

Supplementary Report of the LGAS With-Profits Actuary

on the proposed transfer of long-term insurance business

from

Legal & General Assurance Society Limited

to

ReAssure Limited

pursuant to Part VII of the Financial Services

and Markets Act (2000)

24 February 2020

PROPOSED PART VII TRANSFER FROM LEGAL AND GENERAL ASSURANCE SOCIETY LIMITED TO REASSURE LIMITED

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SUPPLEMENTARY REPORT BY THE LGAS WITH-PROFITS ACTUARY

1. EXECUTIVE SUMMARY

Further to my previous report dated 26 June 2019 I have considered the additional information supplied to me up to 21 February 2020 in relation to the Part VII transfer of the Mature Savings Business, which includes the Legal & General Assurance Society (“**LGAS**”) With-Profits Fund (“**WPF**”), to ReAssure Limited (“**ReAssure**”). This information is summarised in this paper and includes information on policyholder responses to the customer mailing carried out following the Directions Hearing.

I have considered this information and whether it has any impact on my original opinion. My original opinion on the impact of the Scheme on LGAS participating policyholders should the Scheme proceed was that the Scheme will not have a material detrimental impact on the benefit expectations, benefit security or the administration and management of policies. Having considered the additional information I have not changed my opinion.

2. INTRODUCTION

2.1. PURPOSE AND SCOPE OF THIS REPORT

This supplementary report, addressed to the Board of Directors of LGAS, is made in my capacity as the Legal & General Assurance Society With-Profits Actuary (“**WPA**”) and concerns the proposed transfer of the Legal & General Assurance Society With-Profits Fund to ReAssure as part of the sale of the Legal & General Assurance Society Mature Savings business to ReAssure. The WPF forms part of the business being transferred which is to be carried out by way of an insurance business transfer scheme under Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000 (“**FSMA**”), (the “**Scheme**”). A new with profits fund will be created within ReAssure (the “**LGWPF**”) with the assets and liabilities of the WPF being transferred into it on the Legal Effective Date (expected to be 6 April 2020).

This report supplements, and should be read in conjunction with, my original report entitled “Report of the LGAS With-Profits Actuary on the proposed transfer of long-term insurance business from Legal & General Assurance Society Limited to ReAssure Limited pursuant to Part VII of the Financial Services and Markets Act (2000)” (my “**previous report**”) dated 26 June 2019.

The purpose of this report is to consider the impact on with-profits participating policyholders of matters relating to the transfer which have changed or arisen since my previous report and to advise the Board of LGAS (the “**Board**”) whether these change the overall conclusions set out in my previous report.

In addition to the LGAS Board, this report is also intended to be provided to the Independent Expert (as defined in section 2.2), the High Court of England and Wales (“**the Court**”), the Prudential Regulatory Authority (“**PRA**”) and the Financial Conduct Authority (“**FCA**”). This report has also been shared with the LGAS Chief Actuary, the With-Profits Committee (“**WPC**”) and with ReAssure.

This report is based on information made available to me up to 21 February 2020 and takes no account of developments after this date.

Should any new information be presented to me after this report is finalised which materially alters my conclusions I will advise the LGAS Board and the Court.

2.2. DISCLOSURES, RELIANCES AND LIMITATIONS

I confirm that my financial and personal interests in L&G as set out in the Appendix to this report have not influenced me in reaching any of the conclusions detailed in this report.

An Independent Expert (appointed under the terms of Section 109 of FSMA 2000 in relation to the Scheme) and LGAS's Chief Actuary have prepared separate supplementary reports on the proposed Scheme and this report should be read in conjunction with their reports.

In preparing this report I have relied upon the material supplied to me by LGAS and ReAssure. In addition, I have relied on the advice supplied in relation to technical matters outside my field of expertise and have set out in the report where I have done so.

3. UPDATES AND DEVELOPMENTS

In this section I consider the impact of any updates and developments arising since my previous report. I have considered these in three parts:

- Policyholder benefit expectations of the transferring WPF policyholders (section 3.1),
- The financial security of policyholder benefits (section 3.2), and
- Other aspects affecting transferring policyholders (section 3.3).

In commenting on the impact of the transfer I focus on changes that are proposed to the way the business is to be managed and administered relative to the way the business is currently managed by LGAS.

Since my previous report, there have been the following notable developments:

- On 11 July it was announced that ReAssure Group Holdings (“RGP”) planned Initial Public Offering (“IPO”) was suspended. On 6 December 2019 Swiss-Re Ltd, the majority shareholder of RGP, announced an agreement to sell RGP to Phoenix Group Holdings Plc (“Phoenix”). I cover these developments in section 3.2.2.
- On 5 August 2019 RGP announced the purchase of Old Mutual Wealth Life Assurance Limited (“OMWLA”) from Quilter plc. I cover this in section 3.2.2.
- The intended Legal Effective Date of the transfer under the proposed Scheme has been postponed from 4 November 2019 to 6 April 2020. In addition, the proposed Scheme has been amended to allow the transfer to complete no later than 6 July 2020 (previously 4 February 2020) if both parties agree. This postponement was necessary to allow sufficient time for the parties to complete the work to enable the proposed transfer to conclude successfully. I continue to assess the readiness of the joint programme to proceed and I cover this in section 3.3.1. I have considered the communications to policyholders about this postponement in section 4.

