Scheme for the transfer to Assurant Europe Life Insurance N.V. of certain long term insurance business of each of Assurant Life Limited and London General Life Company Limited (the "Scheme")

SUMMARY OF THE SCHEME

This document summarises the key terms of the Scheme.

Unless otherwise defined, capitalised terms referred to in this document have the meaning given to them in the Scheme.

1. Transfer of business

On the Effective Date, subject to the approval of the Court, each of Assurant Life Limited ("**ALL**") and London General Life Insurance Company Limited ("**LGL**") will transfer all of the ALL Transferred Policies and LGL Transferred Policies to Assurant Europe Life Insurance N.V. ("**AEL**").

This means that AEL will then be the insurer and responsible for the ALL Transferred Policies and the LGL Transferred Policies instead of ALL and LGL (as applicable).

2. Rights and obligations under the Transferred Policies and Contracts

On the Effective Date, AEL will acquire all the rights, benefits and powers of ALL and LGL in relation to the ALL Transferred Policies and the LGL Transferred Policies. To the extent described in the Scheme, the holders of the ALL Transferred Policies and the LGL Transferred Policies will be entitled to the same rights, benefits and obligations with AEL as they had with ALL and/or LGL (as applicable) before the Scheme took effect.

The ALL Transferred Contracts and the LGL Transferred Contracts will also transfer, as specified in the Scheme, so that they will be between AEL and the relevant third party to those contracts.

Each of the ALL Transferred Policies and the LGL Transferred Policies will have effect on and from the Effective Date as if the policy contract had been made with AEL instead of ALL or LGL (as applicable).

3. Residual Policies

It is possible that some of the policies that would otherwise be included in the Scheme will not transfer on the Effective Date. This includes policies:

(a) for which the Prudential Regulation Authority has not provided a certificate that is required prior to Court approval of the Scheme;

(b) which are not capable of being transferred pursuant to the relevant legislation; or

(c) which are LGL EEA Creditor Policies, where the Assurant General Scheme (see paragraph 5) has not been sanctioned by the Court and become effective in accordance with its terms.

These policies are referred to as "Residual Policies" in the Scheme.

Any Residual Policies will subsequently transfer to AEL if it becomes possible to transfer them at a later date (or, in the case of the LGL EEA Creditor Policies if the Assurant General Scheme is sanctioned by the Court and becomes effective). If this happens they will be dealt with in the same way as if they had been transferred to AEL on the Effective Date.

Until a Residual Policy subsequently transfers to AEL, it will remain with ALL or LGL (as applicable).

4. Continuity of legal proceedings

The Scheme allows, to the extent described in the Scheme, for any legal proceedings or applications to any authority that are pending by or against ALL or LGL in respect of the transferred insurance business, policies, assets and liabilities to be continued by or against AEL.

If there are any legal proceedings or applications to any authority pending by or against ALL or LGL in relation to Residual Policies, such proceedings or applications will be continued by or against AEL, if and until the Residual Policies transfer to AEL.

5. Creditor Policies

LGL has written certain policies under which LGL has provided long term insurance cover in relation to life, annuity and permanent health risks and London General Insurance Company Limited ("**LGI**") (another insurance company in the Assurant group of companies) has provided general insurance cover in relation to accidental death, disability and sickness and unemployment risks. These are referred to as the "LGL EEA Creditor Policies" in the Scheme.

LGI is also transferring its EEA business to another Dutch insurer, Assurant Europe Insurance N.V. ("**AEI**"), under a separate insurance business transfer scheme pursuant to the Financial Services and Markets Act 2000 (the "**Assurant General Scheme**"). The Assurant General Scheme is being carried out in parallel with the Scheme, meaning that:

(a) the life insurance component of the LGL EEA Creditor Policies will be transferred under the Scheme; and

(b) the general insurance component of the LGI EEA Creditor Policies will be transferred under the Assurant General Scheme.

If the Assurant General Scheme has not been sanctioned by the Court and become effective by the Effective Date of the Scheme, then the LGL EEA Creditor Policies will be treated as Residual Policies until such time as the Assurant General Scheme is approved.

6. Premiums and mandates and other payments

On the Effective Date, all premiums attributable to the ALL Transferred Policies and the LGL Transferred Policies will be payable by ALL and LGL to AEL and receivable and received by AEL.

In the case of the Residual Policies premiums will be payable by ALL and LGL to AEL following the date on which the relevant Residual Policy is transferred under the Scheme.

Any mandates or other instructions in respect of the ALL Transferred Policies and the LGL Transferred Policies will, on the Effective Date, take effect as if made to AEL. In the case of the Residual Policies, this will happen when those policies are transferred under the Scheme.

7. Effective Date

It is intended that the Scheme will become effective in accordance with the order of the Court at 22:59 GMT (23:59 CET) on 2 November 2020 or on such other time and date as the parties may agree. Unless the Scheme becomes operative in its entirety on or before 22:59 GMT (23:59 CET) on 31 March 2021 or such later date and/or time, as the Court may allow, the Scheme will lapse.

8. Data Protection

Under the Scheme, AEL will take over the rights, liabilities and obligations of each of ALL and LGL in respect of personal data which:

(a) relates to the Transferred Business;

(b) is controlled by ALL and LGL; and

(c) is subject to the relevant data protection legislation.

