



ASSURANT

*Actuarial Report on
Incoming Business
Q2 Update*

Assurant Europe Life Insurance N.V.

Date: 1 October 2020

*Purpose: to provide an update to the conclusions of the
Actuarial Transferee Report based on developments in
the first half of 2020*

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1. Introduction

This document provides an update to the Actuarial Transferee Report (henceforth “main report”) provided to the Dutch Management Board on 30 June 2020. This document will also be provided to policyholders if requested.

The main report was based on the year-end 2019 financial position and projections to Q3 2020. Now that Q2-end financial positions are known, the Finance and Actuarial teams have re-assessed the projections to Q3 2020. This allows us to update our view and may lead us to different conclusions.

This document uses the same heading structure as the main report, for ease of reference. Under each heading I comment on whether there have been any material changes in the intervening period, and whether there is any change to the conclusions drawn in the main report.

This Transfer is necessary in response to the UK’s decision to leave the European Union, commonly known as ‘Brexit’. Some changes to the business are necessary to ensure the continuity of cover to all customers with European risks, so that it will be possible to continue to service the policyholders and claimants across Europe post-Brexit.

Having left the EU on 31 January 2020, the UK entered the transition period as laid out in the Withdrawal Agreement. The transition period could be extended by agreement between the UK and EU prior to 1 June 2020. This deadline has now passed, with no such agreement made, and as a result the transition period can no longer be extended. This brings some level of certainty to the 31 December 2020 as the date that European customers can no longer be serviced by UK insurers.

I have been requested to provide this report to the Transferees, independent of the reports provided to the Transferors by the Chief Actuary. Therefore, I have been granted the delegated responsibility to act as the 2nd line actuary for the purposes of the Part VII Transfer. Beyond this, the 2nd line responsibility will revert to William Diffey who is the Chief Actuary of the Transferors.

The Transfer is intended to be effective on 2 November 2020 (“the **Effective Date**”).

The report has been written in accordance with the Technical Actuarial Standards (TAS) of the (UK) Institute and Faculty of Actuaries, and also in accordance with the Actuarial Professional Standard APS X2 with regards to peer review.

2. Executive Summary

2.1. Overview

This report considers the likely impact of the proposed Transfer of a portfolio of Life insurance business from ALL and LGL, two UK legal entities of Assurant Europe Group, into AEL, an entity established specifically to assume said portfolio, also part of Assurant Europe Group, which has recently been authorised for business in the Netherlands.

Due to Brexit, Assurant Europe has established two new insurance companies, Assurant Europe Insurance NV (**AEI**) and AEL, based in the Netherlands. AEI is a general insurance company and AEL is a life and health insurance company. These entities were authorised by the Dutch regulator (DNB) on 9 June 2020.

This report deals with the transfer of life insurance business of ALL and LGL into AEL. The transfer of the general insurance business of London General Insurance Company Limited (**LGI**) and Assurant General Insurance Limited (**AGIL**) into Assurant Europe Insurance NV (AEI) is covered in a separate report. The proposed transfers are independent and not conditional upon each other, but are interconnected due to various creditor insurance policies written jointly by LGI and LGL.

There are no plans for AEL to write any new insurance business, thus it will comprise wholly of the transferred business.

2.2. Actuarial Function

There have been no changes to the named individuals providing the Actuarial Function. I am acting as 2nd Line Actuary to advise the Management Board from the perspective of transferee. I confirm that I have been granted sufficient independence and I have been supported by appropriately experienced interim resource.

2.3. Approach

There has been no change to my approach in assessing the Transfer.

2.4. Conclusions

In the main report I listed some small areas of disbenefit to customers due to reductions in capital coverage as a result of the Transfer. The additional £2m (€2.3m) cash injection that has been decided in the interim has assuaged these concerns.

Therefore, I conclude that the implementation of the Transfer has no material adverse impacts for the policyholders. In particular, I believe that the Transfer will at least maintain the security of benefits of all transferring policyholders and ensure that they continue to be treated fairly.

