Actual Report on Incoming Business

Assurant Europe Insurance N.V.

FINAL

Date: 25 June 2020

Purpose: *to consider the likely impact of the proposed transfer of business from Assurant General Insurance Limited (AGIL) and London General Insurance Company Limited (LGI) to Assurant Europe Insurance NV (AEI)*

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Acting as 2nd Line Actuary for AEI

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1. Introduction

This report has been produced by the actuarial function of Assurant Europe Insurance N.V. (**AEI**) for the Management Board of AEI in respect of the proposed Part VII transfer of insurance policies of Assurant General Insurance Limited (**AGIL**) and London General Insurance Company Limited (**LGI**) in the UK (**the Transferors**) to AEI in the Netherlands. The Transfer will comprise the European insurance policies of AGIL and LGI (but excluding the policies of UK and Swiss policyholders).

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.

The selected solution is known as a "Part VII" Transfer. This is a legal mechanism under English law which transfers insurance business of one company to another. The Transfer requires court approval and is governed by Part VII of the Financial Services and Markets Act 2000. The court takes guidance from a report by an Independent Expert. Assurant has nominated Derek Newton, a Principal at Milliman, to act as the Independent Expert for the proposed Transfer. In addition, the Chief Actuary of AGIL and LGI also produces a report to inform the Boards of AGIL and LGI in relation to the proposed Transfer.

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**"). In order to review this proposed Transfer, the valuation has been examined on two bases;

- First, as if the Transfer had taken place at YE 2019, referred to as "as if YE2019";
- Second, projected roll-forward financials positions to a 30 September 2020 Transfer date referred to as "as at Q32020".

This is to allow evaluation of the Transfer on the most recent audited financial statements "as if YE2019", and to give the view of capital at the nearest quarter-end before the Effective Date "as at Q32020".

As part of this transferring procedure, acting as the 2nd Line Actuary of AEI, I, Craig Fothergill, Fellow of the Institute of Actuaries, am performing an analysis of the proposed Transfer with the aim of providing assurance to the Management Board of AEI. This report may also be provided, if requested, to any or all of; the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA), De Nederlandsche Bank (DNB) and the Court. This report is written with Part VII of the Financial Services and Markets Act (FSMA) 2000 in mind.

The objectives of this report are to:

- Describe in detail the Transferring business;
- Perform actuarial analysis of the incoming portfolio to highlight its key features;
- Set out the likely impact of the transfer on AEI's portfolio, reserving and solvency position;
- Provide assurance that the Transferring business is well-understood, well-managed, and within the risk appetite of AEI;
- Provide assurance that policyholders will not be materially adversely affected by the Transfer.

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 general insurance business from AGIL and LGI, two UK legal entities of the Assurant group, into AEI, a new legal entity, also part of the Assurant group, which has recently been authorised for business in the Netherlands.

As part of Brexit-induced restructuring, Assurant Europe has established two new insurance companies, AEI and Assurant Europe Life Insurance N.V. (**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) in June 2020.

This report deals with the Transfer of the EU-originated general insurance business of AGIL and LGI into AEI. The transfer of the EU-originated life insurance business of London General Life (**LGL**) and Assurant Life Limited (**ALL**) into AEL 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.

2.2. Actuarial Function

The 2nd line Actuarial function for AEI is provided by William Diffey & Craig Fothergill (myself). Both are Fellows of the Institute of Actuaries' with 25- and 15-years' experience respectively.

Mr Diffey also serves as Chief Actuary of the Assurant UK businesses (the transferors) and is the author of the Chief Actuary reports relating to the Transfer, from the point of view of the transferors.

To provide an independent view to the Management Board of AEI, I am acting as 2nd Line Actuary to advise the Management Board from the perspective of transferee, and hence I am the author of this report. I confirm that I have been granted sufficient independence and I have been supported by appropriately experienced interim resource.

For completeness, the 1st line Actuarial Function of AEI supports the local CFO and consists of appropriate qualified actuarial resource based in Amsterdam, with Willis Towers Watson (WTW) Amsterdam providing support.

2.3. Approach

The Transfer to AEI of general insurance business carried on by AGIL and LGI means that the Assurant group can perform their obligations to policyholders in the EU27 States.

The approach to assess the likely impact of the proposed transfer is to:

- Understand the nature and structure of the incoming portfolio;
- Identify the groups of incoming policyholders and existing policyholders (if any) of AEI that would be affected;
- Assess the pre- and post-transfer financial position of AEI: technical insurance liabilities, assets and capital;
- Consider the risk management implications, including reinsurance and other risk mitigation aspects;
- Consider the implications of the incoming portfolio on the level of security provided to the incoming and any existing policyholders;
- Consider the potential impact on levels of customer service;
- Consider other financial factors that might affect policyholders; and
- Consider other non-financial factors that might affect policyholders.

2.4. Conclusions

The conclusions in this report are summarised in this section. The detailed explanation behind these conclusions follows in the body of this report.

The financial strength of the companies involved in the Transfer measured in terms of ratio of Solvency II Own Funds (**OF**) to Solvency Capital Requirement (**SCR**), called the SCR coverage ratio (**SCR%**), pre and post-Transfer, is presented in the table below (with the Transfer presented as occurring as if 31 December 2019 and as at 30 September 2020):

AEI (EURO m)		Eligible Own Funds	Regulatory SCR	SCR%	Risk Appetite buffer target	Surplus (over the target buffer)
YE19	Pre-transfer	40.0	0	n/a	140%	40.0
	Post transfer	76.1	49.6	154%	140%	6.7
YE19 with impact of COVID-19	Pre-transfer	40.0	0.0	n/a	140%	40.0
	Post transfer	73.4	49.6	148%	140%	4.0
Q3Q320 with impact of COVID-19	Pre-transfer	34.4	20.2	170%	140%	6.1
	Post transfer	74.8	49.6	151%	140%	5.4

The valuation has been examined on two bases;

- First, as if the Transfer had taken place at YE 2019, referred to as “as if YE2019”;
- Second, projected roll-forward financials positions to a 30 September 2020 Transfer date referred to as “as at Q32020”.

AEI is well capitalized, as its SCR%, where calculated, is well above 100% and above its target pre- and post-Transfer, on both valuation bases. Moreover, as AEI business continues quarter on quarter, profit will be generated, and this will build up Own Funds progressively.

The Transferring business was profitable when it was in AGIL and LGI and there is no reason why that will change when the business is in AEI, a company that will be run with the same business philosophy and strategy as that of AGIL and LGI. The profitability of AEI is expected to remain as strong as it is for AGIL and LGI and the Transfer is made on a business as usual basis; therefore, it is not unreasonable to assume that profit will be generated, and Own Funds will be built up progressively with time.

The risk, and therefore SCR, of AEI might also increase, but at a slower rate because of the extra diversification benefit in the aggregate capital requirements of AEI after the Transfer. As a result, the solvency ratio will increase with time. This view is supported by the ORSA forward-looking assessment of AEI that forecasts an SCR ratio of 146% at YE20 and 166% at YE21 for AEI. AEI also benefits from a letter of undertaking of continued parental support from its immediate UK parent company, TWG Europe Limited.

In conclusion, the Transferring policyholders of AGIL and LGI to AEI and the existing policyholders (if any) of AEI will benefit from the strong financial capacity of AEI and claims payments will continue to be met due to the strong financial capacity of AEI, as evidenced by the high solvency ratios.

With this financial analysis in mind, the main aspects of the Transfer have been considered and can be summarized as:

Benefits from the Transfer	Neither Benefits nor Disadvantages from the Transfer	Disadvantages from the transfer
- Provision of a legal and compliant policy post-Brexit (i.e. continuity of capacity to provide insurance and service the policies)	- Similar risk profile	- Loss of UK financial protection through the Financial Services Compensation Scheme (**FSCS**), in case of insolvency of the insurer
- Oversight of local Management Board and Supervisory Board based in the EU27	- Similar asset quality	- Temporary reduction in solvency ratio (SCR%)
	- Similar financial solidity	
	- Same parental support	
	- Same benefits expectation	
	- Continued application of Solvency II regulation	
	- Financed cost of transfer, so no impact on expenses	
	- Same service standards - availability of the same corporate and operational resources through remaining part of the Assurant group	
	- Same risk management policy and governance structure	

The quantitative financial strength measure, the servicing of the policies, the overall risk management framework, and the governance and compliance of AEI are all strong. Therefore, the interests of Transferring policyholders of LGI and AGIL to AEI and the interests of the existing policyholders of AEI (if any) will be protected with a high degree of care.

In my opinion, the provision of a legal and compliant policy post-Brexit far outweighs any of the disadvantages listed. The disadvantages are in my opinion minor, being relevant only in the extreme case of company insolvency. 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 AGIL, LGI policyholders once they become AEI policyholders and ensure that they continue to be treated fairly.

2.5. Opinion of the 2nd Line Actuary

I have conducted a detailed assessment of the proposed Transfer, its likely impact on the different policyholder groups, on the companies involved and on the Assurant group.

I have assessed the proposed 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 being adversely affected is immaterial.

Therefore, in reference to the objectives of the report:

- Describe in detail the transferring business;

I conclude that I have a clear view of the incoming transferred business and confirm that it is in line with the Assurant group's strategic and operational plans.

- Perform actuarial analysis of the incoming portfolio to highlight its key features;

Having performed actuarial analysis, I conclude that the risk profile of AEI post-Transfer is similar to a combination of the existing risk profiles of LGI and AGIL pre-Transfer (with the exception that currency risk is significantly reduced).

- Set out the likely impact of the scheme on AEI's portfolio, reserving and solvency position, pre- and post-transfer;

I have obtained assurance as to the financial solidity of AEI post-transfer.