This means that, from the Effective Date, AEL will become the data controller of such information and will be under the same duty to respect the confidentiality and privacy of such information as each of ALL and LGL were when they were a data controller.

As the new data controller, AEL will use any personal data in the same way as each of ALL and LGL did.

The Scheme means that any data protection consent given by a person to either ALL or LGL will be binding on AEL in the same way.

9. Costs and expenses

Any of the costs in connection with the preparation and implementation of the Scheme will be met in a manner determined by ALL, LGL and AEL, but (for the avoidance of doubt) no costs will be borne by any policyholder of ALL, LGL or AEL.

10. Governing law

The Scheme is governed by and construed in accordance with English law.

MILLIMAN CLIENT REPORT

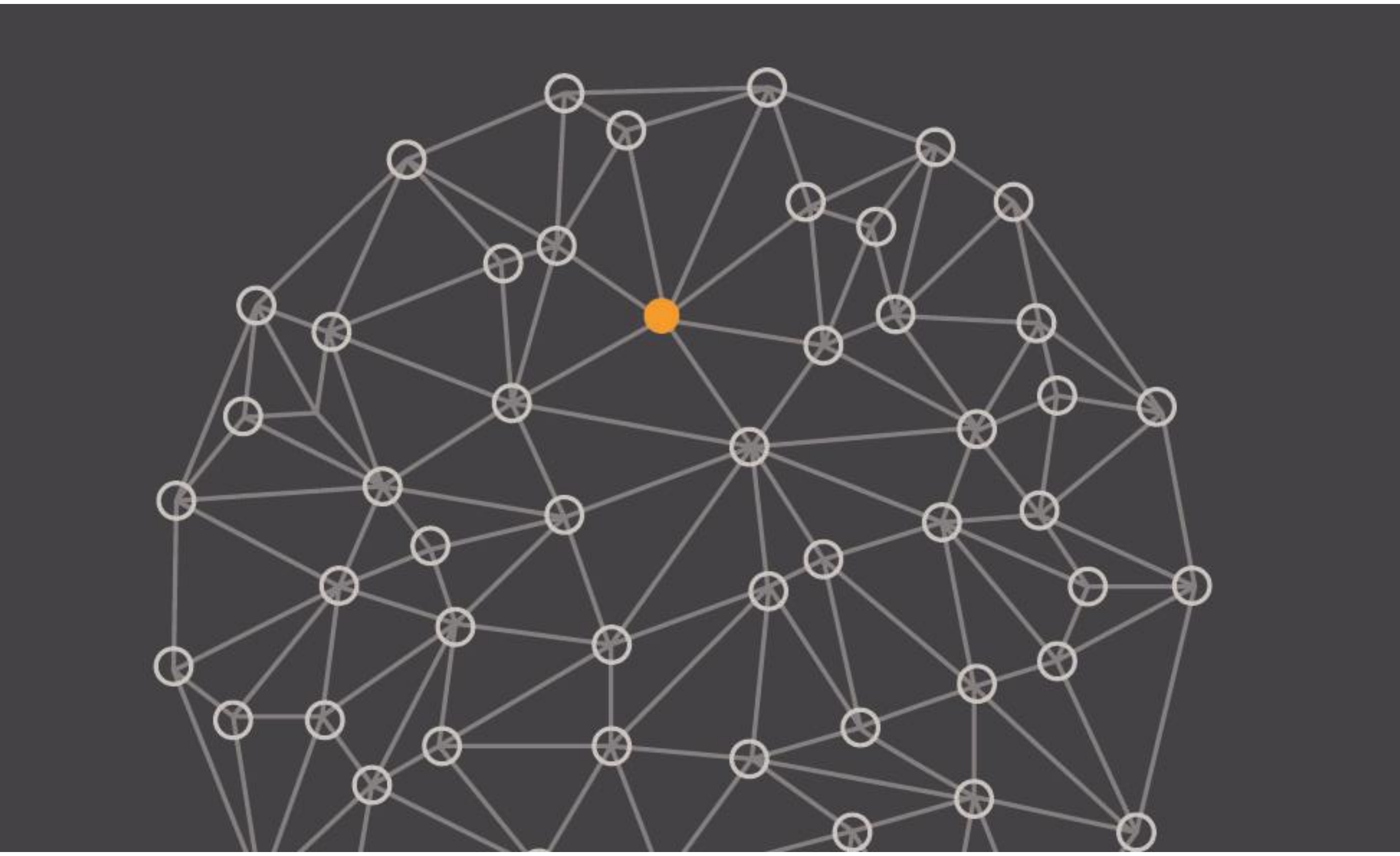
Assurant, Inc.

Summary Report of the Independent Expert on the proposed transfer of life insurance business from Assurant Life Limited and London General Life Company Limited to Assurant Europe Life Insurance N.V.

Final Version

19 June 2020

Philip Simpson, FIA



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1. INTRODUCTION

1.1 It is proposed that particular blocks of long term insurance business of Assurant Life Limited (“ALL”) and of London General Life Company Limited (“LGL”) be transferred to Assurant Europe Life Insurance N.V. (“AEL”) by an insurance business transfer scheme ("the Scheme"), as defined in Section 105 of the Financial Services and Markets Act 2000 ("FSMA").

