (MCR%) of AEL at YE2019 (without COVID-19) that was 146% in the initial report is now 200% in this supplementary report.

- ***Adjustment in FX rates*** **-** in the initial report the Solvency capital amounts (aMCR) and balance sheet amounts (Own Funds) were using the same FX rate from EIOPA at YE2019 and Q32020 to convert to and from Euro to GBP. That created some discrepancies as Assurant reporting entities use Assurant's view of FX in the balance sheet, not the EIOPA FX rates. To correct this, we have now used EIOPA rates for Solvency capital amounts (aMCR) and Assurant view of FX for balance sheet items such as Own Funds.

The regulatory framework for both the transferor and transferee legal entities is driven by the Solvency II standard formula. The COVID-19 impact has been reassessed regarding the recent development of the pandemic and the stresses applied in the initial report (5% uplift in the TPs and -5% (i.e. a fall) in the value of assets) have not changed.

4.2. Updated Financials

4.2.1. Year End 2019 basis (No COVID-19)

The "as if YE2019" financial position without considering COVID-19 impact has not changed for ALL and LGL because it is based on booked figures and there has not been any changes in the booked amounts. However, it has changed for AEL due to the increase in the initial capital injection.

Here is a reminder of the financial strength of transferors and transferee:

- **ALL** (unchanged from initial report)

	As if YE2019 without COVID impact		
ALL (£' m)	Pre-Transfer	Transfer Impact	Post-Transfer
Assets:			
Cash	2.46	(1.40)	1.06
Investments	4.70	-	4.70
Ceded technical provisions	0.07	(0.07)	-
Other assets	3.93	(0.02)	3.91
Total assets	**11.16**	**(1.48)**	**9.67**
Liabilities:			
Gross tech provisions (excl risk margin)	1.37	(1.37)	-
Risk margin	0.02	(0.02)	-
Other liabilities	2.15	(0.09)	2.06
Total liabilities	**3.54**	**(1.48)**	**2.06**
Excess of assets over liabilities	7.61	-	7.61
Adjustments	-	-	-
Eligible Own Funds	**7.61**	**-**	**7.61**
Capital Requirement (aMCR)	**3.19**		**3.19**
aMCR %	239%		239%

- **LGL** (unchanged from initial report)

LGL (£' m)	As if YE2019 without COVID impact		
	Pre-Transfer	Transfer Impact	Post-Transfer
Assets:			
Cash	0.18	-	0.18
Investments	8.80	(1.71)	7.09
Ceded technical provisions	0.01	-	0.01
Other assets	0.34	(0.15)	0.19
Total assets	**9.33**	**(1.87)**	**7.46**
Liabilities:			
Gross tech provisions (excl risk margin)	1.85	(1.84)	0.01
Risk margin	0.02	(0.02)	0.00
Other liabilities	2.29	0.00	2.29
Total liabilities	**4.17**	**(1.87)**	**2.30**
Excess of assets over liabilities	5.16	-	5.16
Adjustments	-	-	-
Eligible Own Funds	**5.16**	**0.00**	**5.16**
Capital Requirement (aMCR)	3.19		3.19
aMCR %	162%		162%

Note: for modelling purposes the UK premium TPs are included in the transfer impact.
This has no effect on the solvency position as these liabilities are 100% ceded to a reinsurer

- **AEL** (updated to reflect additional capital injection as discussed in this report)

AEL (£' m)		As if YE2019 without COVID impact		
	Pre-Transfer	Capital injection	Transfer Impact	Post-Transfer
Assets:				
Cash	-	2.00	1.40	3.40
Investments	4.30	-	1.71	6.02
Ceded technical provisions	-	-	0.07	0.07
Other assets	-	-	0.17	0.17
Total assets	**4.30**	**2.00**	**3.35**	**9.65**
Liabilities:	**-**	**-**	**-**	**-**
Gross tech provisions (excl risk margin)	-	-	3.21	3.21
Risk margin	-	-	0.05	0.05
Other liabilities	-	-	0.09	0.09
Total liabilities	**-**	**-**	**3.35**	**3.35**
Excess of assets over liabilities	4.30	2.00	-	6.30
Adjustments	-	-	-	-
Eligible Own Funds	**4.30**	**2.00**	**-**	**6.30**
Capital Requirement (aMCR)	3.16			3.16
aMCR %	136%			200%