There have been some minor changes to the Scheme since my previous report which have had no impact on the conclusions reached in my previous report.

The LGAS PPFM was updated in January 2020 to reflect the extension of the current expense deal with the LGAS shareholders to the earlier of the Legal Effective Date and 30 June 2020. This has had no impact on the conclusions reached in my previous report.

There have also been a number of other minor changes which are discussed in the following sections.

3.1. WPF POLICYHOLDER BENEFIT EXPECTATIONS

In my previous report I considered a number of items affecting policyholder benefit expectations. In this section I discuss any updates to those items.

3.1.1. Bonus Methodology

In my previous report I outlined the proposed changes to the bonus methodology and the intention to use asset shares as at 31 December 2018 as the starting point for the calculation of future asset shares within ReAssure. Since that report was written a further review of the methodology has taken place and as a result some minor amendments have been agreed to the way in which that methodology is applied. The minor amendments have been made to ensure that the methodology for determining asset shares does not become detrimental with the passage of time. As a result changes to the process for determining asset shares for a small number of bonus series will result in asset shares that are larger than those implied by the original process, either at outset or at an agreed point in time. These changes have been implemented in order to ensure no material detriment to any group of policyholders. There is no direct impact on the other policyholders of the WPF and compared to the original proposal this is expected to cause an immaterial reduction in the estate of the WPF. It is part of the current bonus setting process that, when the volume of business used in determining an individual bonus rate falls to a low level, adjustments may be made to ensure the low volume of data does not cause unintended consequences for bonus rates. It is my expectation that ReAssure will continue to consider adjustments in future to avoid such unintended consequences.

ReAssure carried out preliminary testing of the approach to transferring asset shares based on asset shares at 31 December 2017. This preliminary testing identified a number of issues which were resolved. Focus then moved to testing the asset shares as at 31 December 2018 and this testing is now complete for business where the asset shares of actual policies are used to determine bonuses, other than for the application of the minor amendments noted above. I continue to monitor progress. It should be noted that these transferred asset shares will not be used to determine bonuses until the bonus declaration in respect of 2020.

In my initial report I set out my opinion that outcomes for policyholders with respect of the bonus methodology should not be materially affected by the transfer of the business. After allowing for the minor amendments mentioned above I am still of the same opinion.

3.1.2. Investment Strategy

In my previous report I considered, in section 6.1.3, the investment strategy of the WPF assets after the proposed transfer relative to the investment strategy as part of LGAS and stated my view, based on the information available at the time, that I did not expect the investment strategy in the event of the transfer of the WPF to adversely impact the benefit expectations of policyholders relative to the expectations they would have had if the WPF had remained within LGAS.

Since my previous report, there have been some minor process changes to the planned operating model for assets after the proposed transfer. Of note are the following:

- LGAS currently posts or receives derivative collateral on behalf of all the business within the entity. This can reduce the impact to the WPF where the collateral requirement is offset by that in another part of LGAS. Following the proposed transfer, the posting of collateral in respect of the LGWPF will operate on a stand-alone basis. There is an expected immaterial impact to the LGWPF from the changes in approach to collateral posting.
- Currently the assets in the WPF, other than the unit linked assets, are managed via separate investment mandates. For mandates managed by Legal & General Investment Management, the asset managers may make use of loans from the assets managed under a different mandate to facilitate the overall day to day management of the assets. Following the proposed transfer, this facility will be replaced by the use of short term overdraft facilities with the custodians of the assets.

The amounts borrowed are small, short term in nature and the overdraft charges are calibrated to market levels. The overall impact on participating policyholder investment outcomes is not expected to be material.

- The service levels between the LGWPF and Legal & General Investment Management have been formalised, with the resulting agreement giving broadly similar expected timings on the implementation of investment instructions compared to that currently experienced.

These changes are not, in my view, material and I do not expect the ReAssure asset operating model to result in any material detriment to policyholders when compared with the current operating model.

Since my previous report an amendment to the Business Transfer Agreement has been signed. One part of this amendment defines the approach to the calculation of the amount by which the unit linked assets in the WPF exceed the unit linked liabilities in the WPF (“**the WPF unit linked box**”) at the Economic Effective Date, expected to be 1 April 2020. I am comfortable that this calculation represents a fair value to the WPF.

As stated in my previous report, shortly after the proposed transfer, ReAssure intend to transfer the resulting WPF unit linked box into their Non-Profit Fund as at the Economic Effective Date and calculate a corresponding settlement amount. To ensure a fair settlement amount, this will be subject to the governance of the ReAssure Board and Fairness Committee. I am comfortable with the proposed approach.