1.2 It is a requirement of the FSMA that an application to the High Court of Justice in England and Wales ("the Court") for an insurance business transfer scheme must be accompanied by a report on the terms of the transfer ("the Independent Expert’s Report") by an independent and suitably skilled person ("the Independent Expert").

1.3 I, Philip Simpson, have been appointed as the Independent Expert to provide the required Independent Expert’s Report.

1.4 This document (the “Summary Report”) sets out a summary of the Scheme together with a summary of my assessment of how the proposed transfer is likely to affect various groups of policyholders. My full assessment of the Scheme is set out in the Independent Expert’s Report (which I refer to as the “Main Report”), which is available on the ALL and LGL websites (www.assurant.co.uk and www.thewarrantygroup.eu).

1.5 ALL is a proprietary company domiciled in the UK, whose shares are wholly owned by Assurant Group Limited (“AGL”) and whose principal activity is life insurance underwriting in particular for creditor insurance programmes offering disability, death and critical illness cover for terms of up to 10 years.

1.6 ALL and its parent, AGL, are indirect subsidiaries of Assurant, Inc. (“Assurant”), and the direct and indirect subsidiaries of Assurant are referred to collectively as “the Assurant Group”. Within the Assurant Group, ALL and AGL are members of a group of indirect subsidiaries of Assurant known as Assurant Europe Group (“AEG”).

1.7 As at 31 December 2019 ALL had two product lines with in-force policies; mortgage protection insurance and creditor insurance. These products were sold through seven intermediary clients, which include banks, credit unions and finance brokers, and there were c. 5,600 policies in-force as at 31 December 2019. All of ALL’s in-force business was written on a freedom of establishment or freedom of services basis in Germany, Ireland, Italy and Spain.

1.8 The products written by ALL are no longer core to AEG’s strategy and are no longer actively sold by ALL. Accordingly, ALL is now only servicing the existing policies until their expiry. All policies are due to expire by 2025.

1.9 LGL is a proprietary company in the UK, whose shares are wholly owned by The Warranty Group Europe Limited (“TWGE”) and whose principal activity is life insurance underwriting in particular for creditor protection life insurance and permanent health insurance business covering unemployment, accident and death.

1.10 Similarly to ALL and AGL, LGL and TWGE are indirect subsidiaries of Assurant and are members of AEG.

1.11 As at 31 December 2019 LGL had c. 10,700 in-force policies which were sold through seven intermediary clients. Aside from approximately 85 policies written by LGL in the UK, all of LGL’s in-force business was written on a freedom of establishment or freedom of services basis in Belgium, Ireland and the Netherlands.

1.12 LGL now only services the run-off of existing contracts and the renewal of existing business, with no new business sought.

1.13 AEL is a proprietary company authorised in the Netherlands, whose shares are wholly owned by TWGE. AEL has been established purely to service the existing business of ALL and LGL that was written on a freedom of establishment or freedom of services basis. AEL will not contain any business prior to the date on which the Scheme becomes effective (the “Effective Date”). Following the Effective Date, AEL will only service the run-off of existing contracts and the renewal of existing business, and will not actively sell new business.

2. THE PROPOSED SCHEME

2.1 Following the UK's departure from the European Union ("EU") in January 2020 (commonly referred to as "Brexit"), there is considerable uncertainty as to whether UK insurance companies will continue to be able to use the current passporting regime ("EEA Passport Rights") to write and service business into the rest of the European Economic Area ("EEA") via the EU's freedom of establishment or freedom of service rules.

2.2 The proposed Scheme, if implemented, will transfer all insurance business written by ALL and LGL under EEA Passport Rights (the "ALL Transferred Business" and the "LGL Transferred Business", or collectively the "Transferred Business") to AEL, which is permitted to service business written in EEA member states under EEA Passport Rights. The two exceptions to this are the Residual Policies, described in paragraph 2.5 below, and 22 Irish policies within LGL, which are expected to be fully run-off before the Effective Date.

2.3 Therefore, the proposed Scheme will enable the Assurant Group to continue to service the business of ALL and LGL written under EEA Passport Rights regardless of the outcome of the Brexit negotiations.

2.4 The Transferred Business consists of c. 16,200 policies. The total policyholder liabilities proposed to be transferred amounted to c. £3.4m as at 31 December 2019. ALL and LGL would transfer all assets attributable to the Transferred Business to AEL.

2.5 The Residual Policies are those policies within the Transferred Policies that cannot be transferred to AEL on the Effective Date and would therefore remain with ALL or LGL as appropriate, but with the intention that each Residual Policy would be transferred to AEL promptly when possible. It is not intended that there will be any Residual Policies, and in particular the 85 policies written by LGL in the UK are not Residual Policies.

2.6 The Scheme is expected to be presented to the Court for a Directions Hearing on 30 June 2020 and for a Sanction Hearing on 20 October 2020, with a planned Effective Date of 2 November 2020.

2.7 If approved by the Court, the Scheme will become operative on the Effective Date, at which point the Transferred Business will legally transfer from ALL and LGL to AEL.