I have considered the risk posed by COVID-19 on the world economy including the illness and deaths of people, disruption in supply chains, unemployment and the additional volatility in financial markets. The full impact of this uncertainty and potential market movements has not been assessed in detail at present, but the risk is closely monitored by management and an addendum to this report will be provided if necessary.

- Provide assurance that the transferring business is well-understood, well-managed, and within the risk appetite of AEI;

I consider that the portfolio is well-understood, well-managed, and within the risk appetite of AEI. This includes the range of products offered, the range of customers served, the range of clients used to distribute products, and the commercial arrangements such as profit shares. This is reinforced since the transferring business already sits within the Assurant group and the same core management team and corporate resources will continue to be involved.

I have considered the broader risk management issues in relation to the underlying businesses and risk profiles of the transferred portfolio and existing portfolio, including an assessment of insurance risk, market risk, credit risk and operational risks. I am satisfied that the risk management framework, including governance of AEI, is of a high standard and will remain at the same standard after the incoming Transfer.

- Provide assurance that policyholders will not be adversely affected by the proposed Transfer.

I am assured that customers will be subject to fair treatment before and after the Transfer as no material change to the servicing and administration of the transferring policies is planned. I consider the loss of FSCS protection to be relatively immaterial compared with the benefit of the ongoing financial and operational security for policyholders achieved through the transfer and the very limited potential for an insolvency scenario arising.

3. Background

3.1. Scope of the Report

This report covers the general insurance policies of AGIL and LGI to be transferred to AEI and the portfolio of AEI after the incoming transfer. AEI is a general insurance company, recently authorised in the Netherlands to write a broad spectrum of lines of business to commercial clients and to the general public with policies covering business originated from many EEA countries. AEI is expected to be operational from 1 July 2020 and expects to receive the policies transferred from AGIL and LGI on 2 November 2020.

The legal entities from which the insurance policies will be transferred, the “**Transferors**”, are:

- Assurant General Insurance Limited (AGIL), based in the UK

AGIL is a general insurance company which writes various commercial lines of business. AGIL has policies covering business from many EEA countries (see list in appendix 1).

- London General Insurance Company Limited (LGI), based in the UK

LGI is a general insurance company, providing extended warranty and other insurance covers to the general public as well as commercial clients. LGI has policies covering business from many EEA countries (see list in appendix 1).

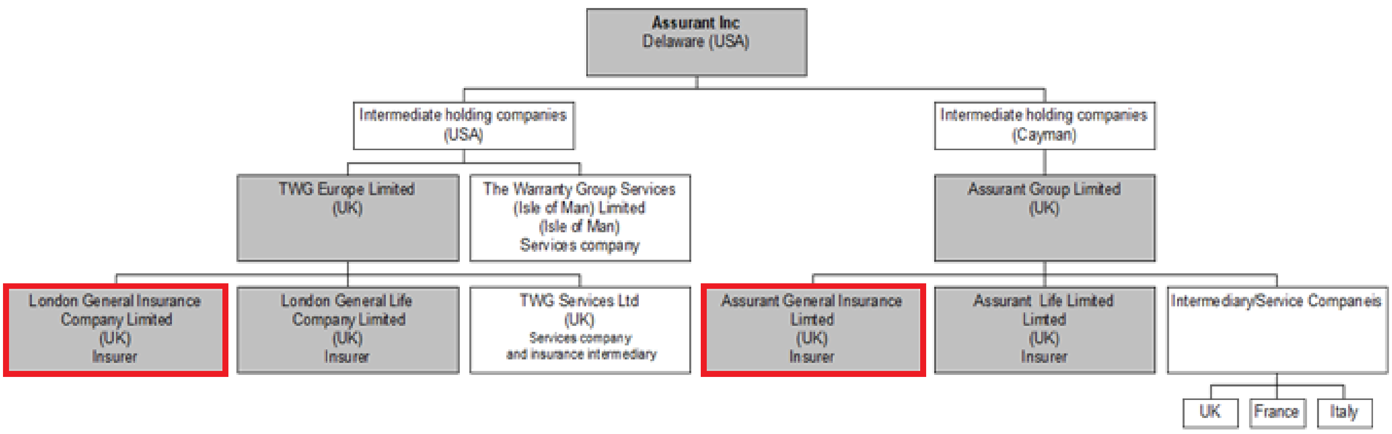
The legal entity to which the insurance policies will be transferred, the “**Transferee**”, is Assurant Europe Insurance NV (AEI), based in the Netherlands.

By construction, AEI will be a general insurance company writing a broad spectrum of lines of business to commercial clients and to the general public with policies covering business from many EEA countries (see list in section 4.1).

3.2. Legal Entity Structure

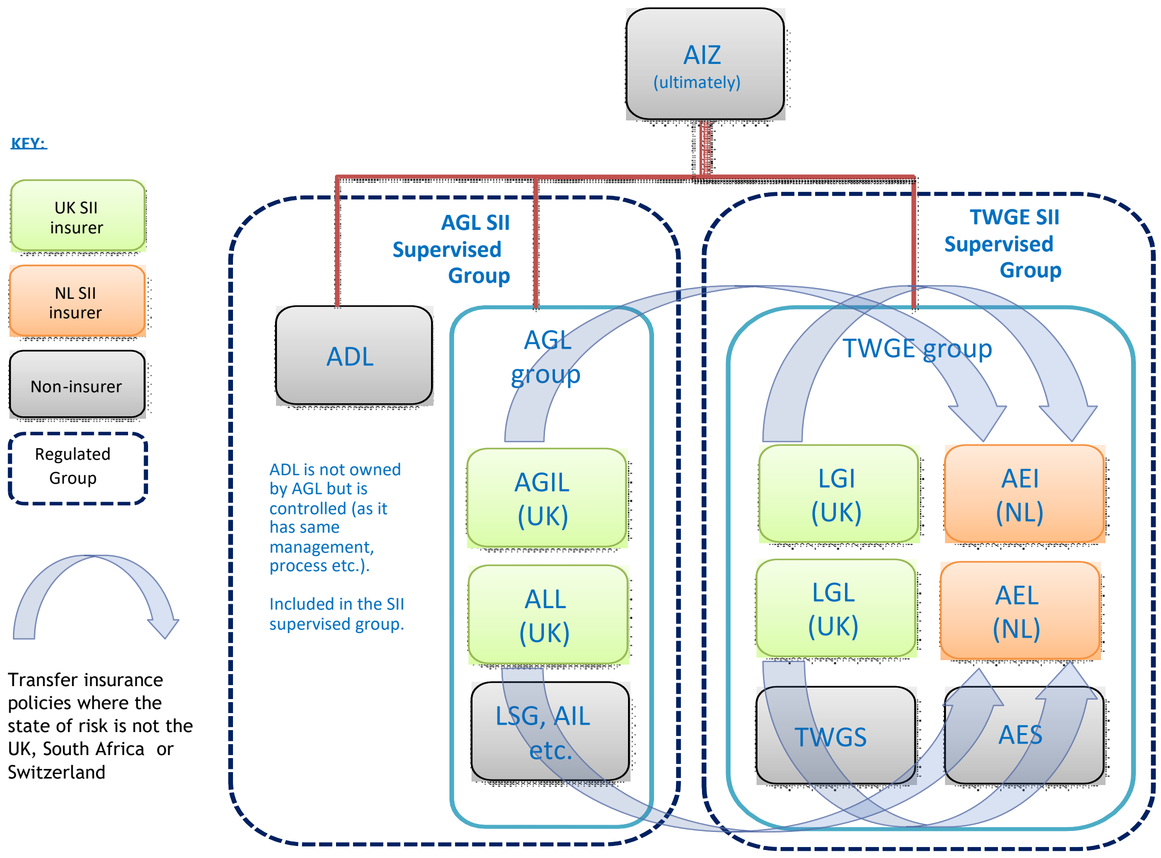
This section presents the structure of entities and ownership within the Assurant group pre- and post-transfer.

The first diagram below shows the corporate structure of Assurant Group before the Transfer, with the parties to the Transfer highlighted in red.



LGI is a direct subsidiary of TWG Europe Limited (TWGE) while AGIL is a direct subsidiary of the Assurant Group Limited (AGL). All are UK entities. Assurant, Inc., a company registered in Delaware (USA), is the ultimate parent of each entity.

The diagram below shows the corporate structure and the supervisory groups post-transfer.



All European insurance operations are conducted by entities that are subsidiaries of either Assurant Group (UK) Limited or TWG Europe Limited collectively known as Assurant Europe Group. AGIL is a wholly owned subsidiary of Assurant Group Limited, a limited liability insurance holding company incorporated in England and Wales. LGI is a wholly owned subsidiary of TWG Europe Limited, a limited liability insurance holding company incorporated in England and Wales. Assurant, Inc., a company registered in Delaware (US), is the ultimate parent of each entity.

During the Transfer, the EU27 (life) insurance policies of ALL and LGL will move to AEL, while the EU27 (non-life) insurance policies of AGIL and LGI will move to AEI. This report covers the Transfer into AEI. The Transfer into AEL is covered by a separate report.

Post-transfer, both AGL and TWGE still remain UK Groups and Solvency II regulated. However, TWGE will have some legal entities in the Netherlands, namely AEI, AEL and Assurant Europe Services B.V. (**AES**) while all of the insurance entities of AGL are UK domiciled.

