SUMMARY OF TRANSFER AND REPORT OF THE INDEPENDENT EXPERT

RELATING TO

THE PROPOSED TRANSFER OF REINSURANCE BUSINESS

FROM

QBE INSURANCE (EUROPE) LIMITED

AND

MOORGATE INSURANCE COMPANY LIMITED

TO

BOTHNIA INTERNATIONAL INSURANCE COMPANY LIMITED

1. **Introduction**

QBE Insurance (Europe) Limited (**QBE**) and Moorgate Insurance Company Limited (**Moorgate**, and together the Transferors) each propose to transfer certain reinsurance business to Bothnia International Insurance Company Limited (the **Transferee** or **Bothnia**).

The proposed transfer will be effected by means of an insurance business transfer scheme (**Part VII** **Transfer** or **Scheme**) under Part VII of the UK Financial Services and Markets Act 2000 (**FSMA**) and is conditional upon an order of the Chancery Division of the High Court (**Court**) pursuant to section 111(1) of FSMA sanctioning the Part VII Transfer.

In order for the Part VII Transfer to take place, a rigorous legal and regulatory approval process must be followed. Policyholder protection is paramount and, as part of the legal process, notification to policyholders, reinsurers and other key stakeholders is required. The manner in which the formal notifications of the Part VII Transfer are being issued has been discussed with the Prudential Regulation Authority (**PRA**) and Financial Conduct Authority (**FCA**), and approved by the High Court.

This document has been prepared to provide policyholders and reinsurers with an overview of the proposed transfer.

It also contains a summary of the terms of the Part VII Transfer (at Appendix 1) and a summary of the report of an independent expert appointed pursuant to section 109 of the FSMA (Independent Expert) on the effects of the Part VII Transfer on the policyholders of the Transferors and the Transferee (at Appendix 2).

1. **Transferring Business**

The business proposed to be transferred by the Transferors to the Transferee pursuant to the Part VII Transfer comprises:

* reinsurance and retrocession policies written or assumed by QBE and Moorgate as members of the Ridgwell, Fox and Partners Pool (**RFP Pool**); and
* certain retrocession agreements written or assumed by Moorgate and QBE in relation to the RFP Pool liabilities of other members of the RFP Pool,

together with the outwards reinsurance agreements entered into by the Transferors relating to their share of the RFP Pool business (the **Transferring Business**).

Specifically, the business proposed to be transferred by QBE consists of part of the reinsurance business assumed by QBE from QBE Re (Europe) Limited (**QBE Re**) pursuant to an insurance business transfer under Part VII of FSMA in March 2011, being:

1. reinsurance business written or assumed by QBE Re as a member of the RFP Pool between 1 January 1979 and 31 December 1991 (**QBE Pool Policies**); and
2. retrocession agreements written or assumed by QBE Re in relation to the net RFP Pool liabilities of certain other members of the RFP Pool (**QBE Retroceded Pool Policies**),

together with the benefit of all the reinsurances in respect of QBE's participation on such portfolio.

The business proposed to be transferred by Moorgate consists of the reinsurance business of Moorgate (comprising the entirety of Moorgate's business), including:

1. reinsurance business written or assumed by Moorgate as a member of the RFP Pool from 1 January 1981 to 31 December 1988 (**Moorgate Pool Policies**); and
2. retrocession agreements written or assumed by Moorgate in relation to the net RFP Pool liabilities of certain other members of the RFP Pool (**Moorgate Retroceded Pool Policies**),

together with the benefit of all reinsurances in respect of Moorgate's participation on such portfolio.

Included in the Transferring Business are the following retrocession arrangements under which one or both of the Transferors reinsure the net RFP Pool liabilities of certain other members of the RFP Pool:

1. each Transferor's participation on the loss portfolio transfer agreement of February 1991 pursuant to which Gothaer Allgemeine Versicherung AG reinsured its participation on the 1986 and prior underwriting years of the RFP Pool with the members of the 1987 RFP Pool underwriting year; and
2. the retrocession agreement dated 21 December 1988 (amended on 26 June 1989) originally entered into between The New Zealand Reinsurance Company (UK) Limited and The New Zealand Insurance PLC (as cedants, in relation to risks written or assumed by them as members of the RFP Pool) and QBE Re (as retrocessionaire) and subsequently transferred to Ocean Marine Insurance Company Limited (as cedant) and QBE (as retrocessionaire).
3. **Transferee**

Bothnia is an insurance company registered in Finland and authorised and regulated by the Financial Supervisory Authority of Finland (**FIN-FSA**). It has been conducting insurance business in the UK on a cross-border basis from its head office in Finland since 2015.