2.8 There is a similar proposed Scheme to transfer the non-UK short term business based in the EU from two UK non-life insurance subsidiaries of the Assurant Group, Assurant General Insurance Limited ("AGIL") and London General Insurance Company Limited ("LGI"), to a newly established insurance subsidiary in the Netherlands, Assurant Europe Insurance N.V. ("AEI"). This proposed Scheme is the subject of a separate Part VII transfer which is being run in parallel to the proposed Scheme, is due to be presented to the Court on the same dates as the Scheme and is intended to take effect at the same time as the Scheme. This is referred to as the Assurant Non-Life Scheme.

2.9 The creditor insurance policies insured by LGL include policies which were written jointly with LGI, which provide complementary non-life insurance cover. These are referred to in the Scheme as LGL EEA Creditor Policies.

2.10 Subject to the sanction by the Court of the Assurant Non-Life Scheme, LGI's rights and obligations under each of the LGL EEA Creditor Policies will be transferred to AEI. The transfer of LGL's rights and obligations under each of the LGL EEA Creditor Policies to AEL under this Scheme is subject to the Court sanctioning the Assurant Non-Life Scheme.

2.11 Until such time as the Assurant Non-Life Scheme becomes effective, the LGL EEA Creditor Policies will be Residual Policies of LGL for the purposes of the Scheme.

2.12 In this Summary Report, unless otherwise specified, any references to the LGL Transferred Business assumes that this will include the LGL EEA Creditor Business.

2.13 ALL has three reinsurance treaties in place with external reinsurers which cover a small portion of the ALL Transferred Business. LGL has one reinsurance treaty in place with an external reinsurer which relates to UK business which is not transferring to AEL.

2.14 If the proposed Scheme is implemented, the three reinsurance treaties that ALL has in place will be transferred to AEL, and there will be no change to the reinsurance treaty that LGL has in place.

3. MY CONSIDERATIONS WITH RESPECT TO THE PROPOSED SCHEME

3.1 The key points to consider in respect of each group of policyholders affected by the proposed Scheme are the likely changes (if any) to the following as a result of the implementation of the proposed Scheme:

- **The security of benefits under the policies**: this is derived from the financial strength supporting each group of policies under the appropriate risk appetite statement, capital management policy, reinsurance arrangements and any support available from the parent company by virtue of being part of a group.
- **The profile of risks to which the policies are exposed**.
- **The regulatory regime that will apply to the policies**.
- **The reasonable expectations of policyholders in respect of their benefits**: this includes the likely effects of the transfer on the policy servicing standards and governance applied to each group of policies.

3.2 In this Summary Report I consider the effects of the proposed Scheme on the Transferred Policies in section 4 and the Remaining Policies in section 5. My full analysis of the effects of the proposed Scheme on Transferred Policies and Remaining Policies is provided in the Main Report.

4. THE IMPACT OF THE PROPOSED SCHEME ON THE TRANSFERRED POLICYHOLDERS

THE EFFECT OF THE SCHEME ON THE SECURITY OF TRANSFERRED POLICY BENEFITS

ALL Transferred Policyholders

4.1 Currently, the ALL Transferred Policyholders derive their benefit security from being policyholders of ALL, and the associated financial strength under the applicable risk appetite statement and capital management policy, the reinsurance arrangements that are in place and any support provided to ALL from its parent, AGL. In addition, in the extreme scenario of ALL becoming unable to pay policyholder benefits, the ALL Transferred Policies are currently protected under the Financial Services Compensation Scheme ("FSCS").

4.2 The implementation of the proposed Scheme would mean that ALL would cease to have a defined contractual obligation to the ALL Transferred Policyholders and that these obligations would be transferred to AEL. If the Scheme is implemented I am satisfied that:

- There will be no material adverse effect on the security of benefits under the ALL Transferred Policies from being subject to the Assurant Europe Capital Management Policy rather than the AGL Capital Management Policy; and
- There will be no material adverse effect on the security of benefits under the ALL Transferred Policies as a result of being part of AEL after implementation of the Scheme rather than ALL as currently, including:
    - the reliance on the financial strength of AEL;
    - being subject to AEL's reinsurance arrangements;
    - AEL having TWGE as a parent rather than AGL; and
    - being subject to Dutch law relating to the rights on wind-up of a Dutch insurer.

4.3 If the Scheme is implemented, it is likely that the ALL Transferred Policies will no longer be covered under the FSCS for claims in respect of insured events arising after the Effective Date. I understand that there is no equivalent Dutch compensation scheme for the types of policies held by the ALL Transferred Policyholders.

4.4 However, I note that:

- The purpose of the proposed Scheme is to effect the transfer of the Transferred Business to AEL in order to enable its continued servicing, regardless of the outcome of the Brexit negotiations and in the absence of a practicable approach to utilising extended transitional periods on an individual EEA member state basis. Having certainty that the Transferred Policies can continue to be serviced lawfully after Brexit is key, and the loss of FSCS protection is an unavoidable consequence of this;
- Given AEL will be adequately capitalised and will be required to comply with Solvency II, I consider the likelihood of AEL default or insolvency to be remote. Therefore, I consider the materiality of the loss of FSCS protection to be low; and
- Conclusions drawn on this matter from similar recent Part VII transfers that have been sanctioned by the Court could equally be applied in the case of this proposed Scheme.

4.5 I am therefore satisfied that the loss of FSCS protection will not lead to a material adverse effect on the security of benefits under the ALL Transferred Policies.

4.6 In conclusion, I am satisfied that the implementation of the proposed Scheme will not have a material adverse effect on the security of ALL Transferred Policy benefits.

