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March 12, 2020

**Re: The Part VII transfer of part of the long-term business of Legal and General Assurance Society Limited to ReAssure Limited**

**BACKGROUND**

1. It is proposed to transfer a block of long-term insurance business from Legal and General Assurance Society Limited ("**LGAS**") to ReAssure Limited ("**ReAssure**").
2. I have been appointed by LGAS and ReAssure to report, pursuant to Section 109 of the Financial Services and Markets Act 2000 ("**FSMA**"), in the capacity of the Independent Expert on the terms of the proposed scheme (the "**Scheme**") providing for this transfer from LGAS to ReAssure.
3. In my role as Independent Expert for the Scheme, I have produced:
  - A report ("**my Main Report**") dated 3 July 2019 for the Directions Hearing at the High Court of Justice of England and Wales (the "High Court") on 11 July 2019 to assist the High Court in its deliberations on the Scheme.
  - An addendum to my Main Report ("**the addendum**") dated 12 July 2019 following the news that the Initial Public Offering of shares in ReAssure Group plc ("**RGP**") had been suspended.
  - A second report ("**my Supplementary Report**") dated 24 February 2020 to provide the High Court with an updated assessment of the likely effects of the Scheme ahead of the Sanction Hearing at the High Court on 10 March 2020.
  - An addendum to my Supplementary Report ("**the supplementary addendum**") dated 6 March 2020 providing an update to the Court on the operational readiness of ReAssure, late changes to the Scheme, updates on communications with policyholders in respect of objections and the potential effects of the recent epidemic of coronavirus ("**COVID-19**").
  - A letter to the High Court (the "**first letter to Court**") dated 11 March 2020 to provide further information with respect to the Fixed Expense Agreement.
4. My Main Report, my Supplementary Report and both addendums have been made available to policyholders via the Legal & General Group website ([www.legalandgeneral.com](http://www.legalandgeneral.com)) and the ReAssure website ([www.reassure.co.uk](http://www.reassure.co.uk)).

**THE PURPOSE OF THIS NOTE**

5. The purpose of this note is to provide further information (following the second day of the Sanction Hearing on 11 March 2020), with respect to the analysis carried out in forming my conclusions outlined in Section 15 of my Main Report and Section 10 of my Supplementary Report that the implementation of the Scheme would not have a

material adverse effect on the standards of administration and service that apply to the LGAS and ReAssure policies.

#### **INFORMATION RECEIVED REGARDING SERVICE STANDARDS**

6. As set out in Section 8 of my Main Report, in order to ensure the operational readiness of both parties, to assess the service standards of ReAssure, and the protection of policyholder outcomes (including customer service standards) LGAS and ReAssure have set up:
- Criteria that should be achieved to ensure that when the LGAS transferring business is transferred there is no material adverse effect on the transferring business.
- These criteria include the requirement that ReAssure has the necessary staff and skills to deliver customer service standards that are at least as good as those of LGAS and fit for purpose systems with extended systems functionality.
- Joint governance committees to ensure the Part VII programme (which includes the protection of long-term customer service outcomes) remains on track.
  - Jointly agreed metrics such as complaints, breaches and call handling response times that will be monitored for both the transferring business and the existing business of ReAssure to ensure that ReAssure will be able to take on the volumes of work being transferred.
7. I have been provided with the spreadsheets and tables showing the metrics and values used to support the various readiness gate Go / No go decisions made alongside regular updates on key customer service metrics including:
- The number of servicing complaints;
  - Call centre answer rates; and
  - Call centre service levels.
8. In addition I have reviewed comparisons of the LGAS customer service metrics with the ReAssure customer service metrics. These show the performance of the two companies against the target levels of service agreed as part of the Business Transfer Agreement (the “**BTA**”), which is described in Section 5 of my Main Report.
9. This information has been provided to me at various points in the process: approximately 45 days, 30 days and 7 days prior to the Directions Hearing and Sanction Hearing, with the latest update dated 26 February 2020. This information demonstrates that the operational readiness and stability of LGAS and ReAssure have gradually improved over the period leading up to the Sanction Hearing and that the criteria necessary for a Go decision at the various readiness gates have consistently been satisfied. Further, the comparisons of customer service metrics between LGAS and ReAssure have indicated that ReAssure customer service levels are at least equivalent to those provided by LGAS and, as at 26 February 2020, are expected to be within the levels agreed as part of the BTA prior to the implementation of the Scheme.
10. I am satisfied that, if the Scheme were to be implemented, there would not be a material adverse effect on the standards of administration and service that would apply to the transferring LGAS policies and existing Reassure policies.