3.1.3. Product Changes

Since my previous report no further product changes have been identified by ReAssure and so the opinion of my previous report, that I do not believe that the changes result in any material detriment to policyholders, remains unchanged.

3.1.4. Annuity Introducer Agreement and Retirement Journey

As detailed in my previous report, the Annuity Introducer Agreement (“**AIA**”) is an agreement entered into between LGAS and ReAssure to apply after the proposed transfer. This agreement will offer LGAS annuities to holders of certain pension policies in scope of the potential transfer who subsequently wish to purchase guaranteed income products upon retirement.

Section 6.3.7 of my previous report considers the retirement journey for LGWPF pension policyholders. In the report I noted that the development of the customer retirement journey was nearly complete and that I was comfortable with the process developed to date with regards to the level of service and benefits offered to policyholders.

Since my previous report an amendment to the AIA has been drafted and is expected to be agreed between LGAS and ReAssure shortly. If implemented, it changes the definition of the policies that are excluded from the AIA. ReAssure have advised me that any annuities for the excluded policies will be purchased by ReAssure in their non-profit fund and I note that the Fairness Committee terms of reference require them to consider the fairness of the payments made by the WPF to these set up. I do not expect there to be any material detriment to participating policyholders as a result of this amendment.

Since my previous report, the customer journey has now been finalised with outstanding items being completed in line with my expectations. As a result I do not expect the journey to result in any material detriment to policyholders.

3.1.5. Estate Distribution and Transitional Measure on Technical Provisions

The approval to use a Transitional Measure on Technical Provisions (“**TMTP**”) has the effect of phasing in the difference from the Solvency I regulatory balance sheet to the Solvency II regulatory balance sheet over a period of 16 years from 1 January 2016 for a regulated entity: LGAS or ReAssure in this case. Approval to use a TMTP is requested from the PRA and its inclusion is beneficial to the Solvency II balance sheet of the entity for the period it applies.

When business is transferred through a Part VII process, the immediate inclusion of the transferring business in the entity TMTP calculation requires approval from the PRA.

ReAssure plan to submit an application to the PRA for a formal recalculation of the TMTP on the Economic Effective Date of the proposed transfer (expected to be 1 April 2020). The outcome of this application may not be received until after the Sanctions Hearing.

ReAssure have confirmed that any policyholder impacts arising from the treatment of TMTP for the LGWPF prior to receiving a response from the PRA will be discussed and approved by the ReAssure Fairness Committee with the intention of minimising the impact on policyholder outcomes. Consequently I do not expect any material detriment to policyholders to arise as a result of the timing of the TMTP application process.

I do not anticipate that approval for ReAssure to include the transferring business in their TMTP calculations will be withheld. However, should it be withheld and ReAssure adjust the management of the LGWPF to reflect this then this could have adverse impacts for the transferring participating policyholders in future adverse scenarios up to the earlier of the date of the next formal TMTP recalculation (31 December 2021) or any earlier recalculation approved by the PRA. For the intervening period, possible impacts on policyholders in an adverse scenario could be through either a lower distribution of the Inherited Estate or through management actions that may be required to protect the solvency of the fund. In my view a relatively extreme event would be needed before there would be any material impact on participating policyholders and so I consider this possibility unlikely.

Any impacts on the LGWPF should the TMTP not be approved before the date of the next recalculation would be discussed and agreed by the ReAssure Fairness Committee with the aim of ensuring the fair treatment of participating policyholders.

3.1.6. Conclusion on Benefit Expectations

Having considered the items detailed above I am comfortable with the conclusion in my original report, that I do not regard the transfer as having a materially adverse effect on the benefit expectations of any group of policyholders.

3.2. FINANCIAL SECURITY OF POLICYHOLDER BENEFITS

In my previous report I considered, in section 6.2, a number of items affecting the financial security of policyholder benefits. In this section I discuss any updates to those items.

3.2.1. LGAS

My previous report considered the financial strength of LGAS since capital from outside the WPF may be required in certain situations. Consideration was given to the regulatory financial strength of LGAS and to its capital management policy, including the governance surrounding it.

Since my previous report, the 30 June 2019 regulatory position of LGAS has become available and this is summarised in the table below along with the 31 December 2018 position:

£m	30 Jun 2019	31 Dec 2018
Own Funds	10,681	10,574
Capital requirements	(7,429)	(7,039)
Surplus	3,253	3,535
Capital coverage ratio	144%	150%

The Own Funds as at 30 June 2019 and 31 December 2018 incorporated L&G management's estimate of the impact of recalculating the TMTP, as this was believed to provide the most up-to-date and meaningful view of the Solvency II position. In line with regulatory guidance, the next formal recalculation will take place no later than January 2020.

I have been supplied with information on the risk profile of LGAS at 30 June 2019 and note that there has been no material change since 31 December 2018.