LGL Transferred Policyholders

4.7 Currently, the LGL Transferred Policyholders derive their benefit security from being policyholders of LGL, and the associated financial strength under the applicable risk appetite statement and capital management policy, the reinsurance arrangements that are in place and any support provided to LGL from its parent, TWGE. In addition, in the extreme scenario of LGL becoming unable to pay policyholder benefits, the LGL Transferred Policies are currently protected under the FSCS.

4.8 The implementation of the proposed Scheme would mean that LGL would cease to have a defined contractual obligation to the LGL Transferred Policyholders and that these obligations would be transferred to AEL. If the Scheme is implemented I am satisfied that:

- There will be no material adverse effect on the security of benefits under the LGL Transferred Policies from being subject to the Assurant Europe Capital Management Policy rather than the TWGE Capital Management Policy; and
- There will be no material adverse effect on the security of benefits under the LGL Transferred Policies as a result of being part of AEL after implementation of the Scheme rather than LGL as currently, including:
  - the reliance on the financial strength of AEL;
  - being subject to AEL's reinsurance arrangements;
  - AEL having TWGE as a parent; and
  - being subject to Dutch law relating to the rights on wind-up of a Dutch insurer.

4.9 If the Scheme is implemented, it is likely that the LGL Transferred Policies will no longer be covered under the FSCS for claims in respect of insured events arising after the Effective Date. I understand that there is no equivalent Dutch compensation scheme for the types of policies held by the LGL Transferred Policyholders.

4.10 However, I note that:

- The purpose of the proposed Scheme is to effect the transfer of the Transferred Business to AEL in order to enable its continued servicing, regardless of the outcome of the Brexit negotiations and in the absence of a practicable approach to utilising extended transitional periods on an individual EEA member state basis. Having certainty that the Transferred Policies can continue to be serviced lawfully after Brexit is key, and the loss of FSCS protection is an unavoidable consequence of this;
- Given AEL will be adequately capitalised and will be required to comply with Solvency II, I consider the likelihood of AEL default or insolvency to be remote. Therefore, I consider the materiality of the loss of FSCS protection to be low; and
- Conclusions drawn on this matter from similar recent Part VII transfers that have been sanctioned by the Court could equally be applied in the case of this proposed Scheme.

4.11 I am therefore satisfied that the loss of FSCS protection will not lead to a material adverse effect on the security of benefits under the LGL Transferred Policies.

4.12 In conclusion, I am satisfied that the implementation of the proposed Scheme will not have a material adverse effect on the security of LGL Transferred Policy benefits.

THE EFFECT OF THE SCHEME ON THE PROFILE OF RISKS TO WHICH THE TRANSFERRED POLICIES ARE EXPOSED

ALL Transferred Policyholders

4.13 If the proposed Scheme is implemented, the ALL Transferred Policies will become direct policies of AEL and will be directly exposed to the risk profile of AEL.

4.14 Since AEL will contain both the ALL Transferred Business and the LGL Transferred Business, there will be a slightly higher total level of risk within AEL following the implementation of the proposed Scheme compared to ALL prior to the Scheme. However, AEL will be required to hold capital significantly in excess of the level determined by its actual risk profile. In addition, I note that the composition of risks that AEL will be exposed to is in line with those that ALL is exposed to, and these risks are typical of life insurance companies writing mortgage protection and creditor lines of insurance business. Therefore, from the perspective of ALL Transferred Policyholder security, the current risk profile of ALL and the risk profile of AEL after the implementation of the proposed Scheme are aligned.

4.15 Overall, I am satisfied that any change in risk profile will not have a material adverse effect on the ALL Transferred Policies.

LGL Transferred Policyholders

4.16 If the proposed Scheme is implemented, the LGL Transferred Policies will be direct policies of AEL and directly exposed to the risk profile of AEL.

4.17 The implementation of the proposed Scheme will increase the level of counterparty default risk to which LGL Transferred Policyholders are exposed, however this is offset by the reduced exposure to market risk and therefore overall there will be a slightly lower total level of risk within AEL following the implementation of the proposed Scheme compared to LGL prior to the Scheme. AEL will be required to hold capital significantly in excess of the level determined by its actual risk profile. Overall, from the perspective of LGL Transferred Policyholder security, the current risk profile of LGL and the risk profile of AEL after the implementation of the proposed Scheme are broadly aligned.

4.18 Overall, I am satisfied that any change in risk profile will not have a material adverse effect on the LGL Transferred Policies.

THE EFFECT ON THE TRANSFERRED POLICIES OF THE CHANGE IN REGULATORY REGIME FROM THE UK TO THE NETHERLANDS

ALL Transferred Policyholders and LGL Transferred Policyholders

4.19 If the proposed Scheme is implemented, the Transferred Policyholders will become protected by the regulatory environment in the Netherlands rather than the UK as currently. I am satisfied that:

- In terms of conduct of business regulation, there will be no material adverse effect on the Transferred Policies;
- The change in regulatory oversight in respect of prudential supervision from the Prudential Regulation Authority ("PRA") in the UK to the Dutch Central Bank ("DNB") in the Netherlands will not have a material adverse effect on the Transferred Policies; and
- There will be no material adverse effect on the rights of Transferred Policyholders in relation to their access to an independent complaints service.