Bothnia is a member of the same corporate group as Moorgate, both being wholly owned subsidiaries of Compre Holdings Limited (**CHL**). CHL actively seeks to acquire run-off portfolios of insurance and reinsurance business. It has used Bothnia as a vehicle to accept run-off portfolios of reinsurance business and may use it in the future to accept further such portfolios.

The operations of Bothnia are administered by run-off management service companies, which are subsidiaries of CHL (**Compre Services Companies**). Compre Services Companies exist in the UK, Finland, Sweden, Switzerland, and Germany.

Bothnia assumed the administration, including the claims management, of the Transferring Business on behalf of QBE and Moorgate with effect from February 2016, which it subcontracts to Compre Services Companies in the UK (Compre Services (UK) Ltd), Finland (Compre Services (Finland) Oy), Germany (Compre Services (Germany) GmbH) and Sweden (Compre Services (Sweden) Ab). If the Part VII Transfer is sanctioned by the Court, Bothnia's current intention is for the management of claims and decision making to continue to take place at Bothnia's head office in Finland and, notwithstanding any future departure of the UK from the European Union, for administration of the Transferring Business to continue to be sub-contracted to one or more of these Compre Services Companies, post transfer.

1. **RFP Pool**

The RFP Pool is a reinsurance pool that wrote reinsurance and retrocessional programmes through Ridgwell, Fox and Partners (Underwriting Management) Limited (**RFPUM**) as underwriting agent from 1 January 1978 to 31 December 1991. No direct business was written. The RFP Pool covered a wide range of classes of business underwritten on a worldwide basis. Property was the main classification, and there was substantial exposure throughout RFP Pool business to London Market Excess of Loss (**LMX**) business. The Casualty account consisted of a varied book of business, including reinsurance of compulsory third party insurance, such as motor, employers’, public and general (e.g. in respect of property damage or bodily injury) third party liability. The Property, Marine and Casualty books of business still contain outstanding claims relating to exposure to the LMX spiral from the late 1980s and residual Asbestos, Pollution and Health Hazard exposure emanating from the years 1978 to 1985 from US writings of LMX and Marine business. UK and worldwide Casualty business also forms a large element of the remaining liabilities.

Through the RFP Pool, the Transferors have exposures to risks written through the EW Payne Marine and XL Pools, the Benfield Lovick & Rees Master XL Pool and the Alexander Howden Pool.

Other than the Transferors, the remaining members of the RFP Pool with gross RFP Pool liabilities are Gothaer Allgemeine Versicherung AG, Allianz IARD (as successor to Assurances Generales de France), Ocean Marine Insurance Company Limited (as ultimate successor to The New Zealand Reinsurance Company (UK) Limited and The New Zealand Insurance PLC) and Bothnia (as ultimate successor to Württembergische Feuer, Groupe des Assurances Nationales, GAN Incendie Accidents and Minster Insurance Company Limited).

1. **Motivation for the Transfer**

QBE and Moorgate are both current members of the RFP Pool. As well as being a member of the RFP Pool assuming risks directly through RFPUM, QBE also fully reinsures the net participations of some of the other members of the RFP Pool (including Moorgate).

With effect from 12 February 2016, QBE entered into an agreement pursuant to which Bothnia 100% reinsures QBE’s direct and indirect net involvement in the RFP Pool. As the business proposed to be transferred has been 100% retroceded into Bothnia, QBE’s and Moorgate's net liability in respect of the Transferring Business is nil; Bothnia ultimately carries the economic liability for the business. Bothnia has also assumed the administration of the RFP Pool on behalf of members in its entirety, which it has subcontracted to Compre Services Companies.

The purpose of the proposed transfer is to align the legal liability and the economic liability for the Transferring Business and also to provide finality to both QBE (regarding the RFP Pool business only) and Moorgate. It is intended that the transfer will result in no policy liabilities remaining within Moorgate, and CHL intends that, post the Effective Date and subject to regulatory permissions, Moorgate be wound up.

1. **Policy terms and administration**

If the proposals are approved there will be no changes to the terms and conditions of any transferring policy. In broad terms, QBE's and Moorgate's respective rights and obligations under policies comprised in the Transferring Business will be transferred, without alteration, to Bothnia.

Any rights or obligations policyholders or reinsurers have under such policies will remain unchanged, but following the transfer will be exercisable against or owed to Bothnia alone. Valid claims will continue to be paid although the party liable to make payment will be Bothnia, rather than QBE or Moorgate.