- Initial cash injection of £4.6m (or Euros 5.4m) to AEL before the transfer. These are accounted for in the investment line on the balance sheet; it was £4.65m in the initial report and the update includes the impact (reduction) of costs of establishment of circa £400K. The initial investment remains the same as the original report, while the total investments in AEL has been reduced accordingly in the balance sheet to reflect payment of expenses.
- Additional cash injection of £2m (or Euros 2.3m) made into AEL to increase the solvency coverage of AEL. The £2m comes from a dividend paid by LGI[6] to TWGE to fund AEL.

[6] Note that LGI has declared and paid dividend to TWGE which then made capital contributions to AEL as the shareholder. The LGI dividend to TWGE is partly in specie (transfer of bonds) and partly in cash. The TWGE contribution to AEL is fully in cash and is recorded as share premium on already-issued shares.

- As a reminder AEL capital requirement is the absolute MCR (aMCR) rather than the SCR. This is because the SCR is significantly lower than the aMCR.
- The Own funds coverage of the aMCR stay above its target of 120% at 136% pre-Transfer and 200% post-Transfer.

In conclusion, the capitalisation of ALL, LGL and AEL, pre- and post-Transfer is strong, all ratios are above 100% and above their individual target buffers.

YE2019 No COVID-19 Impact								
ALL	Pre-Transfer	Post-Transfer	LGL	Pre-Transfer	Post-Transfer	AEL	Pre-Transfer	Post-Transfer
MCR %	239%	239%	MCR %	162%	162%	MCR %	136%	200%
Target %	150%	150%	Target %	145%	145%	Target %	120%	120%

4.2.2. Year End 2019 with COVID-19 impact

YE2019 With COVID-19 Impact								
ALL	Pre-Transfer	Post-Transfer	LGL	Pre-Transfer	Post-Transfer	AEL	Pre-Transfer	Post-Transfer
MCR %	229%	229%	MCR %	145%	145%	MCR %	136%	200%
Target %	150%	150%	Target %	145%	145%	Target %	120%	120%

Note that ALL and LGL take the COVID-19 hit before transferring the portfolio to AEL, hence why the MCR% of AEL does not change from the YE2019 no COVID-19 to YE2019 with COVID-19 positions.

4.2.3. Q22020 with COVID-19 impact

Q22020 With COVID-19 Impact								
ALL	Pre-Transfer	Post-Transfer	LGL	Pre-Transfer	Post-Transfer	AEL	Pre-Transfer	Post-Transfer
MCR %	234%	234%	MCR %	147%	147%	MCR %	138%	198%
Target %	150%	150%	Target %	145%	145%	Target %	120%	120%

The Q22020 with COVID_19 impact is the actual Q2 position stressed with COVID-19 assumptions. The solvency coverage of all companies involved in the Scheme remains high, AEL MCR% post-Transfer is 198%.

4.2.4. Roll forward to Q32020 with COVID-19 impact

Q32020 With COVID-19 Impact								
ALL	Pre-Transfer	Post-Transfer	LGL	Pre-Transfer	Post-Transfer	AEL	Pre-Transfer	Post-Transfer
MCR %	228%	228%	MCR %	150%	150%	MCR %	147%	208%
Target %	150%	150%	Target %	145%	145%	Target %	120%	120%

The Q32020 roll forward is based on our combined view of the run-off and COVID-19 impact at Q32020, allowing for a potential second wave of the disease and a probable double dip in UK and Europe economies that will follow a second wave of COVID-19. The MCR% of AEL forecasted at Q32020 post transfer is 208%, well above the target of 120%. All the companies involved in the Transfer are well capitalised pre- and post-Transfer.