4.20 Therefore, in conclusion, I am satisfied that the change in regulatory regime from the UK to the Netherlands will not have a material adverse effect on the Transferred Policies.

THE EFFECT OF THE SCHEME ON THE BENEFIT EXPECTATIONS OF THE TRANSFERRED POLICYHOLDERS

ALL Transferred Policyholders

4.21 If the proposed Scheme is implemented, then there will be no change to the terms and conditions of the ALL Transferred Policies, except that the policies will become policies of AEL rather than ALL.

4.22 The ALL Transferred Business is currently subject to the management and governance of ALL and will, if the proposed Scheme is implemented, be subject to the management and governance of AEL. I am satisfied that the management and governance of AEL is materially similar to the management and governance of ALL. In addition, the ALL Transferred Business does not contain any discretionary features that would be subject to AEL's application of discretion as opposed to ALL's current application of discretion.

4.23 I am therefore satisfied that the implementation of the proposed Scheme will not have a material adverse effect on the benefit expectations of the ALL Transferred Policyholders.

4.24 If the proposed Scheme is implemented, the existing administration and servicing arrangements in respect of ALL Transferred Policies will continue, and the only change will be that AEL will become the internal client of the intermediary service companies currently providing these services, rather than ALL.

4.25 Overall, there will be no material change in the administration and servicing of ALL Transferred Policies if the Scheme is implemented. I am therefore satisfied that the implementation of the proposed Scheme will not have a material adverse effect on the levels and standards of administration and service applying to the ALL Transferred Policies.

LGL Transferred Policyholders

4.26 If the proposed Scheme is implemented, then there will be no change to the terms and conditions of the LGL Transferred Policies, except that the policies will become policies of AEL rather than LGL.

4.27 The LGL Transferred Business is currently subject to the management and governance of LGL and will, if the proposed Scheme is implemented, be subject to the management and governance of AEL. I am satisfied that the management and governance of AEL is materially similar to the management and governance of LGL. In addition, the LGL Transferred Business does not contain any discretionary features that would be subject to AEL's application of discretion as opposed to LGL's current application of discretion.

4.28 I am therefore satisfied that the implementation of the proposed Scheme will not have a material adverse effect on the benefit expectations of the LGL Transferred Policyholders.

4.29 If the proposed Scheme is implemented, the provision of services for LGL Transferred Business currently delivered by TWG Limited ("TWGS") will instead be provided by Assurant Europe Services B.V. ("AES"). However, there will be no fundamental change to the services provided from a policyholder perspective, since all material aspects of the servicing arrangements will be unchanged. This includes the systems and processes used, the employees performing the servicing, the location from which the services are provided and the service levels and key performance indicators to which AES will be subject.

4.30 Overall, I am therefore satisfied that the implementation of the proposed Scheme will not have a material adverse effect on the levels and standards of administration and service applying to the LGL Transferred Policies.

5. THE IMPACT OF THE PROPOSED SCHEME ON THE REMAINING POLICYHOLDERS

5.1 It is possible that the Scheme and the Assurant Non-Life Scheme do not become effective at the same time, and in this scenario the LGL EEA Creditor Policies would remain within LGL until such time as the Assurant Non-Life Scheme becomes effective.

5.2 I therefore consider two groups of Remaining Policyholders, one of which will only exist until such time as the Assurant Non-Life Scheme becomes effective:

- **LGL Remaining UK Policyholders**: the policyholders of LGL that were not intended to be transferred under the proposed Scheme (approximately 85 policies as at the time of writing); and
- **LGL EEA Creditor Policyholders**: the LGL EEA Creditor Policyholders that would continue to reside within LGL until such time as the Assurant Non-Life Scheme becomes effective.

THE EFFECT OF THE SCHEME ON THE SECURITY OF REMAINING POLICY BENEFITS

LGL Remaining UK Policyholders

5.3 If the proposed Scheme is implemented:

- The LGL Remaining UK Business (approximately 85 policies as at the time of writing) will continue to be managed in line with the TWGE Risk Management Framework and TWGE Capital Management Policy;
- LGL will continue to hold sufficient capital in respect of the LGL Remaining UK Business in line with the TWGE Capital Management Policy; and
- The reinsurance treaty in respect of LGL Remaining UK Business will remain in place.

5.4 Overall, if the proposed Scheme is implemented, I am satisfied that there will be no material adverse effect on the security of LGL Remaining UK Policy benefits.

LGL EEA Creditor Policyholders

5.5 If the proposed Scheme is implemented then, until the Assurant Non-Life Scheme becomes effective:

- The LGL EEA Creditor Business will continue to be managed in line with the TWGE Risk Management Framework and TWGE Capital Management Policy; and
- LGL will continue to hold sufficient capital in respect of the LGL EEA Creditor Business in line with the TWGE Capital Management Policy.

5.6 Overall, if the proposed Scheme is implemented, I am satisfied that there will be no material adverse effect on the security of LGL EEA Creditor Policy benefits.

THE EFFECT OF THE SCHEME ON THE PROFILE OF RISKS TO WHICH THE REMAINING POLICIES ARE EXPOSED

LGL Remaining UK Policyholders

5.7 The overall level of risk will reduce in LGL if the proposed Scheme is implemented due to lower business volumes (approximately 85 policies as at the time of writing), asset volumes, counterparty exposure and operational exposures compared to before the transfer. Counterparty default risk will increase as a proportion of the overall level of risk, as the LGL Remaining UK Policies will be 100% reinsured. There would also be less diversification across geographies and counterparties.