## THE REASSURE ONLINE PORTALS

11. As outlined in Section 8 of my Main Report, ReAssure has been developing two online portals called 'ReAssure Now' and 'ReAct' for use by transferring policyholders and sponsoring employers of occupational pension schemes respectively.
12. The ReAssure Now portal is fully operational and is in use by ReAssure policyholders and LGAS subject matter experts are satisfied that the functionality will achieve equivalent or better results than are currently achieved with the LGAS portal.
13. The only functionality that will not be available immediately will be the ability for customers to opt out of paper statements, however, this is in ReAssure's development plans.
14. The functionality testing for the ReAct portal is still ongoing but this is included within the expert review undertaken by KPMG LLP (as described in Section 4 of my Supplementary Report) who concluded that the testing remained on the critical path but that "positive changes had been made to ensure that the testing remained on plan."
15. The risk report from the ReAssure CRO dated 26 February 2020 states that, in relation to the ReAct portal, "Management confidence in successful completion of this outstanding work by the 'go / no-go' checkpoint is high."
16. Furthermore, ReAssure is committed to future investment, development and improvement in functionality in relation to the online portals in order to best manage its closed-book business over time and meet the needs of these policyholders.

## THE LGAS CHIEF ACTUARY AND WITH-PROFITS ACTUARY REPORT

17. In forming my conclusions on the effect of the Scheme on the standards of administration and service that apply to the transferring LGAS policies and the existing ReAssure policies, I have had regard to the views of the LGAS Chief Actuary and the LGAS With-Profits Actuary as set out in their respective reports on the Scheme.
18. In particular I note that:
  - On pages 42 and 43 of his main report on the Scheme for the Directions Hearing, the LGAS Chief Actuary describes the customer service for transferring policyholders within ReAssure following the implementation of the Scheme and he concludes that: "I have reasonable confidence that there will be no customer detriment in executing the transfer on the effective date" and "I am satisfied that robust plans are in place to ensure ReAssure are able to take on the operation of the Transferring Business".
  - In his supplementary report on the Scheme for the Sanction Hearing, the LGAS Chief Actuary provides an update on customer service in Section 5.9 and states "I have reasonable assurance that the conclusions within my Main Report in respect of customer service remain sound".
  - In Section 6.3.2 of her main report on the Scheme for the Directions Hearing, the LGAS With-Profits Actuary describes her review of a comparison of target customer service standards between LGAS and ReAssure and, based on this review, concludes "I am content that the proposed activity is not unreasonable".
  - In her supplementary report on the Scheme for the Sanction Hearing, the LGAS With-Profits Actuary provides an update on service standards in Section 3.2.2 and states "I do not expect there to be any material detriment in the administration and servicing of transferring policyholders following the proposed transfer".
19. The experience of the policyholders of a company in respect of the service standards received from that company are built up over time and so it would be difficult, given the limited timeframe of my role as Independent

Expert, for me to be able to form an opinion on the service standards of ReAssure relative to those of LGAS. Therefore in my view it is reasonable for me to consider the views of the Chief Actuary and With-Profits Actuary of LGAS, both of whom have been in their roles for over 5 years and both of whom have various responsibilities to customers under UK regulations, in forming my opinion on this matter.

#### **CONCLUSIONS**

20. Therefore, for the reasons described above, I am satisfied that the implementation of the Scheme would not have a material adverse effect on the standards of administration and service that apply to the LGAS and ReAssure policies.



Oliver Gillespie

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