5. Summary of business

Assurant Life Limited (ALL)

There have been no changes to ALL authorisations and passporting status, or entity plan for ALL since the Chief Actuary report on the transfer was issued. The following table gives the number of policies remaining in-force at the end of Q2 2020 and is an update of the corresponding table presented at Q4 2019. No UK policies are in force and all of the policies remaining in force are EU policies, hence all policies are moving to AEL.

Assurant Life Limited Country	Number of in-force policies as at Q2 2020
Italy	4,237
Germany	220
Ireland	69
Spain	0
TOTAL	**4,526**

For reference, the YE 2019 position is provided below. Comparing the tables shows that approximately 20% of policies have expired during the first half of 2020.

Assurant Life Limited Country	Number of in-force policies as at YE 2019
Italy	4,782
Germany	745
Ireland	100
Spain	2
TOTAL	**5,629**

London General Life Insurance Company Limited (LGL)

There have been no changes to LGL authorisations and passporting status, or entity plan for LGL since the Chief Actuary report on the transfer was issued. The following table gives the number of EU policies remaining in-force at the end of Q2 2020. These policies will move to AEL.

LGL's business continues to contain a small group of approximately 85 live UK policies. These will not transfer to AEL. These policies are mostly disability income (with some critical illness policies) and are described in detail in the Chief Actuary report on the transfer, and that narrative is not repeated here.

London General Life Country	Number of in-force policies as at Q2 2020
Belgium	4,416
Netherlands	3,828
Ireland	12
TOTAL	**8,256**

For reference, the YE 2019 position is provided below. Comparing the tables shows that approximately 20% of policies have expired during the first half of 2020. This reflects the runoff status of the book, i.e. some policies are expiring, and no new policies are being sold.

It is also notable that the updated table shows that there are 12 policies in Ireland. In the main report, the 22 live Irish policies at the time were excluded because we believed that all Irish policies would expire prior to the Transfer. During the first half of 2020, further analysis has shown that we expect 8 policies to be live at the time of Transfer, and these will make up part of the business to be transferred.

London General Life Country	Number of in-force policies as at YE 2019
Belgium	5783
Netherlands	4810
TOTAL	**10,593**

Some of the policies issued by LGL were issued alongside or on the same T&Cs as LGI (~35% of LGL live policies at Q2 2020 (reduced from 36% at YE 2019) hence there may be some dependencies between separate non-life and life transfers. Both transfers are planned to be completed concomitantly.

Assurant Europe Life Insurance NV ("AEL")

The total number of transferred policies would be **12,782** (4,526 ALL plus 8,256 LGL) if the Transfer had occurred at Q2 2020.

I have no reason to believe that the Solvency II Technical Provisions lie outside a range of reasonable best estimates.

6. Liabilities to be transferred

The liabilities valued as at YE2019 and Q22020 are presented in the tables below. The YE2019 position has not changed from the initial report, the Q22020 position is new information.

	As if YE 2019, Without COVID-19						With COVID-19
	GROSS of RI				NET of RI		GROSS YE2019
	Split by country						
In £' 000s	UK	EU	Total Pre-Transfer	Post-Transfer	Total Pre-Transfer	Post-Transfer	As if YE 2019 Post-Transfer
ALL TPs BEST ESTIMATE excl RM							
Claims Reserves	-	523.0	523.0	-	495.5	-	-
Premiums Reserves	-	848.4	848.4	-	809.4	-	-
LGL TPs BEST ESTIMATE excl RM							
Claims Reserves	8.5	717.8	726.3	8.5	717.8	-	8.9
Premiums Reserves	85.5	1,038.4	1,123.9	85.5	1,123.9	-	87.6
AEL TPs BEST ESTIMATE excl RM							
Claims Reserves	-	-	-	1,240.8	-	1,213.3	1,302.9
Premiums Reserves	-	-	-	1,867.7	-	1,828.7	1,966.3