Currently, and up to 31 December 2020 (being the last date of the transition period under of the Agreement on the Withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union), the EU's Solvency II regulatory regime continues to apply in the UK. Whilst it is not absolutely certain that Solvency II in its current form will continue to be the UK regulatory regime from 1 January 2021, it is a current working assumption made in this report that the UK will retain Solvency II after 31 December 2020. AGL and TWGE will continue to submit group reporting to the UK regulator, and at solo entity level, AEI and AEL will report to the Dutch regulator (DNB) while the other entities (AGIL, LGI, ALL and LGL) continue to report to the UK regulator.

4. Transfer of the Business, Assets and Liabilities

4.1. Transferred Business

The Part VII Transfer will move all insurance business written by AGIL and LGI where the state of risk is an EEA country, to AEI. Any business in the UK, Switzerland or South Africa will not be transferred.

The portfolio to be transferred constitutes:

- insurance policies,
- related reinsurance treaties, and
- all other related commercial contracts, the "B2B Contracts".

In some territories local legal requirements may require additional contractual documentation in addition to the formal Part VII Transfer and this will be documented in parallel to enable the contracts to be transferred fully to AEI.

AEI is a limited company incorporated in the Netherlands. It is registered in the trade register of the Dutch Chamber of Commerce under number 72959320. The registered office of AEI is at Paasheuvelweg 1, 1105 BE Amsterdam, the Netherlands. AEI has recently received authorisation from the DNB under *Wet op het financieel toezich* (the **Dutch Act on Financial Supervision**) to carry on general insurance business in the Netherlands in the following lines of business:

1. Accident
2. Sickness
3. Land Vehicles
4. Goods in Transit
5. Fire and natural forces
6. Damage to property
7. Miscellaneous financial loss

AEI intends to passport certain of its permissions referred to in this paragraph into the following EEA states: Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Poland, Portugal, Romania, Spain and Sweden.

4.2. Excluded Policies

The policies excluded from the Transfer are those policies written by AGIL and LGI with the state of risk being the UK, Switzerland and South Africa.

4.3. Transferred Liabilities

The technical provisions (excluding risk margin), on Solvency II basis of the incoming portfolio valued at YE2019 are summarised below, broken down by their originating legal entities and countries.

Gross

YE19 Gross TPs €000s **AEI (Back book)**	Transferred policies		
	AGIL	LGI	Total
Claims Provision	8,762	33,087	41,849
Premium Provision	14,366	40,127	54,493
Total	**23,128**	**73,213**	**96,341**

The breakdown by country/region is provided in the tables below.

Transferred policies from LGI - Gross Technical Provisions - Dec 2019 - €000's

	ITA	NLD	DEU	FRA	ESP	POL	BEL	Other	**Total**
Gross Premium Provision	13,947	2,649	9,296	(1,190)	7,438	3,437	304	4,245	40,127
Gross Claim Provision	2,958	26,393	399	475	617	615	1,132	498	33,087
Total	**16,906**	**29,041**	**9,695**	**(715)**	**8,055**	**4,051**	**1,436**	**4,744**	**73,213**

Transferred policies from AGIL - Gross Technical Provisions - Dec 2019 - €000's

	N.E	W.E	S.E	E.E	**Total**
Gross Premium Provision	1,608	11,779	1,355	(376)	14,366
Gross Claim Provision	441	3,615	3,504	1,203	8,762
Total	**2,049**	**15,393**	**4,859**	**827**	**23,128**

Ceded Business

Ceded TPs €000s **AEI (Back book)**	Transferred policies		
	AGIL	LGI	Total
Claims Provision	3,026	97	3,123
Premium Provision	896	(451)	446
Total	**3,923**	**(354)**	**3,569**

Note that the VSC Quota Share reinsurance is not applied to the LGI transferring portfolio in the Ceded reinsurance amounts quoted in this section.

The breakdown by country/region is provided in the tables below.

Transferred policies from LGI - Ceded Technical Provisions - Dec 2019 - €000's

	ITA	NLD	DEU	FRA	ESP	POL	BEL	Other	**Total**
Gross Premium Provision	(297)	4	(1,006)	224	703	(194)	46	69	(451)
Gross Claim Provision	20	0	1	31	32	(0)	34	(21)	97
Total	**(277)**	**4**	**(1,005)**	**254**	**735**	**(194)**	**80**	**48**	**(354)**

Transferred policies from - AGIL Ceded
Technical Provisions - Dec 2019 - €000's

	N.E	W.E	S.E	E.E	**Total**
Gross Premium Provision	1,640	(211)	(121)	(411)	896
Gross Claim Provision	370	36	1,418	1,203	3,026
Total	**2,010**	**(175)**	**1,297**	**792**	**3,923**

I have no reason to believe that either the Solvency II technical provisions or GAAP reserves lie outside a range of reasonable best estimates.

In addition, I have concluded that, whilst I consider that elements of the reserving at year end 2019 and the roll-forward to 30 September 2020 may err on the side of caution, I do not consider the best estimate reserves for the Transferring portfolios to lie outside the range of plausible outcomes.

4.4. Transferred Assets

Assets will be transferred to AEI alongside the liabilities with the aims of;

- AEI being able to fulfil the obligations under the transferred policies,
- Not making profit or loss from the Part VII transaction, and
- Maintaining a strong capital position (target solvency ratio of not less than 140%).

At this stage, only the total monetary value of the assets to be transferred to AEI is forecasted, but not the breakdown into asset classes or individual instruments. However, at present the view is that for AGIL the Transfer should be of mainly investment assets held by Aberdeen Asset Management and for LGI, it will be bonds held by Blackrock. Generally, investment assets are held for premium provisions and long-term claims provisions while cash is held for a proportion of claims provisions due in a relatively short term. Note that other assets, mainly receivables, will also be transferred.

The monetary value of the transferred non-reinsurance related assets (cash, investment instruments and receivables) post-Transfer is forecasted to be:

- €205.4m without COVID impact or €203.4m with COVID impact, on the “as if YE2019” basis;
- €202.4m at the Effective Date (with COVID impact).

The transferred assets will add to the existing assets from the front book in AEI’s portfolio.

It is noted that the group employs asset/liability management whereby the duration of assets and the duration of liabilities are matched, and this will be taken into consideration when moving assets and liabilities during the Transfer so that the assets and liabilities of AEI post-Transfer are matched in duration. AGIL has short-term liabilities and assets, while the assets and liabilities of LGI are of a relatively longer term. The investment strategy of AGIL and LGI pre- and post-Transfer will be broadly the same and it is likely that the same asset managers will administer AEI’s portfolio, following the same Assurant Group investment philosophy. After the Transfer there will remain residual trading assets and liabilities between LGI, AGIL and AEI, and these are covered by indemnity between the companies (where needed).

4.5. Mandates and other payments

All premiums payable on and after the Effective Date in respect of the transferred policies, if any, shall be payable to AEI.

Any direct debit mandate, standing order or other instruction or authority in force at the Effective Date (including, without limitation, any instructions given to a bank by its customer in the form of direct debit or standing order) that provides for the payment by a bank or other intermediary of premiums or other amounts payable to AGIL or LGI under any transferred policy shall thereafter take effect as if it had provided for and authorised such payment to AEI.

Any mandate or other instruction in force on The Transfer Date as to the manner of payment of any sum payable by AGIL or LGI under any of the Transferred Policies shall, on and from The Transfer Date, continue in force as an effective authority to AEI.

5. Financial Position Before and After the Transfer

5.1. Key Assumptions used in Forecasting

In this report, the Transfer has been assessed at two points in time, at “as if” YE19 and “as at” Q320, with different assumptions made for each point in time basis.

“as if” Year End 2019 assumptions

Subject to Court approval, the actual Transfer will take place on 2 November 2020. In this report, the financial assessment of the “as if” Transfer has been performed on the year end 2019 (YE19) financial position, as this is the last set of booked and audited financial statements. In addition, we have stressed the “as if” Transfer financials at YE19 with the impact of COVID-19.

In order to assess AEI’s financial position, pre- and post-Transfer forecasted balance sheets of AEI have been constructed by Finance as at Year End 2019 (YE19) in a joint effort with the Actuarial function. The key assumptions used in constructing these balance sheets are:

- Pre “as-if” Transfer balance sheet and capital for AEI are pro-forma balance sheet and capital constructed using information from the YE19 balance sheets of AGIL and LGI.
- Post “as-if” Transfer balance sheet and capital for AEI have been constructed as pro-forma using existing information from the YE19 balance sheets of AGIL and LGI and information about the liabilities and assets to be transferred valued as at YE19.
- Insurance contracts transferred to AEI from AGIL and LGI at book value (GAAP basis), for no profit or loss (equal total amount of liabilities and assets to be transferred).
- AEI starts with €40m (£35.1m) capital on 31 December 2019 and immediately receives the Transferred business from AGIL and LGI, and an additional €29.4 m (£26m) also on 31 December 2019[1].
- Assets and Liabilities likely to be transferred, using Q419 balances as proxy:
    - Financial investments
    - Debtors (including Reinsurance)
    - Cash and cash equivalents
    - Technical Provision
    - Creditors (including Reinsurance)

In more detail:

Technical Provisions

- Unearned Premium Reserve (UPR), Deferred Acquisition Cost (DAC) and Claim Reserves movements are derived from movement in the P&L. e.g. written premium less earned premiums = movement Unearned Premium Reserve
- Solvency II Technical Provisions (TPs) are computed using a Technical Provision model built in the Willis Towers Watson platform (Igloo) and reconciled to the GAAP/IFRS provisions
- The policies related to the Transferred Business are clearly identified and their TPs have been calculated from the YE19 results of AGIL and LGI. The TPs for the Transferred Business are the TPs of the EU countries of AGIL and LGI in the TPs breakdown as at YE19.

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[1] The initial €40m have been already allocated to AEI as part of the application to the DNB, while the second capital injection of €29m will be received by AEI before the High Court hearing.