2.5. Opinion of the 2nd Line Actuary

I confirm that my opinion remains unchanged from that expressed in the main report, i.e. that this Transfer is to the benefit of customers of AEL.

3. Background

3.1. Scope of the Report

The scope of this report is unchanged from the main report.

By way of update, AEL is now fully licensed by the DNB. AEL has not written any business and it is not intended that any new business will be written prior to the Transfer.

3.2. Legal Entity Structure

There has been no change to the structure of entities and ownership within Assurant Europe Group during the first half of 2020.

4. Transfer of the Business, Assets and Liabilities

4.1. Transferred Business

There is no change to the business that is intended to be transferred, i.e. all insurance business written by ALL and LGL where the state of risk is an EEA country.

The Q2-end financials have allowed us to provide updated estimates of the amount of business to be transferred and this is explained below.

4.2. Excluded Policies

The policies excluded from the Transfer are those policies written by ALL and LGL with the state of risk being the UK.

In ALL there are no such policies and therefore all policies within ALL are to be transferred.

In LGL there are approximately 85 policies covering UK customers which will be excluded from the Transfer. All other policies will be transferred.

4.3. Transferred Liabilities

Assurant Life Limited (ALL)

The table below gives the number of policies remaining in-force at the end of Q2 2020. 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)

LGL's business does contain a small group of approximately 85 live UK policies. These will not transfer to AEL.

The table below gives the number of EU policies remaining in-force at the end of Q2 2020. These policies will move to AEL.

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

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.

4.4. Transferred Assets

In the main report, it was stated that the assets to be transferred to AEL are mainly composed of cash. This view has been updated. In fact, there will be a roughly equal split between cash and investments, where investments are government and high-quality corporate bonds.

The monetary value post-Transfer was previously estimated as €8.0m at the Effective Date. The current view is that this will be slightly greater, at €10.5m. This increase is mainly due to an additional £2m (€2.3m) cash injection.

Since the distribution of the main report, Assurant has decided to provide an additional £2m (€2.3m) cash injection into AEL, to strengthen the capital coverage ratio. The injection was made in September 2020.

4.5. Mandates and Other Payments

There has been no change in the approach to handling mandates, direct debits, etc.

5. Financial Position Before and After the Transfer

5.1. Key Assumptions used in Forecasting

Since the main report was released, there have been only minor changes to the assumptions underpinning the financial forecasts. For example, it was previously believed that the costs of the transfer will be borne by the Assurant, Inc. and recharged to the local entities. We have now clarified that these costs will not be recharged.

Other key assumptions outlined in the main report have been reconsidered and confirmed as unchanged, e.g. insurance contracts will be transferred at economic value (Solvency II basis), for no profit or loss.

There have been more material updates to the figures used in the calculations as more up-to-date data has become available. As a result, the forecasted figures have been updated and are provided below alongside the figures provided in the main report, to aid comparison.

In the main report, two scenarios were considered;

- “As at YE2019”, whereby the transfer is valued as if it had occurred at the end of 2019
- “As if Q32020”, which is valued as a forecast of values as at Q3 2020.

Updates to both scenarios are provided in this report.

5.2. Forecasted Financial Positions

In this section, the forecasted financial impact of the Transfer is presented in terms of balance sheet on Solvency II basis pre- and post-Transfer. The Effective Date is assumed to be 2 November 2020.

For all of the below scenarios, there are minimal changes to the positions described in the main report, with the exception of the additional capital injection, which strengthens the capital coverage.