I have been supplied with the financial results and commentary at the end of September 2019 and financial results at the end of December 2019 and, based on this information, I have not identified any material adverse impact on policyholder benefit security from the proposed transfer.

There have been no changes to the LGAS capital management policy, or the governance surrounding it, since my previous report.

The L&G Group, the parent company of LGAS, Standard & Poor's credit rating is unchanged from my previous report.

3.2.2. ReAssure

My previous report considered the financial strength of ReAssure, after inclusion of the proposed transferring business.

Similarly to LGAS, the 30 June 2019 regulatory position is shown in the table below along with the 31 December 2018 position:

£m	30 Jun 2019	31 Dec 2018
Own Funds	4,751	4,231
Capital requirements	(3,266)	(3,067)
Surplus	1,485	1,164
Capital coverage ratio	145%	138%

Note: Excluding OMWLA impacts

Note: ReAssure have provided me with revised figures at 31 December 2018 so those shown above differ slightly from those shown in my original report.

The financial position shown includes ReAssure's estimated impact of the proposed treatment of TMTP. This treatment is intended to be formalised in an application to the PRA which is expected to be submitted shortly. As discussed in section 3.1.5 it is possible that a decision may not be made on the application by the time of the Sanctions Hearing.

In the event that the ReAssure TMTP application is not approved, the impact on the solvency position of ReAssure is expected to be small and would not affect my opinion on the financial security of policyholder benefits.

On 3 December 2019, the ReAssure Board approved the adoption of the Capital Management policy which had previously been intended to apply in the event of an IPO proceeding. The RGP Board also approved the Capital Management policy which had previously been intended to apply in the event of an IPO proceeding.

I have been supplied with information on the risk profile of ReAssure at 30 June 2019 and note that there has been no material change since 31 December 2018. ReAssure continues to operate within its risk appetite.

RGP announced on 5 August that they entered into an agreement to acquire the Old Mutual Wealth Life Assurance Limited ("OMWLA") from Quilter plc, with regulatory approval being received on 10 December. Ownership of this business transferred into RGP on 31 December 2019 and at the same time the majority of the risk from the OMWLA business was reinsured from OMWLA into ReAssure. ReAssure have confirmed that the business is planned to be fully integrated into ReAssure within two years.

ReAssure have supplied me with the projected financial impacts of the OMWLA purchase on the statutory solvency position of ReAssure and RGP up to the end of 2021. I have relied on this information being correct and I have considered the results. Based on this information my view is that the OMWLA purchase is not expected to have any materially adverse effect on the benefit security of policyholders in the LGWPF.

ReAssure have confirmed that there is to be no change to the capital management policy of ReAssure or RGP as a result of the OMWLA transaction completing, which occurred on 31 December 2019.

Looking at the recent financial strength of ReAssure, I have been supplied with the results for ReAssure at the end of September 2019 and December 2019 and, based on this information, I do not expect to change my view on the benefit security for the transferring participating policyholders if the transfer proceeds.

Ownership of ReAssure

In my previous report I discussed ReAssure's intention to proceed with an IPO later in 2019 and my previous report considered the financial position of the parent company and the capital management policies of ReAssure both before and after any such IPO to assess the impact on WPF participating policyholders should they transfer. Swiss Re Ltd, the majority holder of ReAssure Group, announced on 11 July that they had decided to suspend the IPO.

On 6 December Swiss Re Ltd, the majority shareholder of RGP, announced the agreement of Swiss Re Ltd and MS&AD Insurance Holdings Inc. to sell RGP and its subsidiaries to Phoenix Group Holdings Plc ("Phoenix"). The sale, which was approved by the Phoenix Group shareholders on 13 February 2020, is planned to complete in mid-2020 and is subject to the agreement of and the regulators.

In the event of a successful sale, RGP and all its subsidiaries will become part of the Phoenix group, with Phoenix becoming the ultimate parent company of ReAssure. The proposed sale of ReAssure is not planned to complete before the expected transfer of LGAS business into ReAssure on 6 April 2020.

Should the proposed Part VII be sanctioned by the Court, Phoenix have stated that they plan to integrate the LGAS transferring business into ReAssure in accordance with current plans. Phoenix then plan to follow a phased approach to the integration of RGP and its subsidiaries.

For the period up to completion of the acquisition, the existing ReAssure Capital Management policies remain in place. After the acquisition, Phoenix do not anticipate changing the risk appetite of the ReAssure business immediately but do plan to align the risk appetite to Phoenix levels over time. However, these levels are broadly similar and so there is not expected to be any material reduction in benefit security for participating transferring policyholders. Any material changes to the capital management policy for ReAssure after transfer will require consultation with the regulator.

The financial rating of the Swiss Re Group, the current parent company of ReAssure, remains unchanged from my previous report at AA- (Standard & Poor's). With the rating for Phoenix currently at A+ (Insurer financial strength rating from Fitch), there is not expected to be any material change to the security of the transferring benefits over time should the Phoenix acquisition of RGP and its subsidiaries complete.