- The impact of COVID-19 has been allowed for in the incoming transferring TPs by applying an uplift of 3% for LGI and 2% for AGIL, based on a combination of quantitative and qualitative information about the footprint of disease and its likely financial impact on AGIL and LGI businesses and overlaid with expert judgment.

Assets

- Assets are valued as mark to market. A reduction of incoming transferring assets value of 5% on AGIL and 3% on LGI has been assumed to allow for the impact of COVID-19. The -5% and -3% have been derived by looking at the actual performance of assets up to the end of the first quarter of year 2020 and making a judgment.

Debtors and Creditors

- AEI Debtors and Creditors for premium, commission and claims have been calculated using a weighted factor of relevant Debtors and Creditors of AGIL and LGI.

Capital injection

- Initial share capital injection of €40m to AEI assumed to be made on 31 December 2019 for the purpose of the "as-if" assessment as at YE19, prior to the "as-if" Transfer
- Second share capital injection of €29m to AEI to support the Transfer made on 31 December 2019, immediately after the "as-if" Transfer
- Balancing amount of cash (or cash equivalent investments) will be transferred so that the Transfer is not at profit or loss on GAAP basis, to account for any additional tax impact and to ensure AEI SCR coverage is not less than the target 140%
- The funding of the initial capital injection of €40m to AEI comes from a budget set aside for the Part VII project by Assurant Inc and in which LGI has provided funds from dividend payments in 2018. However, the funding of the second capital injection of €29m to AEI will come from LGI as dividend payment in year 2019 to Assurant Inc that reinvests the money into AEI.
- Any additional assets necessary to hold to cover to COVID-19 impact will be funded either from parent Assurant Inc. in the US or by increasing the dividend paid by LGI at YE19.

Capital

- The SCRs of AEI have been calculated using the Solvency II Standard Formula.
- The SCRs before the "as-if" Transfer are the SCRs as at YE19, and the SCRs after the "as-if" Transfer have been estimated

"as at" End Q320 assumptions

The main differences in assumptions between the YE19 "as-if" Transfer assessment and the end Q320 Transfer assessment are:

- For Q320, "Two bucket approach" is assumed whereby AEI starts writing new business (after Front Book Business transfer) from new clients or new products, other than existing clients or existing products from AGIL and LGI, on 1 July 2020 and Part VII transfer of portfolios from AGIL and LGI to AEI (Back Book Business) on 2 November.
- For Q320, the capital injections take place at different dates rather than all happening on 31 December 2019 in the "as-if" Transfer.
    - Initial share capital injection of €40m to AEI is allocated and in place when the DNB gives the go-ahead for AEI to function and write new business from 1st July 2020.
    - Second share capital injection is €29m to AEI to support the Transfer and will be in place before the High Court hearing. Note this is different to the sum injected in the "as if" scenario.
- The SCRs are based on the ORSA work and on the DNB application report.
- The volume and mix of business planned to be written in 2020 by AGIL, LGI and AEI will be impacted by COVID-19.

Note that the Q320 assumptions and assessment are closer to the actual Transfer timeline, assumptions and business environment. The YE19 assessment is a pro-forma assessment done for the purpose of consistency with the latest publicly available financial information of AGIL and LGI.

Impact of COVID-19 assumptions

The assumptions about the impact of COVID-19 discussed in this section apply on the liabilities and assets exposures when doing COVID-19 stress as at YE19 and when doing the financials as at Q320.

In assessing the likely impact of COVID-19 pandemic outbreak on the liabilities, we have considered the mortality increase (mainly of the over 70s), the increase in unemployment, the disruption of supply chains and its impact on cost of repairs of gadgets and cars, the loss of asset values across stock exchanges across the world and the general economic slowdown. Note that the COVID-19 situation is still unfolding and there is uncertainty to what the ultimate impact of COVID-19 will be on the liabilities and also on the assets side of the balance sheet.

The impact of COVID-19 on the liabilities of AEI is assumed to be an uplift to the Technical Provision for the incoming Transferring portfolio by 3% for LGI and 2% for AGIL. These impacts have been derived by a combination of qualitative information and quantitative assessments of movements in claims in the first quarter of 2020. The impact of COVID-19 on the assets of AEI is assumed to be a reduction in the values of incoming Transferring Portfolio of assets by 5% for AGIL's short term assets and 3% for LGI's assets which have a longer term. The impacts on the assets is based on actual movements in assets values observed in the first quarter of year 2020.

In assessing the likely impact of COVID-19 pandemic outbreak, we have considered the mortality increase (mainly of the over 70), the increase in unemployment, the disruption of supply-chains and its impact on cost of repairs of gadgets and cars, the loss of assets values across stock exchanges across the world and the general economic slowdown. Note that COVID-19 situation is still unfolding and there is uncertainty to what the ultimate impact of COVID-19 will be on the liabilities and also on the assets side of the balance sheet.

We note the following non exhaustive list of remarks with regards to insurance liabilities:

Creditor - Mortgage Protection

COVID-19 has increased mortality of (mainly) the over 70s. However, at that end of the age spectrum, policyholders with Mortgage Protection might be nearing the end of their policy term and the sum assured (generally the remaining mortgage liability) is relatively not material. Most mortgage lenders do not lend with terms going over the age of 75. The products offered by AGIL and LGI generally stop at age 65. Therefore, the impact on Mortgage Protection might not be material.

Creditor – Personal loans, consumer loans, car finance, etc.

Due to the general economic slowdown and the increase in unemployment, there will be pressure on households' finances and there might be an increase in missing payments and defaults on personal finance loans insured by LGI and AGIL in their Creditor books.

Creditor – Unemployment, Disability, Illness

There is an increase in unemployment due to the economic slowdown induced by COVID-19 and AGIL/LGI policyholders might be affected. The income protection policies sold by AGIL/LGI are generally protecting for unemployment due to specific personal health reasons and also for economic downturn reasons. Therefore, there might be a significant number of policyholders likely to claim, i.e. those who lost their jobs because they contracted COVID-19 infection, and those who lost their jobs because their company had to lay off staff due to slowing down of business. However, the income protection policies generally have exclusions, or they specify the type of disease that can be claimed against, the period of illness, etc. Nevertheless, it is expected that overall, there will be some significant claims coming through under the income protection policies for unemployment, illness or disability as the full health impact of COVID-19 is very uncertain and many claims might qualify under the terms of the income protection policies. This eventuality is allowed for through the Technical Provisions stresses of 3% for LGI and 2% for AGIL.

Motor – GAP[2]

The economic downturn might affect the second-hand car market whereby the market value of cars might drop, thus increasing the loss to Assurant where cover for GAP insurance was provided. On the other hand, less cars on the roads due to the restrictions on people's mobility means less accidents and less loss of values for cars.

Mobile Phones

Cost of repairs will increase as supply chains are disrupted. Also, frequency of claims might be impacted. Very early observation from claims indicates a decrease in claims frequency for mobile phones insurance and an increase in severity, therefore inferring a broadly neutral impact on mobile phone incurred claims. However, it is too early to have a clear view on the ultimate impact on claims.

5.2. Forecasted Financial Positions

In this section, the forecasted financial impact of the incoming transfer of insurance policies is presented in terms of balance sheet on GAAP and Solvency II basis and Solvency II capital requirements pre- and post-transfer. The Transfer date is assumed to be 2 November 2020 subject to court approval.

However, the financial assessment of the Transfer has been performed at the end of quarter three (Q320) as business produces financial information only at quarter end. The report did not attempt to roll forward the Q320 position by one month to do a valuation as at 2 November 2020 as it is assumed there will not be a material difference; therefore, pre-transfer position relates to end Q320 and post transfer position relates to end "Q320 + impact of transfer".

The financials have been constructed with the following constraints:

- The post-transfer ratio of Own Funds to SCR must not be less than 140%
- The Transfer must be at zero profit or loss on GAAP basis (i.e. the liabilities and assets to be transferred must be equal)
- Other Assets balance sheet line used as the balancing item

The projections also assume continued profitable (or near profitable in the case of the French business) performance with inflation typically of around 2% in the main non-motor classes.

The financials have been forecasted in a joint effort by the actuarial and finance teams, starting with the year-end 2019 position and rolling it forward to Q320, allowing for planned business actions (e.g. the Transfer of clearly identified liabilities and equivalent total amount of assets, cash injection, etc.), adjustments from actual versus expected movements of the first few months of 2020 where necessary, impact of COVID-19 on assets and liabilities, and overlaying with expert judgment where needed.

The financials in this report are quoted in Euro. However, these financials were initially generated in GBP and translated to Euro using a single FX rate for simplicity, whereby 1 GBP = 1.1395 Euro.

5.2.1. Year End 2019 Basis

AEI
"as if" YE19 without COVID-19

GAAP balance sheet (€m)	Before Transfer	Impact of Transfer	PVII Sh Cap Inj	After Transfer
Assets:				
Cash	40.0	0.0	0.0	40.0
Investments	0.0	85.0	29.4	114.3
DAC	0.0	45.6	0.0	45.6
Ceded technical provisions	0.0	16.5	0.0	16.5

[2] Note that Motor GAP product is only sold in the UK for UK clients and is not part of the transferring portfolio; it is included here for information only.