5.2.1. Year End 2019 Basis

AEL (€m)	As if YE2019 without COVID impact			
	Pre-Transfer	Capital Injection	Transfer Impact	Post-Transfer
Assets:				
Cash	-	2.3	1.6	4.0
Investments	5.0		2.0	7.0
Ceded technical provisions	-		0.1	0.1
Other assets	-		0.2	0.2
Total assets	5.0	2.3	3.9	11.3
Liabilities:				
Gross tech provisions (excl risk margin)	-		3.8	3.8
Risk margin	-		0.1	0.1
Other liabilities	-		0.1	0.1
Total liabilities	-		3.9	3.9
Excess of assets over liabilities	5.0	2.3	-	7.4
Adjustments				
Eligible Own Funds	5.0			7.4
Capital Requirement (aMCR)	3.7		-	3.7
aMCR %	136%			200%

The pre-transfer solvency position has slightly decreased (compared to the original projection), but this is more than offset by the additional capital injection. The impact of the transfer remains unchanged. The post-transfer solvency position is significantly improved.

5.2.2. Year End 2019 with COVID-19 impact

To derive the following figures, the assessment made in the section above is used as a base, and the estimated impact of COVID-19 as at YE2019 is applied. The impact of COVID-19 is assumed to be an uplift to the Technical Provision of + 5% for ALL, LGL and AEL. This is offset by greater transferred assets.

AEL (€m)	Pre-Transfer	Capital Injection	Transfer Impact	Post-Transfer
Assets:				
Cash	-	2.3	1.7	4.1
Investments	5.0		2.1	7.2
Ceded technical provisions	-		0.1	0.1
Other assets	-		0.2	0.2
Total assets	5.0	2.3	4.1	11.5
Liabilities:				
Gross tech provisions (excl risk margin)	-		3.9	3.9
Risk margin	-		0.1	0.1
Other liabilities	-		0.1	0.1
Total liabilities	-		4.1	4.1
Excess of assets over liabilities	5.0	2.3	-	7.4
Adjustments				
Eligible Own Funds	5.0			7.4
Capital Requirement (aMCR)	3.7		-	3.7
aMCR %	136%			200%

The results are similar to the first projection. The pre-transfer solvency position has slightly decreased (compared to the original projection), but this is more than offset by the additional capital injection. The impact of the transfer remains unchanged. The post-transfer solvency position is significantly improved.

The COVID stress of +5% remains reasonable. We are yet to experience an uplift in life claims due to COVID, but this remains a risk.

5.2.3. Q32020 with COVID-19 impact

AEL (€m)	Q32020 with COVID impact			
	Pre-Transfer	Capital Injection	Transfer Impact	Post-Transfer
Assets:				
Cash	-	2.3	1.2	3.5
Investments	5.4	-	1.3	6.7
Ceded technical provisions	-	-	0.1	0.1
Other assets	-	-	0.2	0.2
Total assets	5.4	2.3	2.8	10.5
Liabilities:				
Gross tech provisions (excl risk margin)	-	-	2.6	2.6
Risk margin	-	-	0.0	0.0
Other liabilities	-	-	0.1	0.1
Total liabilities	-	-	2.8	2.8
Excess of assets over liabilities	5.4	2.3	-	7.7
Adjustments				
Eligible Own Funds	5.4			7.7
Capital Requirement (aMCR)	3.7		-	3.7
aMCR %	147%			208%

The pre-transfer solvency position is stable (compared to the original projection). The impact of the transfer remains unchanged. The post-transfer solvency position is significantly improved due to the additional capital injection.

6.Reinsurance

There is no change in the approach to reinsurance arrangements affecting AEL.

7.Determination of Capital Requirements

Since the distribution of the main report, Assurant has decided to provide an additional £2m (€2.3m) cash injection into AEL, to strengthen the capital coverage ratio. The injection will be made no later than early October 2020.

Assurant has also committed to not distribute any dividends from AEL in the first two years of operation. This will ensure that AEL remains capitalised well in excess of the capital buffer level, which remains at 20% above the aMCR.