Any material changes which impact customers would be subject to ReAssure governance including the Fairness Committee.

3.2.3. Conclusion on Benefit Security

Since my previous report the financial positions of LGAS and ReAssure at 30 June 2019 have become available, and I have also been provided with updated information on the risk profiles of the companies. Additionally, I have also been provided with information on the financial positions of LGAS and ReAssure at 30 September 2019 and 31 December 2019. Based on these results I note that LGAS and ReAssure have not made any changes to their capital management policies (aside from formal adoption by the ReAssure Board of the post IPO policy) and that the balance of risks between the two companies is materially unchanged. In section 6.2.4 of my previous report I concluded that the benefit security of policyholders within the LGWPF is not likely to be materially adversely impacted by the transfer. I remain of this view.

3.3. OTHER ASPECTS AFFECTING TRANSFERRING WITH-PROFITS POLICYHOLDERS

In my previous report I considered a number of other aspects affecting transferring with-profits policyholders. In this section I discuss any updates to those items.

3.3.1. Data Migration, Readiness of Systems and ReAssure Business Readiness

In section 6.3.2 of my previous report I commented that the work around the separation and transition of the LGAS business proposed to be transferred to ReAssure is being managed within a project management framework involving both parties. I further commented that this separation and transfer process has been split into a number of work streams and is managed within a governance process that requires regular reporting of project status. In my previous report I commented that the approach to transitioning the business was sufficiently robust to identify and manage the large number of processes involved and that I would expect to comment further in this report.

In forming my view on the business readiness of the parties around the proposed transfer I have considered:

- The robustness of the project plan,
- The metrics used to measure the plan,
- The progress of the separation and transfer work against the plan using these metrics, and
- The ability of any contingent arrangements to mitigate any impacts on policyholders should they be required.

In arriving at my assessment I have placed reliance on the following information:

- Programme updates reported to the management teams through governance meetings regularly over the period since the Directions Hearing. Included in these updates are programme assessments of the position made at key points in advance of the planned Effective Date.
- Regular updates provided to me on the progress of the project. These updates have set out: (i) the progress of each work stream, (ii) metrics on the progress of key areas against the plan and (iii) areas requiring further management focus.
- A review by the LGAS Mature Savings Chief Risk Officer on Legal & General and ReAssure business readiness. In addition, this review considered risks to the project and the mitigations that have been put in place should they occur. This review excluded from its scope a review of actuarial work-stream readiness; however due to my involvement with this work I am able to conclude on it.
- Regular updates provided by the Chief Risk Officer of ReAssure on any operational risks of the plan to deliver according to the timetable.
- An external independent review on the readiness of LGAS and ReAssure to migrate the business and the impacts on the transferring business commissioned by ReAssure and carried out and reported on by KPMG.

In their summary report relating to the transferring business KPMG have concluded:

“Our conclusions are based on the status of the programme as at 18th December 2019.”

“It is KPMG’s view that there is a high probability that the migration will be successfully delivered to the planned timetable subject to the recommendations in this report being successfully implemented, and that progress continues in line with the planned delivery timetable.

“The planned timetable is reasonable and achievable, and the programme team also have a viable contingency date defined.

“Consequently, there is a low probability of the Carbyne migration having a material adverse effect on the transferring LGAS policyholders should the progress continue in line with the plan.”

These recommendations have either been implemented or fully taken into account by ReAssure.

The plan has also been separately assessed by the ReAssure and LGAS Mature Savings Chief Risk Officers who are of the view that the programme is on track to transfer the business on 6 April provided the transfer continues to be carefully managed.

The impact on policyholders over the period of transition is being carefully managed and I am comfortable that participating policyholders are unlikely to incur any material detriment during the

transition period, although there will be short temporary delays in the time taken to process certain items.

In the period leading up to the planned transfer a number of decision checkpoints points have been established to assess whether to proceed with the planned transfer on 6 April 2020. An agreed set of metrics is used to assess the readiness of the business to proceed. I have been present when these discussions have taken place. I am of the view that should there be an expectation of material customer detriment, the transfer would not proceed on the planned Effective Date. In the event of the transfer not proceeding, contingency arrangements exist to attempt to transfer the business with a planned Legal Effective Date of 4 May 2020.

After considering the above information, I am of the view that the planned migration of the business to ReAssure is not expected to result in any material detriment to the transferring participating policyholders.

3.3.2. Service Standards

As I noted in my previous report, in the event of the proposed transfer being sanctioned transferring WPF policyholders should receive customer service compatible to that experienced as part of LGAS Mature Savings. In making this compatibility assessment I have considered ReAssure's ability to service their customers by comparing the current and recent standards and effectiveness of ReAssure customer service on its existing business with the equivalent customer service experience of policyholders within LGAS Mature Savings over the same time period. This has been carried out by considering a range of service level metrics supplied as part of a monthly joint operations meeting between LGAS Mature Savings and ReAssure. The view of the LGAS subject matter experts, who have been closely involved in this aspect of the proposed transfer, have stated that they are satisfied there will be no material detriment in the administration and servicing experience for transferring policyholders and I have relied on this view.