5.8 Overall, if the proposed Scheme is implemented, I am satisfied that there will be no material adverse effect on the profile of risks to which the LGL Remaining UK Policies are exposed.

LGL EEA Creditor Policyholders

5.9 The LGL EEA Creditor Policyholders will remain within LGL until such time as the Assurant Non-Life Scheme becomes effective. It is expected that the risk profile of LGL would be largely unchanged if the LGL EEA Creditor Policies were to remain within LGL; however the overall level of risk within LGL would be reduced since the LGL Transferred Business would no longer reside within LGL.

5.10 Overall, if the proposed Scheme is implemented, I am satisfied that there will be no material adverse effect on the profile of risks to which the LGL EEA Creditor Policies are exposed.

THE EFFECT OF THE SCHEME ON THE BENEFIT EXPECTATIONS OF THE REMAINING POLICYHOLDERS

LGL Remaining UK Policyholders

5.11 The implementation of the proposed Scheme will not change the terms and conditions of the LGL Remaining UK Policies (approximately 85 policies as at the time of writing), the governance or management of the LGL Remaining UK Policies or the administration or servicing arrangements in respect of the LGL Remaining UK Policies.

5.12 Therefore, I am satisfied that the implementation of the proposed Scheme will not have a material adverse effect on the reasonable benefit expectations of the LGL Remaining UK Policyholders or on the level and standards of administration and service applying to the LGL Remaining UK Business.

LGL EEA Creditor Policyholders

5.13 The implementation of the proposed Scheme will not change the terms and conditions of the LGL EEA Creditor Policies or the governance or management of the LGL EEA Creditor Policies.

5.14 The administration and servicing arrangements with respect to the LGL EEA Creditor Business will be delivered by AES rather than TWGS. I concluded in section 4 that this will not have a material adverse effect on the levels and standards of administration and service that will apply to LGL Transferred Policies, and this conclusion applies equally to LGL EEA Creditor Policies. If, however, the LGL EEA Creditor Business continued to reside with LGL at the end of the Brexit transition period, LGL's ability to manage, administer and service this business without breaching authorisation requirements may be threatened and further actions may be required to ensure a continuation of its ability to lawfully service these policies.

5.15 Therefore, I am satisfied that the implementation of the proposed Scheme will not have a material adverse effect on the reasonable benefit expectations of the LGL EEA Creditor Policyholders or on the level and standards of administration and service applying to the LGL EEA Creditor Business.

6. THE FAIR TREATMENT OF POLICYHOLDERS

THE APPROACH TO COMMUNICATIONS WITH POLICYHOLDERS

6.1 LGL intends to seek waivers from the regulatory requirements to send a written notice to the LGL Remaining UK Policyholders on the basis that:

- The LGL Board does not consider that any LGL Remaining UK Policyholder will be materially adversely impacted by the implementation of the proposed Scheme;
- There will be significant wider publication of the proposed Scheme;
- The key documentation relating to the proposed Scheme will be made available online or by written or telephone request; and
- LGL is in discussion with the regulators with regard to the longer term future of LGL after the implementation of the proposed Scheme. LGL expects to write separately to LGL Remaining UK Policyholders regarding these plans, and this communication will make reference to the proposed Scheme.

6.2 ALL and LGL also intend to seek waivers from the regulatory requirements to send a written notice to other specified parties, such as intermediaries and brokers, join policyholders, deceased policyholders, expired policies with no known current claims exposure and policies for which ALL or LGL hold no valid policyholder address. I have reviewed the reasons why these waivers have been sought and I am satisfied that the application for a waiver to send a written notice to such parties is reasonable.

6.3 Overall, I am satisfied that the proposed approach to communication with policyholders, including the application for the proposed waivers, is fair and reasonable, and that the information contained in the communications with policyholders adequately describes the proposals to policyholders.

FUTURE CONDUCT AND REGULATORY RISK

6.4 If the proposed Scheme is implemented, any costs arising as a result of conduct or failure to comply with regulations will be met by ALL or LGL as appropriate for any such costs arising in relation to actions prior to the transfer, and AEL for any such costs arising in relation to actions after the transfer.

6.5 There is no known Payment Protection Insurance mis-selling risk associated with the ALL Transferred Business or the LGL Transferred business.

COSTS OF THE SCHEME

6.6 The total costs of the Scheme will be split between Assurant, ALL, LGL and AEL, with the majority being met by Assurant. None of the costs of the Scheme will be met by any policyholders of ALL or LGL.

6.7 If in the unlikely event, and in the context of the small financial size of ALL and LGL, any costs associated with the proposed Scheme threaten to breach the target solvency cover after the transfer, ALL and LGL will ensure that the target solvency cover is maintained in accordance with their capital management policies.

6.8 I am satisfied that the allocation of costs as described above is reasonable.

7. OTHER CONSIDERATIONS

WHAT WOULD HAPPEN WERE THE SCHEME NOT TO PROCEED?

7.1 If the Scheme does not proceed for any reason, then the ALL Transferred Policies will not become policies of AEL and will remain within ALL. Likewise, the LGL Transferred Policies will not become policies of AEL and will remain within LGL.