7.1. Capital Position

As a result of the additional (planned) cash injection, the capital position of AEL has been significantly strengthened compared to the main report;

€m	As if YE2019		As at Q32020	
	Pre-transfer	Post-transfer	Pre-transfer	Post-transfer
with COVID Impact	AEL	AEL	AEL	AEL
Eligible Own Funds	5.0	7.4	5.4	7.7
Regulatory aMCR	3.7	3.7	3.7	3.7
aMCR%	136%	200%	147%	208%
Risk Appetite buffer target	120%	120%	120%	120%
Surplus (over the target buffer)	0.6	2.9	1.0	3.3

8. Exchange Rate Impact

The Transfer will move Euro-denominated liabilities and assets to AEL. Therefore, there is no FX impact on the incoming transfer. However, AEL being a subsidiary of a UK group, TWGE, there will be an FX impact in the consolidated group reporting at TWGE level.

9. Continuity of Service

9.1. Expected Impact of the Transfer on Risk Profile

There is no change to the expected risk profile of AEL, with the exception that the number of policies transferring to AEL has reduced, as shown in Section 0.

9.2. Legal Risk to Policyholders

We have identified the possibility of a delay in policies transferring if there is any delay in the non-life scheme. This is due to creditor policies written jointly between LGI and LGL, which offer both life and non-life covers within a single policy. The table below shows the number of policies that are written jointly between LGI and LGL, split by territory. It can be seen that the linked policies make up 35% of the LGL book at Q2 2020 (36% at YE 2019).

Linked Policies	Creditor		Total
	LGL only	Linked (LGI + LGL)	
Netherlands	3,667	161	3,828
Belgium	1,717	2,699	4,416
Ireland	0	12	12
Grand Total	5,384	2,872	8,256

We currently have no reason to believe that either Transfer will be delayed.

9.3. Policy Terms and Conditions

Terms and conditions of policies have not changed in the first half of 2020.

9.4. Policy and Claims Administration

There has been no change to the planned provision of administrative services during the first half of 2020.

9.5. Communication Strategy

The Communications plan remains on track, and largely in adherence to our original timeline and plan.

Assurant's original plan was to inform all policyholders by 31 July. This was completed as expected for all clients/customers that are part of the Life Transfer.

As at 1 October, there have been no objections or expressions of dissatisfaction.

We continue to report fortnightly to the FCA.

Further detail on this area can be found in the relevant Witness Statement.

9.6. Benefits Expectation

There has been no change to policyholder benefits in the first half of 2020.

9.7. Treating Customers Fairly

There has been no change to customer service in the first half of 2020.

9.8. Consumer Protection Schemes

There have been no changes to relevant consumer protection schemes in the first half of 2020.

10. Business Strategy

The strategy of Assurant Europe Group has not changed in the first half of 2020.

The transfer of business to AEI and AEL remains a key part of the strategy of the group.

11. Governance Framework

There has been no significant change to the governance structure at the European group level during the first half of 2020.

Therefore, it remains my opinion that the policyholders being transferred will benefit from strong oversight and governance.

12. Other Considerations

12.1. B2B contracts

Notifications to all clients, suppliers and reinsurers have been drafted and provided to the relevant relationship managers for onwards communication to the external party. As at 1 August, no partners have expressed an unwillingness to transfer. One reinsurer (Gen Re, reinsurer of some Italian business in ALL) requested a formal novation agreement, which has been completed.

Our original timeline remains on track.

12.2. Reputation of ALL, LGL and AEL

There has been no significant change in this area, and therefore it remains my belief that customers will not face any detriment from loss of reputation.

12.3. Group Services support Post-Brexit

There has been no change to the planned provision of group services during the first half of 2020.

13. Limitations

The limitations noted in the main report apply equally to this report, although it should be noted that as the Transfer date approaches, financial projections become less uncertain. Therefore, the financial projections in this report can be considered more certain than those in the main report.

14. Conclusions

In the main report I listed some small areas of disbenefit to customers due to reductions in capital coverage as a result of the Transfer. The additional £2m (€2.3m) cash injection that has been decided in the interim has assuaged these concerns.

Therefore, I conclude that the implementation of the Transfer has no material adverse impacts for the policyholders. In particular, I believe that the Transfer will at least maintain the security of benefits of all transferring policyholders and ensure that they continue to be treated fairly.