Other assets	0.0	40.4	0.0	40.4
Total assets	**40.0**	**187.5**	**29.4**	**256.9**
Liabilities:	0.0	0.0	0.0	0.0
Gross tech provisions (excl. risk margin)	0.0	167.6	0.0	167.6
Risk margin	0.0	0.0	0.0	0.0
RI DAC	0.0	3.7	0.0	3.7
Other liabilities	0.0	16.2	0.0	16.2
Total liabilities	**0.0**	**187.5**	**0.0**	**187.5**
Excess of assets over liabilities	40.0	0.0	29.4	69.4

AEI **Solvency II balance sheet (€m)**	Before Transfer	Impact of Transfer: Methodology Adjustment	Impact of Transfer: Back Book Portfolio	PVII Sh Cap Inj	After Transfer
Assets:					
Cash	40.0	0.0	0.0	0.0	40.0
Investments	0.0	0.0	85.0	29.4	114.3
DAC	0.0	0.0	0.0	0.0	0.0
Ceded technical provisions	0.0	0.0	3.6	0.0	3.6
Other assets	0.0	8.7	38.8	0.0	47.5
Total assets	**40.0**	**8.7**	**127.3**	**29.4**	**205.4**
Liabilities:	0.0	0.0	0.0	0.0	0.0
Gross tech provisions (excl risk margin)	0.0	8.7	96.3	0.0	105.0
Risk margin	0.0	0.0	8.0	0.0	8.0
RI DAC	0.0	0.0	0.0	0.0	0.0
Other liabilities	0.0	0.0	16.2	0.0	16.2
Total liabilities	**0.0**	**8.7**	**120.5**	**0.0**	**129.3**
Excess of assets over liabilities	40.0	0.0	6.8	29.4	76.1

AEI **“as if” YE19 without COVID-19** Capital	**Before Transfer**	**After Transfer**
Eligible Own Funds (€m)	40.0	76.1
Solvency Capital Requirement (SCR)	0.0	49.6
SCR %	**n/a**	**154%**

- The TPs transferred to AEI are made of 75% TPs from LGI and 25% TPs from AGIL on GAAP basis. The dynamics of AEI liabilities immediately after the Transfer will be driven by the liabilities coming from LGI but there will be a good degree of diversification provided by the portfolio coming from AGIL (and also from the new business written by AEI from the front book in the actual Transfer). As AEI writes more new business going forward, the business composition might change.
- Methodology adjustment - In the balance sheet, LGI presents TPs on the liability side, net of premium (receivable, past due) while AGIL presents TPs gross of premium (receivable, past due) on liability side and book premium (receivable, past due) on the asset side, in Other assets (receivables). The presentation of the transfer of TPs to AEI needs to be done consistently between AGIL and LGI and this is done by adopting the AGIL presentation, which implies reshuffling LGI TPs between the liability part and the asset part. There is no impact on the Own Funds, as essentially, both sides of the balance sheet have been adjusted by the same amount, i.e. adding back the relevant premium to the TPs on the liability side to make it gross of premium and adding the same premium amount in Other assets on the asset side.
- AEI forecasted SCR ratio upon completion of the “as-if” Transfer is 154%, well above the target of 140%

In conclusion, the Transferring portfolio coming from AGIL and LGI to AEI will benefit from the strong capitalisation of AEI. Moreover, as AEI business continues quarter on quarter, profit will be generated as it has been the case when the Transferring business was in AGIL and LGI, and this will build up Own Funds progressively. This view is supported by the ORSA forward-looking assessment of AEI that forecasts a SCR ratio of 146% at YE20 and 166% at YE21 for AEI.

5.2.2. Year End 2019 with COVID-19 impact

AEI **"as if" YE19 with impact of COVID-19** Solvency II balance sheet (Euro m)	Before Transfer	Impact of Transfer		Additional Assets transferred for Covid	PVII Sh Cap Inj	After Transfer	After Transfer (no additional assets for COVID-19)
		Methodology Adjustment	Back Book Portfolio				
Assets:							
Cash	40.0	0.0	0.0	0.4	0.0	40.4	40.0
Investments	0.0	0.0	82.2	1.5	29.4	113.1	111.6
DAC	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ceded technical provisions	0.0	0.0	3.6	0.0	0.0	3.6	3.6
Other assets	0.0	8.7	39.5	0.0	0.0	48.2	48.2
Total assets	**40.0**	**8.7**	**125.3**	**1.9**	**29.4**	**205.3**	**203.4**
Liabilities:							
Gross tech provisions (excl risk margin)	0.0	8.7	99.0	0.0	0.0	107.7	107.7
Risk margin	0.0	0.0	8.0	0.0	0.0	8.0	8.0
RI DAC	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	0.0	0.0	16.2	0.0	0.0	16.2	16.2
Total liabilities	**0.0**	**8.7**	**123.2**	**0.0**	**0.0**	**131.9**	**131.9**
Excess of assets over liabilities	40.0	0.0	2.1	1.9	29.4	73.4	71.5
Adjustments							

AEI

Capital	**Before Scheme**	**After Transfer**	**After Transfer (no additional assets for COVID-19)**
Eligible Own Funds	40.0	73.4	71.5
Solvency Capital Requirement (SCR)	0.0	49.6	49.6
SCR %	**n/a**	**148%**	**144%**

- AEI forecasted SCR ratio upon completion of the "as-if" Transfer allowing for the impact of COVID-19 is 148%, well above the target of 140%. If the additional Euro 1.9 m for the impact of COVID-19 is funded by AEI, the SCR ratio is 144%.

In conclusion, the "as-if" Transfer is resilient to the risk posed by COVID-19, as the resulting SCR% is still strong, even if the additional assets of Euro 1.9 m required for COVID-19 impact is funded by AEI.

5.2.3. Q32020 with COVID-19 impact

The roll forward of capital position of AEI to Q320, on before and after Transfer basis can be found in the table below. This roll-forward to Q320 allows for the expected evolution of the planned business of year 2020 of AGIL, LGI and AEI (business written with Front book) and includes the impact of COVID-19 (with a Q320 view).

Q3 20 With COVID-19			
AEI Q320 with impact of COVID-19	Before Transfer	After Transfer	After Transfer (no additional assets for COVID-19)
SCR %	170%	151%	146%
target	140%	140%	140%

The Q320 position assumes the impact of COVID-19 on the incoming transferring TPs to be a 3% uplift in LGI's gross TPs and 2% in AGIL's gross TPs. The volume and mix of business written will also be impacted. The impact on incoming transferring assets is a 5% drop in assets value for AGIL's assets and 3% drop for LGI's assets.

Additional assets totalling €2.4m (the additional asset for COVID-19 was €1.9m at YE19) have been injected to AEI to cover for the impact of COVID-19 at Q32020 and as a result, the AEI SCR ratio that was projected to be 170% before the Part VII Transfer is projected to be 151% post-Transfer. Note that the SCR ratio of 170% before Transfer was only based on Front book assets and capital of €40m and three months of new business written by AEI. Therefore, the Before Transfer position is not representative of AEI portfolio going forward, as it was a transitional state of the business, with only a small proportion of liabilities with a large asset base. If the additional asset of €2.4m necessary to cover the COVID-19 impact is financed by AEI, the SCR% drops to 146%. However, it is understood that the additional €2.4m will come from LGI and the dividend paid by LGI will increase in that case.

On a roll-forward Q320 basis and allowing for the impact of COVID-19, the SCR ratios are all above 100% and well above their individual targets.

In conclusion, the incoming Transferring and existing (if any) policyholders of AEI benefit from strong capitalisation post Transfer. As discussed in the conclusion of the YE19 paragraph above, the SCR ratio of AEI is projected to improve with time and it is forecasted in the ORSA to be 146% at YE20 and 166% at YE21.

6. Reinsurance

Generally, Assurant Europe does not rely upon reinsurance as a key insurance risk management tool. However, as part of the overall commercial structure of the relationship, certain client relationships do use reinsurance. These client-specific reinsurance arrangements are inherited from AGIL and LGI and will also be in place between AEI and those clients when the policies are transferred to AEI. It is not foreseen that the terms of these reinsurance arrangements will change, only the name of the cover provider might change.

Note that the LGI Quota Share reinsurance with Virginia Surety Company (a US entity of the Assurant Group) has not been carried over to AEI, and the EU policies of AEI are transferred net of other reinsurance, but gross of the Quota Share.

6.1. Reinsurance relating to Individual Clients

Reinsurance with individual clients can arise in various ways. As part of the commercial negotiations with a client, it is sometimes agreed that Assurant cedes a certain proportion of the underwriting risk to the client's preferred captive or external insurance partner by way of reinsurance. Alternatively, there may be elements of the product offering for which Assurant has limited underwriting experience or appetite. In such situations Assurant will seek to utilise reinsurance arrangements to manage the risk and share the underwriting returns with the client.

The client-specific reinsurance contracts will be transferred to AEI within the Part VII transfer mechanism. This is not foreseen to materially impact the books as the terms of the contracts will remain the same, only the name of the ceding insurer will change.

7. Determination of Capital Requirements

LGI and AGIL capital is managed on two distinct bases - regulatory capital and ORSA view of economic capital;

- the regulatory capital requirement (**SCR**) plus an appropriate risk appetite buffer
- the economic view of capital required (**ECR**). This is essentially the ORSA capital requirement, the internal view of capital.

AGIL regulatory capital is calculated using the Solvency II Standard Formula. AGIL business is short-term, low volatility business concentrating on a small number of general insurance products and the Standard Formula is deemed appropriate for calculating the regulatory capital. For the ORSA capital, AGIL uses a model built in Remetrica.

LGI regulatory capital is calculated using the Solvency II Standard Formula with an Undertaking Specific Parameter (USP) to account for the specific nature of the business written by LGI. The internal view of capital, the ORSA view of economic capital, is calculated by a model combining Solvency II and Igloo model runs.