	As if Q22020, Without COVID-19						With COVID-19
	GROSS of RI				NET of RI		GROSS Q22020
	Split by country		Total Pre-Transfer	Post-Transfer	Total Pre-Transfer	Post-Transfer	As if YE 2019 Post-Transfer
In £' 000s	UK	EU					
ALL TPs							
BEST ESTIMATE excl RM							
Claims Reserves	-	500.8	500.8	-	480.6	-	-
Premiums Reserves	-	571.1	571.1	-	545.8	-	-
LGL TPs							
BEST ESTIMATE excl RM							
Claims Reserves	9.1	906.2	915.3	9.1	906.2	-	9.5
Premiums Reserves	102.5	771.8	874.3	102.5	874.3	-	104.6
AEL TPs							
BEST ESTIMATE excl RM							
Claims Reserves	-	-	-	1,407.0	-	1,386.8	1,477.4
Premiums Reserves	-	-	-	1,342.4	-	1,317.6	1,415.2

7. Reinsurance

There are no changes to the reinsurance arrangements.

Reinsurance with Individual Clients

All client specific reinsurance arrangements are currently under review in a process to novate and transfer the reinsurance arrangement to AEL. The novation process is going according to plan. Notifications have been sent to each individual reinsurer and initial feedback is positive. There is no single objection to date. The process of novation is completed for LGL and ALL.

8. Assets to be transferred

No change from the initial report. The assets management approach remains the same and the assets to be transferred will be selected so that the assets and liability management followed by ALL and LGL continues within AEL.

9. Determination of capital

9.1. Capital position

<u>YE 2019</u>

For the “as-if” Transfer YE 2019 with the impact of COVID-19, the capital position is as follows:

£' m	Pre-Transfer (as if YE2019)			Post-Transfer (as at YE2019 + Transfer impact)		
with COVID Impact	ALL	LGL	AEL	ALL	LGL	AEL
Eligible Own Funds	7.31	4.63	4.30	7.31	4.63	6.30
Regulatory aMCR	3.19	3.19	3.16	3.19	3.19	3.16
aMCR%	229%	145%	136%	229%	145%	200%
Risk Appetite buffer target	150%	145%	120%	150%	145%	120%
Surplus (over the target buffer)	2.53	0.01	0.51	2.53	0.01	2.51

It can be seen from the table above that all legal entities involved in the Transfer are well capitalised and remain strongly capitalised after the Transfer. Note that the post-Transfer eligible Own Funds of AEL was £4.65m in the initial report and is now £6.30m, pushing the post-Transfer aMCR% to 200%.

<u>Q22020</u>

For the “as-if” Transfer Q22020 with the impact of COVID-19, the capital position is as follows:

£' m	Pre-Transfer (as if Q22020)			Post-Transfer (as at Q22020 + Transfer impact)		
with COVID Impact	ALL	LGL	AEL	ALL	LGL	AEL
Eligible Own Funds	7.45	4.69	4.59	7.45	4.69	6.59
Regulatory aMCR	3.19	3.19	3.32	3.19	3.19	3.32
aMCR%	234%	147%	138%	234%	147%	198%
Risk Appetite buffer target	150%	145%	120%	150%	145%	120%
Surplus (over the target buffer)	2.67	0.07	0.60	2.67	0.07	2.60

At 2Q2020 the companies involved in the Transfer are all well capitalised. In particular, the aMCR% of AEL post-transfer is 198%.

<u>Roll forward to Q32020</u>

At Q32020, the Capital Requirement (aMCR), risk appetite buffer and economic view of capital are as follows:

£' m	Pre-transfer (as at Q32020)			Post-Transfer (as at Q32020 + impact of Transfer)		
with COVID Impact	ALL	LGL	AEL	ALL	LGL	AEL
Eligible Own Funds	7.28	4.79	4.83	7.28	4.79	6.83
Regulatory aMCR	3.19	3.19	3.29	3.19	3.19	3.29
aMCR%	228%	150%	147%	228%	150%	208%
Risk Appetite buffer target	150%	145%	120%	150%	145%	120%
Surplus (over the target buffer)	2.50	0.17	0.89	2.50	0.17	2.89

Each entity is well capitalised and remains strongly capitalised after the Transfer. Own Funds are not proposed to move with the Transfer and remain in ALL and LGL, which retain their strong capitalisation pre- and post-Transfer.

The capital injection in AEL of £6.3m before the Transfer pushes AEL solvency ratio to 208%, well above the target Capital Requirement coverage of 120% post-Transfer.