Having assessed this information, I do not expect there to be any material detriment in the administration and servicing of transferring policyholders following the proposed transfer.

3.3.3. Governance

In my previous report I considered the governance arrangements at ReAssure which were then going through an approvals process. I have received confirmation from ReAssure that the approvals have now been given and that there are no further changes to the governance arrangements. I am therefore comfortable that my original conclusion that "the governance arrangements at ReAssure will be comparable to those at LGAS and will offer a similar level of focus on customers' interests." remains appropriate.

3.3.4. Tax

Since my previous report, ReAssure have provided me with details of the commercial allocation basis expected to be used to determine the LGWPF tax amounts. The proposed approach follows the current LGAS methodology and so is not expected to be detrimental to the LGWPF in the event of the proposed transfer proceeding. This assessment is dependent on the planned approach being approved by HMRC. However, given this is a continuation of the current approach, I consider it likely that HRMC will approve this proposal.

I have also considered whether the proposed transfer will cause any impact on policyholder taxation as a result of payments being made around the Legal Effective Date of 6 April since this is also the start of the tax year for individuals. Based on the information supplied to me I do not believe there will be any detriment to policyholders from this aspect.

3.3.5. Reinsurance

There are two minor reinsurance contracts between LGAS and Swiss Re that are to be recaptured in the event of the proposed transfer in line with ReAssure's objective to rationalise their mortality and morbidity reinsurance arrangements. The impact of this recapture on the WPF balance sheet is immaterial and the terms of the recapture of these contracts are to be considered by the ReAssure Fairness Committee prior to any agreement.

Having considered the terms of the recapture and given the low materiality and governance process, I am comfortable that I do not expect there to be any material impact on transferring WPF policyholders from this recapture.

3.3.6. Conclusion on Other Aspects Affecting Transferring Policyholders

Having considered the items detailed above I am comfortable with the conclusion in my original report, that I do not expect the transfer to lead to any material detriment to LGAS participating policyholders.

4. POLICYHOLDER RESPONSE TO MAILING

Following the directions hearing on 11 July 2019, LGAS communicated details of the Scheme to policyholders in scope of the transfer and other interested parties, for example advisers, through issuing 793,279 mailings.

Communication of the postponement to the proposed transfer date was achieved by updating the LGAS website. Customers who had raised objections to the proposed transfer were sent a letter in relation to the delay. Affected customers who contacted LGAS for other reasons were also informed. The approach of directly re-mailing all customers was considered but not adopted after considering the cost of the additional mailing versus the potential customer benefits arising from it which was expected to be limited. In my view, no policyholders have suffered material detriment though the communication approach adopted.

As a result of these communications LGAS received a number of responses from policyholders which are set out below. Due to the way in which the LGAS administration systems and processes operate it has not been possible to split out the responses from policyholders with participating with-profits policies hence the numbers quoted relate to all responses received by LGAS. I have been in receipt of both daily and weekly information on the mailing and policyholders responses and I am comfortable that a robust process is being followed.

As at 16 February 2020 LGAS had received 20,838 responses of which 19,655 were requests for information, 1,141 were objections (a rate of 0.14% of the number of mailings sent) and 42 complaints relating to the proposed transfer. Policyholders who contacted the dedicated Part VII transfer line, discussed the proposed transfer to ReAssure and then requested to surrender or transfer their policy have been included within the objection count. I have reviewed the summary of the objections and complaints provided to me by LGAS; a number of these related specifically to products not in the WPF and so I have not considered them further.

The objections included a number relating to the proposed transfer generally. These covered a number of areas:

- Objections that the proposed transfer is to a company they have not previously heard of and did not choose. I have some sympathy with this view expressed by policyholders. I note that although ReAssure is not a brand which is well recognised amongst the general population, because of its business strategy to acquire business through the purchase of closed books of other companies rather than directly selling to customers, the company has a history spanning over 50 years as a

provider of life and pension business in the UK; starting out as the Occidental Life Insurance Company Limited in 1963. ReAssure has had a number of different names since 1963; being renamed ReAssure in 2011 (source reassure.co.uk). My analysis focuses on the expected outcomes for policyholders and so I have not considered this sentiment further unless specific points of concern were also raised. Some policyholders were concerned that ReAssure is ultimately owned by a non UK company. I concluded in my previous report that the proposed transfer of the WPF to ReAssure is unlikely to result in material detriment to the benefit expectations, benefit security or the fair treatment of with-profits policyholders and my view has not changed as a result of the additional investigations carried out for this paper. Additionally policyholder's interests are protected by the scrutiny of the Independent Expert and the Court regarding the fair treatment of policyholders.