AEI capital management will follow the same approach, i.e. it will be based on the Standard Formula for the regulatory capital (SCR), risk appetite buffer and internal (ORSA) view of capital. For the avoidance of doubt, AEI does not currently intend to apply to utilise a USP as it will take several years for AEI's data set to develop sufficiently to allow a USP to reflect its risk profile. AEI intends to set a risk appetite buffer at 140%, meaning that the actual SCR ratio will be above 140%, which is a strong capital position and is in line with AEI's Capital Management Policy.

7.1. Capital Position

YE 19

For the "as-if" Transfer as at YE19 (without the impact of COVID-19), the capital position of AEI is as follows:

€m	Pre-transfer (as at YE19)	Post transfer (as at YE19 + impact of Transfer)
Eligible Own Funds	40.0	76.1
Regulatory SCR	0.0	49.6
SCR%	n/a	154%
Risk Appetite buffer target	140%	140%
Surplus (over the target buffer)	40.0	6.7

There has been an initial capital injection in AEI of €40m before the Transfer and €29m immediately after the Transfer[3] and the SCR coverage is 154% for AEI post-Transfer, which is well above the minimum target of 140%.

Roll forward to Q320

We have rolled forward the financial assessment of the incoming Transfer to AEI to the end of Q320 to present the view of capital to the last quarter end before the actual Transfer.

At Q320, before and after the incoming Transfer, the SCR, risk appetite buffer and economic view of capital of AEI are as follows:

€m	Pre-transfer (as at Q320) With impact of COVID-19	Post transfer (as at Q320 + impact of Transfer) With impact of COVID-19
Eligible Own Funds	34.4	74.8
Regulatory SCR	20.2	49.6
SCR%	170%	151%
Risk Appetite buffer target	140%	140%
Surplus (over the target buffer)	6.1	5.4

[3] In the "as-if" Transfer scenario, the initial cash injection of 40m Euro and the additional cash injection of 29m Euro made before and after the Transfer to AEI are assumed to take place the same day, on 31 December 2019. However, in the actual Transfer process, the initial cash injection of 40m Euro has been allocated during the submission to the DNB for authorization of AEI. The second capital injection of 29m Euro will be made before the High Court hearing.

It can be seen from the table above that AEI is well capitalised and remain strongly capitalised after the incoming Transfer.

The projected capital position as at Q320 takes into account our views of how the business plan of 2020 will unfold and also incorporates our assumptions with regards to the impact of COVID-19. In the roll-forward assumptions, AGIL writes some new business in 2020 while LGI volumes are assumed to reduce (because of run off of Creditor book) up to the Transfer. These assumptions are consistent with the business strategies of AGIL and LGI as AGIL is increasing its “Connected Living” portfolio while LGI is de-risking by exiting progressively the Creditor business that was a significant part of LGI’s portfolio. In addition, we have assumed that COVID-19 will impact the volume and mix of business written in 2020. The combined impact of the assumptions made for Q320 position result in a reduction in Own Funds while the SCR remains at the same level; therefore, a reduction if the SCR coverage ratio from YE19 position.

8. Exchange Rate Impact

The Transfer will move the Euro liabilities and assets to AEI where the front book will already be in Euro, therefore there is no FX impact on the incoming transfer. However, AEI being a subsidiary of a UK group, TWGE, there will still 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

Before the incoming portfolio, AEI business profile will be made of the new business written from 1 July 2020 and that new business is currently unknown. However, it will include European originated business covering mobile phone and auto insurance for new clients or new products, i.e. not existing clients or products of AGIL and LGI. The impact on AEI risk profile post Transfer will be dominated by the incoming portfolio from AGIL and LGI. There will be some diversification as the short tail business of AGIL mixes with long tail business of LGI and both mix with the new business written by AEI in the front book. As a result, AEI risk profile will be well diversified.

9.2. Legal Risk to Policyholders

AGIL and LGI have clearly identified the transferring policies, assets, liabilities and the possibility of a delay in policies transferring if there is any delay in the 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.

Linked Policies	**Linked (LGI + LGL)**
Netherlands	249
Belgium	3,591
Grand Total	**3,840**

After the Brexit transition period, to provide legal service to policyholders, the Transfer will need to have been implemented. Hence the act of carrying out the Transfer is positive from a policyholder protection standpoint as it is the only way identified that guarantees that Assurant can continue to service the run-off business in the EU27 after 31 December 2020.

9.3. Policy Terms and Conditions

After the Transfer, the Transferring policyholders will have a policy with AEI rather than AGIL or LGI. There is no other significant change in the terms of the existing policies being transferred from insurance liability point of view. However, certain client reinsurance and business relations contracts (B2B contracts) might require adaptation, depending on the legal framework of transferability. This does not impact the terms and conditions of policyholders.

9.4. Policy and Claims Administration

Following the implementation of the proposed Transfer, AEI would be responsible for the administration and servicing of Transferred Policies. The policy and claims administration of AEI will be handled by Assurant Europe Services BV (AES), a service company similar to the existing arrangements through TWG Services Limited (TWGS) to service the existing policies of TWGE. AEI will make use of the same internal resources as AGIL for its administration and servicing of policies.

AGIL and LGI manage all of their servicing relationships in accordance with the European Operations Outsource Oversight Framework, which applies across Assurant Europe Group (AEG). This framework sets out the roles and responsibilities in relation to the outsourcing of services, the controls in place to monitor outsource providers and the governance structure surrounding the management of outsourcing.

In addition, AEG maintains a number of group-wide policies covering customer-facing services in order to ensure consistent customer service and fair treatment of customers across AEG. These policies cover aspects such as product governance, complaints handling, claims management and treating customers fairly.

As is the case for AGIL and LGI, AEI is part of AEG and therefore AEI's approach to administration and servicing will be consistent with the approach used across AEG. In particular, AEI will manage all of its servicing relationships in accordance with the European Operations Outsource Oversight Framework, which applies across AEG. TWGS will continue to do so for the non-transferring policies after the Transfer for LGI.

It is therefore not anticipated that there will be material changes in expense levels or any change in quality of service of policy and claims administration as a result of the Transfer that would create an adverse impact to the policyholders being transferred. Notwithstanding the change of service provider, the same resources and staff will be used to provide the service before and after the Transfer as the service providers remain within the same corporate group.

9.5. Communication Strategy

There are four strands to the communication strategy relating to the Transfer:

(1) notify transferring policyholders and other affected parties (by email or by post);

(2) publish formal notices in newspapers/gazettes in the relevant territories;

(3) seek a waiver from the notification requirements for non-transferring policyholders or where direct policyholder notification is impractical; and

(4) seek a waiver from newspaper/gazette notices in EU territories other than those relating to the transferring policies.

It might not be possible to reach out to each and every policyholder due to various factors such as change of address and non-responding contact details. Therefore, a proportionate and reasonable approach is expected to be taken, including seeking a waiver from the requirement to notify non-transferring policyholders

Assurant does not propose to contact policyholders whose policies are not transferring, policyholders of expired policies and policyholders whose current contact information cannot be readily confirmed. For such policyholders, reliance will be placed upon the notices to be published in the national publication(s) in each relevant territory and notice to the relevant clients and intermediaries through whom the policies were sold.

AEI may write some new policies in the period prior to the Effective Date, but this is uncertain. If AEI does write any new policies during this period, it will direct any prospective policyholders to the Transfer Website and the information and documentation about the Transfer that is available there. Any prospective policyholders will, therefore, be provided with sufficient information about the Transfer through this communication channel.

The aim is to notify all policyholders through direct or indirect notices. It is noted that this might trigger an awakening of dormant claims. However, the claims liability estimation has already included an allowance for late reporting of claims and no additional provision is needed. The review of the reserving for the purpose of the Transfer has not detected any material deviation from best practice in the current reserving and roll-forward assumptions; therefore, the reserves are deemed sufficient.

9.6. Benefits Expectation

There is no foreseen change in policyholder benefits after the incoming Transfer as all policy terms and conditions and administration arrangements will remain fundamentally the same for the policies coming into AEI from AGIL and LGI.

Application of policy terms and conditions and exercise of appropriate management discretion in dealing with claims is not anticipated to change as all parties remain part of the same Assurant Europe Group and apply consistent corporate policies (such as Product Governance and Treating Customer Fairly)

Note that the purpose of the Transfer is not for commercial gain. Brexit means that (based on current legal provisions) AGIL and LGI, as UK authorised insurance undertakings, will no longer have the ability to effect contracts of insurance in the EEA and are unlikely to be able to continue to carry out those contracts of insurance that were originally sold in EEA Member States after the expiry of the Transition Period, due to their inability to continue to "passport" into those jurisdictions under the relevant provisions of the Solvency II Directive. Thus Assurant Europe Group has established a new Dutch insurer, Assurant Europe Insurance NV, (which has recently been granted authorisation by the DNB as referred to in section 1 above) to enable existing business of AGIL and LGI to be serviced within Assurant Europe Group and for similar new business to be conducted after Brexit.

In the case of the Transferring creditor business of LGI, this is understood to consist of policies written in conjunction with life insurance policies of London General Life Company (LGL). A creditor policy written conjointly by LGL and LGI consists of single document referring separately to LGL and LGI. With this in mind, in order to be effective in respect of the creditor business, this incoming Transfer will need to be made for both the Non-Life (AGIL/LGI to AEI) and Life (ALL/LGL to AEL) schemes concurrently and hence both schemes will need to proceed in order for this incoming transfer to be fully effective.

Based on the planned capital and solvency management of AEI (which includes a letter of undertaking for support from the parent company of AEI) this is not deemed to be a material issue. I emphasise that the Transfer is being pursued because of Brexit and not for commercial gain. The loss of FSCS is a consequence of AGIL and LGI having to implement the Transfer as they may not be able to lawfully carry on the Transferring Business after the transitional period.