10. Exchange rate impact

There is no specific change to note from the initial report other than the minor FX (foreign exchange) adjustment noted in section 4.1 of this report.

11. Tax impact

The comments made on policyholder and corporate tax in the initial report remain valid at the time of writing.

12. Likely effect of the Scheme on Policyholders and Risk Profile

12.1. Likely impact of the Transfer on risk profile

The comments made in the initial report in respect of risk profile remain valid. It is worth noting that the £2m additional capital provided to AEL can be expected to increase the market risk associated with AEL within its SCR. However, this depends on how the additional capital injection is invested by AEL and certainly does not adversely affect the risk profile of AEL relative to the initial report. In essence, the additional uplift to own funds provided by the additional £2m capital is of far greater benefit to AEL than any increase in the SCR resulting from the injection (especially given that the SCR will remain well below the aMCR).

12.2. Financial security and risk profile of policyholders

There is no material change from the initial report as the solvency position of the legal entities remains strong after the transfer as discussed in section 2, with the capital position of AEL enhanced by the additional £2m capital injection relative to the initial report.

12.3. Policy terms and conditions

There is no material change in policy terms and conditions since the initial report. In particular, the COVID-19 pandemic has not led to material changes in policy T&Cs which would affect the transfer.

12.4. Policy and claims administration

There is no material change in policy terms and conditions since the initial report. In particular, the COVID-19 pandemic has not led to material changes in policy and claims administration which would affect the transfer. All the legal entities have successfully placed policy and claim handlers in a work from home environment with a phased return to office planned over the next few months. The transfer is not expected to lead to change in policy and claims processing.

12.5. Communication strategy

Communication packs have been sent to the existing transferring and non-transferring policyholders and as a result no objection is received so far for the transfer of business from ALL/LGL to AEL at the time of writing this report. There are some queries from policyholders regarding the mailing packs provided and no objections.

12.6. Benefits expectation

There is no change to report from the initial report. In particular, the COVID-19 pandemic has not led to a change in the financial compensation schemes available. Nor have continuing negotiations between the UK and EU regarding the UK's future relationship with the EU led to any specific change in the outlook for the future of passporting in financial services/freedom of services.

12.7. Treating customers fairly

There is no change to report from the initial report in respect of Treating Customers Fairly. In particular, it should be noted that all the Board of LGL and ALL are of the view that the products offered by Assurant continue to provide value for money in the light of the COVID-19 pandemic and that the relative value of the product is not affected by the transfer. Creditor insurance providing life, sickness and critical illness covers typically experiences higher claims during a pandemic providing a source of value to consumers. I continue to believe that the Transfer will have no significant impact on the treatment of Transferring and non-Transferring policyholders.

12.8. Consumer protection schemes

As noted in section 12.6, there have been no specific material changes to these to note in this report.

13. Business strategy

There is no change to note since the initial report. The Life business continues to remain in run off.

14. New Governance Framework

There has been no change to the governance structures described in the initial report since that report was written. It should be noted that the governance structures described in that report for AEI and AEL are fully operational following the authorisation of these legal entities in June 2020.

15. Compliance

There is no specific change to note from the initial report in respect of the compliance function and its capabilities.

16. Other considerations

16.1. B2B contracts

The B2B contracts novation process is well underway, and no objection has been registered so far at the time of writing this supplementary report.

16.2. Group Services support Post Brexit

There is no specific change to note from the initial report in respect of the provision of group services other than that as a response to COVID-19 these services are typically provided by staff in a working from home environment. This is the case for ALL, LGL and AEL, and this is not affected by the transfer. These staff are likely to undergo a staged return to work process from early 2021 onwards.

17. Limitations

The limitations applying to the initial report also apply to this report, with the addition of reliance upon unpublished and unaudited financial information at Q2 2020 to support the tables presented using 30 June 2020 information. This limitation does not, in my view, materially affect the conclusions drawn in this report.