7.2 ALL's ability to manage, administer and service the ALL Transferred Business in Germany, Ireland, Italy and Spain without breaching authorisation requirements may be threatened and would be subject to the outcome of Brexit negotiations. The ability to manage, administer and service the ALL Transferred Business would vary between each EEA member state and further actions might be required from ALL to ensure a continuation of its ability to lawfully service these policies.

7.3 Likewise, LGL's ability to manage, administer and service the LGL Transferred Business in Belgium and the Netherlands without breaching authorisation requirements may be threatened and would be subject to the outcome of Brexit negotiations. The ability to manage, administer and service the LGL Transferred Business would vary between each EEA member state and further actions might be required from LGL to ensure a continuation of its ability to lawfully service these policies.

WHAT WOULD HAPPEN WERE THE ASSURANT NON-LIFE SCHEME NOT TO PROCEED?

7.4 If the Scheme does proceed but the Assurant Non-Life Scheme does not become effective on the same date as the Scheme, then the LGL EEA Creditor Policies will not become policies of AEL and will remain within LGL. In the scenario, the LGL EEA Creditor Policies will be treated as Residual Policies in LGL until such time as the Assurant Non-Life Scheme becomes effective. I have therefore considered the impact on these policies under this scenario in section 5.

7.5 In this scenario, once the Assurant Non-Life Scheme has become effective, the LGL EEA Creditor Policies will promptly be transferred to AEL and will thereafter be treated in all respects as if they had been transferred to AEL on the Effective Date.

7.6 If, however, the Assurant Non-Life Scheme does not become effective before the end of the Brexit transition period, LGL's ability to manage, administer and service the LGL EEA Creditor Business in Belgium and the Netherlands without breaching authorisation requirements may be threatened and would be subject to the outcome of Brexit negotiations. The ability to manage, administer and service the LGL EEA Creditor Business would vary between each EEA member state and further actions might be required from LGL to ensure a continuation of its ability to lawfully service these policies.

7.7 Overall, it is necessary that both the Scheme and the Assurant Non-Life Scheme become effective before the end of the Brexit transition period in order for there to be certainty that the LGL EEA Creditor Business can continue to be serviced.

THE RECENT JUDGMENT ON THE PRUDENTIAL ROTHESAY SCHEME

7.8 On 16 August 2019, the Court declined to sanction the transfer of a £12 billion portfolio of annuities from Prudential to Rothesay. Prudential and Rothesay had sought to effect the transfer of the portfolio pursuant to Part VII of FSMA. I understand that Prudential and Rothesay are appealing the decision.

7.9 I have considered the key features that were identified as weighing against the sanctioning of the Prudential Rothesay Scheme.

7.10 In summary, while some of the factors which influenced the judgment on the Prudential Rothesay Scheme are relevant to the Scheme, in my view none applies to the Scheme to the same extent as to the Prudential Rothesay Scheme, and the overall relevance of these factors in combination is much reduced.

7.11 I am satisfied that the conclusions in the Main Report are unaffected by the judgment in the Prudential Rothesay Scheme.

THE COVID-19 OUTBREAK

7.12 The COVID-19 virus has been declared a pandemic by the World Health Organization and the outbreak continues to spread globally, with many cases now confirmed in the UK. The UK government has put a large number of restrictions in place in response to this outbreak.

7.13 I have considered the conclusions in the Main Report in light of the increased volatility in financial markets, the potential increased mortality rate of ALL and LGL's insured policyholders and the potential operational disruption caused by the COVID-19 outbreak.

7.14 In summary I am satisfied that:

- The increased volatility in financial markets resulting from COVID-19 is not expected to have a material adverse impact on the benefit security of policyholders of ALL, LGL and AEL both before and after the implementation of the proposed Scheme;
- It is unlikely that the pandemic risk event due to the outbreak of the COVID-19 virus would lead to a breach of the risk appetite statements of ALL or LGL; and
- COVID-19 is not likely to materially change the impacts of the proposed Scheme on administration and service standards.

7.15 Overall, I am satisfied that the COVID-19 pandemic does not provide any reason to change the conclusions in the Main Report. However, given the rapidly developing nature of the COVID-19 outbreak, I will provide an update on the potential risks from COVID-19 in my Supplementary Report, which I shall provide to the Court shortly before the Sanction Hearing and which will be available on the ALL and LGL websites (www.assurant.co.uk and www.thewarrantygroup.eu). If necessary, I will also provide the Court with an update on this matter immediately before the Directions Hearing.

8. MY CONCLUSIONS

8.1 I confirm that I have considered the issues affecting the various policyholders of ALL and LGL separately, and that I do not consider further subdivisions (other than those in this Summary Report) to be necessary.

8.2 I am satisfied that the implementation of the proposed Scheme will not have a material adverse effect on:

- The security of the benefits under the Transferred Policies and the Remaining Policies;
- The profile of risks to which the Transferred Policies the Remaining Policies are exposed;
- The reasonable expectations of the Transferred Policyholders and the Remaining Policyholders in respect of their benefits; or
- The level and standards of administration and service that will apply to the Transferred Policies and the Remaining Policies.

8.3 I am satisfied that the Scheme is equitable to all classes of ALL, LGL and AEL policyholders.