- Objections relating to the timing of initial policyholder communications. I have reviewed the timing of the policyholder mailings and can confirm that they have been issued in accordance with the intended timescales as envisaged when I wrote my previous report and I am satisfied that the timelines are consistent with those proposed to the Court at the directions hearing on 11 July 2019. In section 6.4.4 of my previous report, I confirmed that I was comfortable with the general approach on policyholder communications.
- Concerns that policyholders could not opt out of the proposed transfer. In such cases, policyholders have been informed of their right to object to the transfer, including their right to attend the Court Sanctions Hearing to voice their objections and how they can do this. I am comfortable that the approach approved by the Court at the Directions Hearing in July 2019 has been followed.
- Concerns regarding the administration process around the time of the transfer. In particular a number of customers were concerned about the administration of policies which mature around the time of the transfer or who have an existing complaint about their policy. Detailed plans have been agreed for each administration activity that takes place around the time of the transfer and I have been briefed on these plans. Although some level of disruption is unavoidable around the time of the proposed transfer, the plans have been designed to minimise customer delays and inconvenience around the time of the proposed transfer and I do not expect any material detriment to policyholders to arise as a result of this activity.
- Concerns around the customer service standards of ReAssure. My previous report considered, in section 6.3.3, the ReAssure service levels compared to LGAS Mature Savings business. This is also covered in section 3.3.2 of this report and I have concluded that I do not expect there to be any material detriment in the administration and servicing of transferring policyholders following the proposed transfer.
- Some policyholders were concerned around the functionality and the phased implementation of the ReAssure online servicing tools compared to LGAS. As stated in my previous report (in section 6.3.2), the policyholder online functionality (called "ReAssure Now") has been demonstrated to LGAS and is very similar to the LGAS proposition and, in some places, better. This tool is being developed in stages and is currently being used by some existing ReAssure customers.
- Some policyholders expressed concern that their policy benefits may change, particularly if they have guaranteed benefits. In my previous report I discussed (in section 6.1.10) that some minor changes were being made to the way policies operate and concluded that I do not believe that these changes result in any material detriment to policyholders. I am still of this view.
- Concerns that policy charges may increase. In my previous report I considered charges and concluded in section 6.1.9 that the only charge impacted by the proposed transfer was how deductions for mortality and morbidity benefits are calculated and that the changes proposed did not constitute a material adverse impact on these policyholders.
- Some policyholders who wish to surrender or transfer their policies as a result of the proposed transfer of the business to ReAssure expressed concern that they may incur an exit penalty or tax

charge should they choose this course of action. I have considered these points and note that no additional exit charges are being applied as a result of the proposed transfer and, as noted in section 6.1.8 of my previous report, there are not expected to be any changes to the taxation status of life policies.

- Concerns around the financial security of the policyholder benefits. I considered this in my previous report in section 6.2 and it is discussed further in section 3.2 of this report and I have concluded that the proposed transfer does not materially affect the financial security of the benefits of the proposed transferring WPF policyholders.
- Concerns about the suspension of the IPO for RGP as this may be an indication of lack of market confidence in the company as well as causing more uncertainty about the future ownership of RGP. These concerns were raised before the announcement of the sale of RGP to Phoenix on 6 December 2019. In my previous report, I compared the security of policyholder benefits with and without the IPO in section 6.2.3 and concluded that no material detriment to policyholders was expected in either case. The proposed sale of RGP to Phoenix is not expected to affect this conclusion.
- Concerns that ReAssure will not manage the policyholder investments as well as LGAS. The majority of the assets will continue to be managed by Legal & General Investment Management and in my previous report, I considered in section 6.1.3 the investment strategy of the LGWPF after the proposed transfer and concluded that I did not expect it to adversely impact the benefit expectations of policyholders relative to the expectations they would have had if the WPF had remained within LGAS.
- A number of policyholders already had one or more policies with ReAssure and did not want to transfer their LGAS policy to the same provider, either because they were concerned about the concentration of risk or because they were unhappy with the way ReAssure had dealt with their existing policy. I am unable to comment on the historic treatment of individual existing ReAssure policies; however I considered service standards in my previous report (in section 6.3.3) and in section 3.3.2 of this report and concluded that I do not expect there to be any material detriment in the administration and servicing of transferring policyholders following the proposed transfer.

Where policyholders are concerned about the concentration of risk, I accept that this is an understandable concern. In section 6.2 of my previous report and section 3.2 of this report I have discussed the benefit security of policies and as a result of the strength of the companies and their capital management policies. I am comfortable that this possibility is sufficiently remote that it does not constitute a material detriment for those policyholders impacted.

- Following the announcement on 6 December 2019 of the intended sale of RGP to Phoenix Group Holdings Plc ("Phoenix"), a small number of policyholders contacted LGAS to express their concern around this transaction, either through: (i) poor past experience of Phoenix, (ii) the implications of the transaction on the administration capabilities of ReAssure or (iii) the general uncertainty this creates around the ultimate ownership of their policies. I have considered the implications of the agreed sale in section 3.2.2 and conclude that there is not expected to be any material reduction in benefit security for participating transferring policyholders. Any other changes which may be proposed in future and which materially impact customers would be subject to ReAssure governance including their Fairness Committee or any successor committee that acts as a With Profits Committee.