18. Conclusion

In my opinion as the Chief Actuary, taking into account the likely impact of the Scheme on the solvency position of ALL and LGL pre and post-Transfer, and the solvency position of AEL post-Transfer set out in sections 4 to 9 as well as other considerations set out throughout this report, and in the original Chief Actuary report on the transfer, I re-confirm that I have considered the various issues affecting the policyholders.

I am satisfied that the implementation of the Scheme has no material adverse effects on:

- The security of the benefits and the reasonable expectations of policyholders for the transferred policies.
- The risk profile and the financial solidity of ALL, LGL and AEL Post-Transfer (ALL will have no policyholders once the Transfer is implemented).
- The risk profile of the remaining policies within LGL after the transfer which are reinsured at 100% to a third party.

AEL will have no policyholders prior to the Transfer taking effect and does not intend to write any new business in the future. It will run-off the policies that are proposed to be transferred to it under the Scheme. In particular, I believe that the Scheme will at least maintain the same level of quality of the insurance coverage and the service whether transferring or for any residual non-transferring policies if there is a delay in part of the scheme becoming effective. In particular, I believe that the Scheme will at least maintain the security of benefits of all ALL and LGL policyholders, whether transferring or non-transferring (LGL) and ensure that they continue to be treated fairly.

19. Glossary

- AEI: Assurant Europe Insurance N.V., the proposed non-life transferee established in Netherlands, part of the Assurant Inc. group
- AGIL: Assurant General Insurance Limited, one of the non-life transferors' companies within the group (Assurant Inc.)
- LGI: London General Insurance Limited, one of the non-life transferors' companies within the group (Assurant Inc.)
- AEL: Assurant Europe Life Insurance N.V., the proposed life transferee established in Netherlands, part of the Assurant Inc. group
- ALL: Assurant Life Limited, one of the life transferors' companies within the group (Assurant Inc.)
- LGL: London General Life Company Limited, one of the life transferors' companies within the group (Assurant Inc.)
- TWGE: TWG Europe Limited, the immediate parent company of LGL, LGI, AEI and AEL.
- TAS: Technical Actuarial Standards are UK norms to promote high quality actuarial practice and the integrity, competence and transparency of the actuarial profession, to the benefit of all those who rely on actuarial advice.
- FRC: Financial Reporting Council is responsible to set and maintain the TAS, and oversight the regulation of actuaries by the Faculty of Actuaries (IFoA)
- FCA: The Financial Conduct Authority is the conduct regulator for nearly 60,000 financial services firms and financial markets in the UK and the prudential supervisor for 49,000 firms, setting specific standards for 19,000 firms.
- PRA: The Prudential Regulation Authority is the prudential regulator in UK of around 1,500 banks, building societies, credit unions, insurers and major investment firms. As a prudential regulator, it has a general objective to promote the safety and soundness of the firms it regulates.
- FSCS: Set-up by parliament and funded by the financial services industry in UK, FSCS is a completely independent and free service which protects customers funds when financial firms fail.
- DNB: De Nederlandsche Bank is the independent central bank, supervisory authority and resolution authority of Netherlands committed to a stable financial system: stable prices, solid financial institutions and properly functioning payment transfers.
- Solvency II: It is the regulatory framework applied to all EU insurance and reinsurance companies with gross premium income exceeding €5 million or gross technical provisions in excess of €25 million. It became operative from 1 January 2016.
  The key objectives of Solvency II are to increase the level of harmonisation of solvency regulation across Europe, to protect policyholders, to introduce Europe-wide capital requirements that are more sensitive (than the previous minimum Solvency I requirements) to the levels of risk being undertaken, and to provide appropriate incentives for good risk management.
- MCR: Minimum Capital Requirement is the capital requirement instituted by Solvency II. The MCR has a floor of 25% and a cap of 45% of the SCR, and there is an absolute minimum capital requirement (aMCR) of €3.7m for life insurance companies (this floor is different for reinsurers and non-life insurers). The MCR is the ultimate point of supervisory intervention, below which the company would lose its authorisation.
- TP: Technical Provisions represent the amount that an insurer requires to fulfil its insurance obligations and settle all expected commitments to policyholders and other beneficiaries arising over the lifetime of the insurer's portfolio of insurance contracts.