9.7. Treating Customers Fairly

Post Transfer, the policyholders of AEI transferred from AGIL and LGI will benefit from the same level of administration services as they did under AGIL or LGI. The Assurant Europe Group of companies follow the same processes and culture of customer service in accordance with corporate policies established at a group level.

Therefore, the Transfer will have no significant impact on the treatment of incoming transferring policyholders from AGIL and LGI to AEI.

9.8. Consumer Protection Schemes

Post-transfer, the Transferred policyholders to AEI will continue to benefit from European laws, especially GDPR and other consumer protection laws. There is uncertainty with regards to cross-border data transfer in the event of a no deal Brexit, post 31 December 2020; however, the Transfer will be completed well before the Brexit deadline. Post-transfer, the two new legal entities, AEI and AEL, will be part of TWGE, a UK Group. The issue of cross border data transfer will impact TWGE.

There is a difference in policyholder protection in relation to insurer insolvency arising from the transfer. There is no equivalent to the UK Financial Services Compensation Scheme in the Netherlands to protect policyholders of Dutch insurers in case of insolvency. Thus, nominally the incoming transferring policyholders from AGIL and LGI into AEI will lose an element of contingent financial protection through the Transfer.

While this may appear to be a notable reduction in protection, I note that;

- FSCS protection applies in the case of insolvency, which due to the high level of capital maintained by AEI, and parental support from Assurant, is a very remote possibility
- Customers in EU countries are unlikely to have been aware of their protection under FSCS when buying insurance, so this is unlikely to have been a material consideration to them,
- Loss of FSCS protection is an unavoidable consequence of the transfer.

The loss of the FSCS is a consequence of the Transfer, which is not implemented for a commercial gain purpose, but is necessary so that AEI can continue to service the existing insurance contracts of AGIL and LGI lawfully after the end of the Brexit transition period.

Based on the planned capital and solvency management of AEI whereby the Own Funds coverage of solvency capital requirement will not fall below 140% (and the fact that a letter of support exists from AEI's parent company) this is deemed to be a noteworthy but not material issue. It is an inevitable consequence of the need to implement the proposed Transfer as a result of Brexit.

10. Business Strategy

The strategy for AEI is aligned to that of the Assurant Europe Group as a whole and is based on a European purpose to create and deliver solutions that increase customer loyalty and value to clients and customers. The strategy sets growth targets in terms of the number of customers and the products that will be focused on in order to achieve the expected business growth.

Assurant Europe Group is forecasting growth in earnings and profit by continuing to grow its client relationships in both insurance and insurance service business and winning new clients across Europe by executing a strategy of developing capability in product areas. AEI's business plan is aligned to these forecasts to contribute to performance at a group level.

The creditor and furniture product lines have been placed into run-off which has the impact of de-risking the overall European business with the movement into shorter-tail products. The strategy of other territories is similarly to grow the Connected Living Device and Extended Service Contracts (ESC or extended warranty) products.

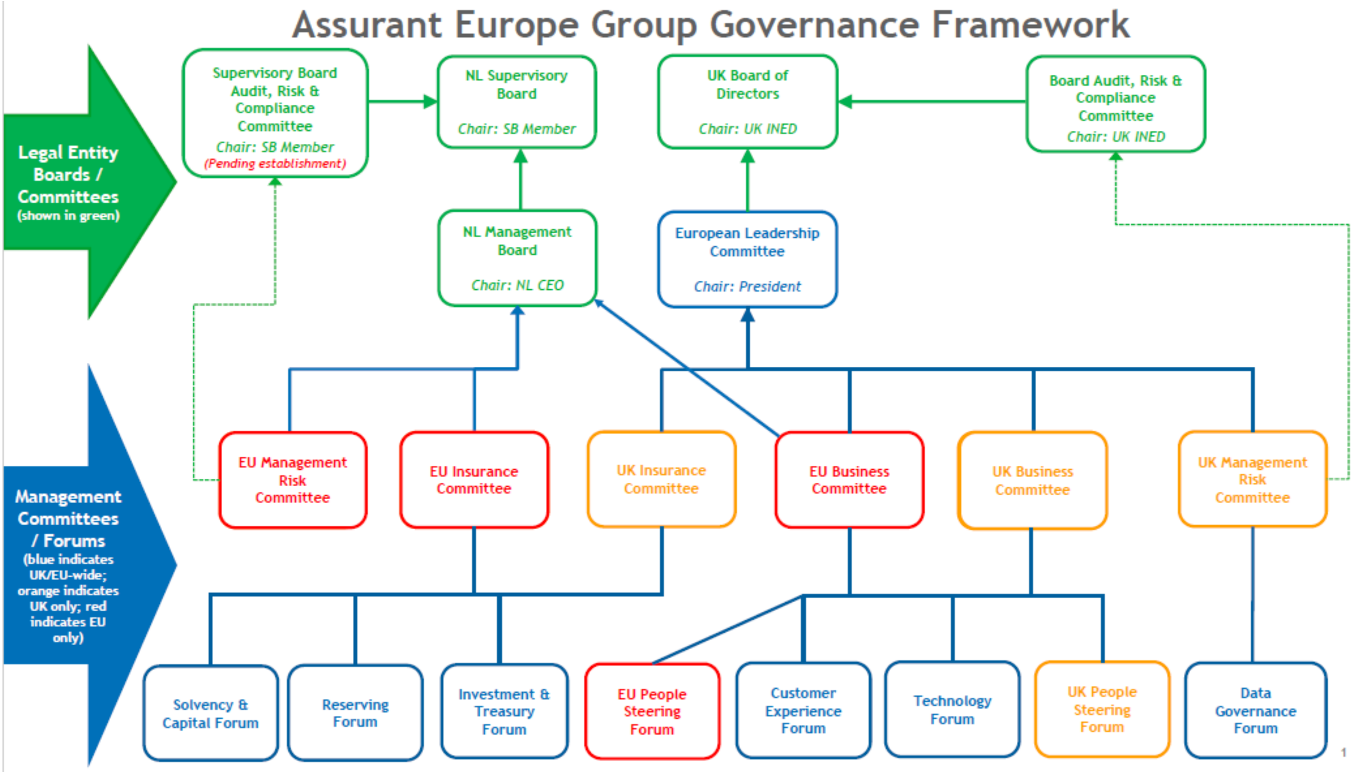
The three-year financial plan of Assurant Europe Group is founded on supporting the European strategy above concentrating on mobile protection products and extended service contracts whilst continuing to run-off creditor and furniture products.

The strategy of Assurant Europe Group will not change as a result of the Transfer which is itself a key part of delivering this strategy.

It follows that, in my opinion, the incoming transfer will not have any material adverse impact to the Transferring policyholders or to any existing policyholders of AEI in relation to the business strategy they are exposed to in AEI, as the business strategy of AEI is the same as that of the legal entities where the Transferred policyholders are coming from.

11. Governance Framework

The governance structure at the European group level applies to the existing entities and the new entities AEI and AEL. Both AEI and AEL have their own Management and Supervisory Boards which operate independently of the UK insurance company boards, however the resources to support the governance of each of the insurers are largely shared across the group. The chart below shows the governance of AEG and shows how the oversight of UK and EU entities interact and the various supporting technical and operational committees. The transferors and the transferee are part of the same governance structure.



Below is the list of committees with their chairs, deputy chairs and secretaries.

Governance Chairs, Deputies & Secretaries

Board/Committee/Forum	Chair	Deputy Chair	Secretary
UK Board of Directors	Colin Kersley	None appointed	Company Secretariat
UK Board Audit, Risk & Compliance Committee	Stuart Purdy	None appointed	Company Secretariat
NL Supervisory Board	Fred Gertsen	Tamara Monzon	Company Secretariat
NL SB Audit, Risk & Compliance Committee	Tamara Monzon	None appointed	Company Secretariat
NL Management Board	Ingo Soesman	Andy Schaut	Company Secretariat (via Citco NL)
European Leadership Committee	Christian Formby	Claude Sarfo	Company Secretariat (via KPMG UK)
UK Business Committee	Rich Green	Colin Graham	Stephanie Howman
UK Insurance Committee	Glyn Davies	Claude Sarfo	Paige Lewis
UK Management Risk Committee	Michael Schofield	Richard Weddell	TBC
UK People Steering Forum	Michael Carter	Julie Lane	Helen Kennedy
EU Business Committee	Marco Prada	Pascal Briodin	Fabienne Marque
EU Insurance Committee	Ingo Soesman	Reinier Tienkamp	Zoe Lubbers
EU Management Risk Committee	Reinier Tienkamp	Ingo Soesman	Tim van der Heijden
EU People Steering Forum	Michael Carter	TBC	Helen Kennedy
Technology Forum	Mark Davies	Nobin Rashid	TBC
Customer Experience Forum	Ross Carson	Sharon Cartner	Hannah Goodwin
Solvency & Capital Forum	Claude Sarfo	William Diffey	Tim Machin
Reserving Forum	William Diffey	Claude Sarfo	Rajeev Sharma
Investment & Treasury Forum	Claude Sarfo	Tim Machin	Tim Machin
Data Governance Forum	William Diffey	Richard Weddell	Eve Burke/TBC

The governance structure of the Transferee (AEI) is similar to the governance structure of transferors (AGIL and LGI). In fact, it is the same overall governance framework of Assurant Europe Group that covers AGIL, LGI and AEI.

The Management and Supervisory Boards will have fewer responsibilities than the European Leadership Committee, which will allow more focus on the business and customers of AEI.