Additionally there were a number of objections relating specifically to the WPF:

- A small number of policyholders were concerned around the ability of ReAssure to merge the WPF after the proposed transfer with other with profit funds or to convert the fund to non-profit. In my previous report, I considered these matters in sections 6.3.9 and 6.3.10 and concluded that there

are sufficient protections in place to ensure that the WPF policyholders would be treated fairly at the time such action are being considered which are not expected to be for at least 20 years.

- Some policyholders were concerned about the expense deal and, in particular, that the WPF was transferring £50m from its assets to ReAssure on completion of the transfer as a contribution to migration costs.

The payment of the £50m contribution to ReAssure's migration is dependent on the transfer happening and is being paid from the assets backing the WPF estate, rather than from the asset shares used to set policyholder bonuses.

In my previous report, I discussed the expense deal and this associated payment of £50m by the WPF in section 6.1.6. I commented on the analysis that had been carried out which considered the benefits of this expense deal to the WPF versus the payment of £50m and concluded that, when assessed over the future lifetime of the WPF, the proposed charges are likely to be beneficial to the WPF. This analysis was updated during October 2019 to reflect the delay to the proposed transfer, the calculated per policy charges, changes to economic conditions and the treatment of VAT on ancillary investment expenses. The calculated result was marginally more favourable to the WPF and so the conclusion in my previous report still holds. For clarity, it is worth noting that the expected benefits of the expense deal will affect the benefits received by participating policyholders either directly via lower charges being made to asset shares which underpin bonus rates or indirectly via future distributions of the estate.

- A number of policyholders were concerned about changes to the way that bonuses would be applied to their policies or the way in which bonus rates would be calculated. In my previous report, I considered in section 6.1.1 and 6.1.2 the way in which bonuses will be calculated and applied by ReAssure. I also discuss this in section 3.1.1 of this report. I remain of the view, expressed in my previous report, that changes will not be materially adverse for any group of policyholders.

I have carefully considered the objections made and in particular whether any of these would change the conclusions in my previous report. Having done so I do not feel it is necessary to make any changes to my conclusions as a result.

5. COMPLIANCE WITH TECHNICAL ACTUARIAL STANDARDS

This report has been prepared in accordance with, and in my opinion complies with, the Technical Actuarial Standards (TAS) issued by the Financial Reporting Council. In particular, I believe this report complies with TAS 100: Principles for Technical Actuarial Work and TAS 200: Insurance. TAS compliance of the supporting papers, reports and models are considered separately by the relevant authors and reviewers as appropriate.

APS X2, issued by the Institute and Faculty of Actuaries, requires Actuaries to consider the appropriate level of review that should be applied to their work. A draft of this report has been subject to an Independent Peer Review by a suitably qualified Actuary and is therefore believed to be compliant with APS X2.




Tricia Ross
With-Profits Actuary
 24 February 2020

APPENDIX - PERSONAL INTERESTS

This section summarises my financial and personal interests in LGAS and other companies within the Legal and General Group as at 14 February 2020 (unless otherwise stated). I have no financial or personal interests in ReAssure Ltd or the Swiss Re Group.

I am an employee of Legal & General Resources Limited. I am personally affected by the transaction as an employee of the Mature Savings business.

SHARE INTERESTS

I have the following share interests in Legal & General Group Plc:

Employee Share Plan	18,055
Corporate Sponsored Nominee	83,103
Share Bonus Plan	17,574

I also hold a number of share options in Legal & General Group Plc in Save as You Earn Contracts. The options held are:

Number of Options	Option Price	Option date
1791	£2.01	1 June 2020
1595	£1.88	1 June 2021

POLICIES

I hold the following policies:

- (i) A with-profits endowment policy with LGAS which matures in 2022 and has a surrender value of £28,863. This policy is in scope of the transaction.
- (ii) Holdings in the Legal & General Group SIPP with Legal & General (Portfolio Management Services) Limited with a total value of £94,536 including 23,273 shares in Legal & General Group Plc.
- (iii) ISA Investments with Legal & General (Unit Trust Managers) Limited with a total value of £47,243
- (iv) A Worksave Pension Plan associated with Legal & General Group SIPP invested with Legal & General Investment Management with a value of £7,440

PENSION

As an employee of long standing I have the following pension arrangements related to my employment:

- (i) A deferred pension of £47,561 as at 5 March 2019 in the Legal & General Group UK Senior Pension Scheme
- (ii) A Worksave Pension Plan invested with Legal & General Investment Management with a value of £8,630

OTHER

My spouse is employed by Legal & General Investment Management (Holdings) Limited and receives remuneration commensurate with his responsibilities. He also has a WorkSave Pension Plan with Legal & General (Portfolio Management Services) Limited relating to a previous employer.