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

12. Other Considerations

12.1. B2B contracts

The Scheme will transfer two broad categories of contracts: the insurance policy contracts and non-insurance business to business (B2B) contracts which support the AGIL and LGI insurance business. Some of the B2B contracts such as client reinsurance contracts are purported to be transferred under the Part VII Transfer while others may be transferred independently from the Part VII Transfer.

EU and UK Laws provide for mutual recognition throughout the EEA of the Transfer of a portfolio of insurance contracts. However, the Transferability and procedures for the Transfer of B2B contracts that are governed by non-UK law are not always clear. Assurant has sought legal advice to clarify the appropriate mechanisms to effect a full legal transfer of these B2B contracts.

Whilst the question in not actuarial in nature, the matter is pertinent for the following reasons:

- Part VII FSMA provides that any person who considers that they would be adversely affected by the Scheme is entitled to be heard by the Court. Therefore, should any of the B2B partners[4] object to the Scheme, the matter may be referred to the Court and can have an impact on the decision to authorise the Transfer. This could be an impediment to the whole Scheme or to a component of the Scheme including the effective date of the Transfer

- Some of these B2B contracts are material to the ongoing business of AEI where they structure the distribution of AEI's insurance such as the commercial relationship agreements with clients.

The legal advice provided to Assurant confirms that in some relevant EEA states the Transfer of B2B contracts which are governed by non-UK law may require counterparty consent. This will require individual contractual changes and a case by case contract novation approach is being formulated.

There is a significant number of B2B contracts to be transferred individually, which has risks in terms of timelines and effectiveness before the Transfer. There is also a risk that the counterparties may have a reluctance to cooperate or have a conflicting commercial agenda.

The risks involved are being clarified and an action plan is being formulated to minimise the risks to the timeliness and effectiveness of the Transfer and the ongoing business of AEI. There is no reason to expect that any material B2B contract may not transfer (whether under the Scheme or separately with consent) on or before the Effective Date, based on discussions with all the counterparties so far. An update of this process will be provided in the supplementary report.

12.2. Reputation of AGIL, LGI and AEI

A recent Part VII transfer elsewhere within the industry was not approved as the policies were proposed to be transferred from an established company to a much younger entity. The Court interpreted this as a detriment to

[4] Those counterparties to B2B contracts that are purported to be transferred under the Scheme (not those that are being transferred independently from the Scheme).

customers, as the policies being transferred were long-term policies and a longstanding prudent reputation has some value. Customers may be less likely to buy such a policy from an unknown company.

In addition, in that case the court assessed that the nature of the long term annuities being transferred increased the risk that additional capital might be required in the future to fund the transferred liabilities and could give rise to lesser financial security for policyholders.

I do not believe that similar considerations apply to this Transfer, for the following reasons;

- Neither LGI nor AGIL are well-known companies to the wider public.
- The direct customers relationship is typically with a bank or trusted adviser and policies were sold through such parties and branded with their brands, not that of the insurer.
- Post-transfer, customers will remain part of the same wider group (Assurant, Inc.).
- The nature and risk profile of the policies being transferred to AEL are very different from those of long-term annuities and are thus deemed much less risky to the customer.

In summary, customers will not face any detriment from loss of reputation.

12.3. Group Services support Post-Brexit

Assurant Europe Group endeavours to operate on a consolidated and resource effective basis where possible across its European operations. Corporate and technical services are provided at a group level where practicable through the group's UK service companies. These UK companies will cease to hold EEA passported authorisations as a result of Brexit. Therefore, the regulatory implications of supporting elements of the EEA business of AEI on this basis after the Brexit transition period have been considered and reviewed.

Guidance has been received from the Compliance function and external legal advisers. The legal advice received confirms that there are restrictions, depending on the type of services provided. These restrictions prevent a non-EEA authorised entity effecting and carrying out contracts of insurance for an EEA insurer. However, these activities can be distinguished from general administrative and support functions that may be carried on by the UK companies for the EEA insurer, as these would not form part of the effecting or carrying out of regulated activities.

Thus, the services provided to AEI by other companies of Assurant Europe Group will be split accordingly:

- regulated insurance services will be provided by service companies of the group with EU authorisations, including AES in the Netherlands;
- other administration and support services (non-regulated) will continue to be provided by the relevant group companies based in the UK

13. Limitations

The assessment of the Transfer is based on:

- Analytical data;

  The YE2019 financial data are audited figures while Q32020 is projected. Assumptions are made to derive estimated results, with inherent limitations such as: the cancellation level between YE2019 and Q32020, the impact of COVID-19, the business plan 2020, the capital position.

- Non-analytical data;

  The 2nd line actuary has taken into consideration non-analytical information based on business, regulatory and general economic views, some of which are facts, and some are based on our understanding and perceptions. However, various expertise, internal and external to support us have been used thus reducing the risk of erroneous assumptions.

The valuation of the proposed Transfer impact has been made on 2 November 2020 (the effective date), itself subject to court approval.

The list of limitations mentioned above are non-exhaustive but are inherent to this type of work. The work has been done by experienced actuaries with multiple peer reviews to mitigate the limitations of the work.

14. Conclusion

<u>The main aspects of the Transfer have been considered and can be summarized as:</u>

Benefits from the Transfer	Neither Benefits nor Disadvantages from the Transfer	Disadvantages from the transfer
- Provision of a legal and compliant policy post-Brexit (i.e. continuity of capacity to provide insurance and service the policies)	- Similar risk profile	- Loss of UK financial protection through the Financial Services Compensation Scheme (**FSCS**), in case of insolvency of the insurer
- Oversight of local Management Board and Supervisory Board based in the EU27	- Similar asset quality	- Temporary reduction in solvency ratio (SCR%)
	- Similar financial solidity	
	- Same parental support	
	- Same benefits expectation	
	- Continued application of Solvency II regulation	
	- Cost of transfer funded by the Assurant group, so no impact on expense levels	
	- Same service standard - availability of the same corporate and operational resources through remaining part of the Assurant group	
	- Similar risk management policy and governance structure	

In my opinion, the provision of a legal and compliant policy post-Brexit far outweighs any of the disadvantages listed. The disadvantages are in my opinion minor, being relevant only in the extreme case of company insolvency, which I deem to be a minor risk given the capital and solvency structure of AEI and ongoing Solvency II compliance. 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.

Appendices

1. Details of the Transferors

ENTITY	AGIL	LGI
NATURE	Private Limited Company incorporated in England and Wales with registered number 02341082.	Private Limited Company incorporated in England and Wales with registered number 01865673.
REGISTERED OFFICE	Emerald Buildings, Westmere Drive, Crewe, Cheshire, CW1 6UN.	Twenty Kingston Road, Kingston Road, Staines-Upon-Thames, Surrey, TW18 4LG.
Lines of Business	- 1 (Accident), - 2 (Sickness), - 3 (Land vehicles), - 6 (Ships), - 7 (Goods in transit), - 8 (Fire and natural resources), - 9 (Damage to property), - 10 (Motor vehicle liability), - 12 (Liability for ships), - 13 (General liability), - 16 (Miscellaneous financial loss) - and 18 (Assistance)	-1 (Accident), - 2 (Sickness), - 3 (Land vehicles), - 9 (Damage to property), - 13 (General liability) - and 16 (Miscellaneous financial loss)
AUTHORISED COUNTRIES other than UK	- Austria, - Belgium, - Bulgaria, - Cyprus, - Czech Republic, - Denmark, - Estonia, - Finland, - France (effective), - Germany (effective), - Greece, - Hungary (effective), - Iceland, - Ireland (effective), - Italy (effective), - Latvia, - Liechtenstein, - Lithuania, - Luxembourg, - Malta, - Netherlands (effective), - Norway, - Poland, - Portugal, - Romania (effective), - Slovakia, - Slovenia, - Spain (effective) and - Sweden (effective)	- Austria (effective), - Belgium (effective), - Czech Republic (effective), - Denmark (effective), - Estonia (effective), - Finland (effective), - France (effective), - Germany (effective), - Greece (effective), - Hungary (effective), - Ireland (effective), - Italy (effective), - Latvia (effective), - Luxembourg (effective), - Netherlands (effective), - Norway (effective), - Poland, - Portugal (effective), - Romania, - Slovakia (effective), - Spain (effective), - Sweden (effective), - Switzerland, - South Africa (effective)
CLIENT TYPE	B2B	B2B

2. Glossary

- **AEI**: Assurant Europe Insurance N.V., the proposed non-life transferee established in Netherlands
- **AEL**: Assurant Europe Life Insurance N.V., the proposed non-life transferee established in Netherlands
- **AGIL**: Assurant General Insurance Limited, one of the non-life transferors' companies within the group (Assurant Inc)
- **ALL**: Assurant Life Limited, one of the life transferors' companies within the group (Assurant INC)
- **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.
- **FCA**: The Financial Conduct Authority is the conduct regulator for 59,000 financial services firms and financial markets in the UK and the prudential supervisor for 49,000 firms, setting specific standards for 19,000 firms.
- **FRC**: Financial Reporting Council is responsible to set and Maintain the TAS, and oversight the regulation of actuaries by the Faculty of Actuaries (IFoA)
- **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.
- **LGI**: London General Insurance Limited, one of the non-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)
- **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**) (this floor is different for reinsurers, life and non-life insurers). The MCR is the ultimate point of supervisory intervention, below which the company would lose its authorisation.
- **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.
- **SCR:** The Solvency Capital Requirement (SCR) is the total amount of funds that insurance and reinsurance companies in the European Union (EU) are required to hold. SCR is a formula-based figure calibrated to ensure that all quantifiable risks are considered, including non-life underwriting; life underwriting; health underwriting; and market, credit, operational, and counterparty risks.
- **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.
- **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.
- **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.