There will be no changes to how issued policies are administered as part of the proposed transfer to Bothnia. Policyholders should continue to contact their usual Compre Services Company, their current broker or other intermediary for any policy or claim related queries in the usual way.

1. **Impact of the proposals**

The Part VII Transfer has been reviewed by an Independent Expert and by the FCA and PRA, and it will not take place unless approved by the Court. The Independent Expert’s assessment has considered the security of all policyholders and his report is summarised in this document at Appendix 2. A full copy of the Independent Expert’s report can be downloaded from the following dedicated pages of the QBE and Compre websites <https://qbeeurope.com/qie-bothnia-part-vii-information/> or [www.compre-group.com/qbe-moorgate-bothnia-part-vii-information/](http://www.compre-group.com/qbe-moorgate-bothnia-part-vii-information/) - or we can send a copy to you on request using the contact details provided in Section 17 ("*How do I find further information?*").

The Independent Expert’s report concludes in summary that, provided that the proposed transfer scheme operates as intended (and the Independent Expert has no grounds for believing it will not do so):

* the security of the policyholders of QBE, Moorgate and Bothnia will not be materially adversely affected by the implementation of the proposed Part VII Transfer on the Effective Date; and
* the proposed Part VII Transfer will not have an impact on the service standards currently experienced by the policyholders of QBE, Moorgate and Bothnia.

As with all insurance business transfer schemes, the Court needs to give its approval to the Part VII Transfer before it can go ahead. The Court will consider the Independent Expert's report, reports prepared by the FCA and PRA, and any representations made by affected parties.

***Set out below at Sections 8 through to 18 are typical questions that policyholders may ask in respect of the proposed transfer.***

1. **Is there an opportunity to vote on these proposals?**

No. There is no legal requirement for a vote. However, if you consider you may be adversely affected by the proposals or if you object to the proposals, then you have a right to raise your concerns to, and for your objection to be heard by, the Court. See Section 9 ("*What should I do if I think I may be adversely affected by the proposal or object to the transfer?*") for further information.

1. **What should I do if I think I may be adversely affected by the proposal or object to the transfer?**

We hope this document provides you with the information to allow you to understand what is proposed, and answer any questions that you may have. However, if you consider you may be adversely affected by the proposal or object to the proposal, then please let us know by calling or writing to QBE or Moorgate using the contact details provided in Section 17 ("*How do I find further information?*").

If you have an objection to the Part VII Transfer or if you believe you will be adversely affected as a result of the Part VII Transfer you are entitled to make written representations and/ or be heard (either in person or by a legal representative) at the hearing on 17 November 2017.

Any person who intends to appear at the Court or make representations in writing is requested to notify his or her objections as soon as possible and ideally at least five clear business days before the hearing of the Application on 17 November 2017 to QBE or Moorgate using the contact details provided in Section 17 ("*How do I find further information?*").

We will keep a record of all the objections received and will provide these to the Court, the PRA and the FCA, along with a copy of our responses. If you make your objection in writing, this will be included in the information supplied to the Court. Notifying us of your objection in advance of the Court hearing does not affect your right to attend and make your objection at the Court hearing itself, which you will still be able to do.

1. **What is the Transfer Document?**

The terms on which the transfer of business from QBE and Moorgate to Bothnia is proposed to take effect are set out in a legal document (the **Transfer Document**). We have included a summary of the terms of the Transfer Document at Appendix 1 to this document. A full copy of the Transfer Document can be downloaded from the following dedicated pages of the QBE and Compre websites <https://qbeeurope.com/qie-bothnia-part-vii-information/> or [www.compre-group.com/qbe-moorgate-bothnia-part-vii-information/](http://www.compre-group.com/qbe-moorgate-bothnia-part-vii-information/) - or we can send a copy to you on request using the contact details provided in Section 17 ("*How do I find further information?*").

1. **When will the proposed transfer happen?**

If the proposals are approved by the Court, then we expect that the transfer will take place at 23:59 on 30 November 2017 (the **Effective Date**).

1. **Who is the Independent Expert?**

The Independent Expert is Derek Newton of Milliman LLP (**Milliman**), who is based in its UK General Insurance practice in London. Mr Newton is a Fellow of the Institute and Faculty of Actuaries, which was established in 2010 by the merger of the Institute of Actuaries and the Faculty of Actuaries. He became a Fellow of the Institute of Actuaries in 1988. His experience of general insurance includes the (reserved) roles as the Signing Actuary to Lloyd’s syndicates and Irish non-life insurance companies, as well as acting as the Independent Expert in three insurance business transfer schemes that were sanctioned in 2014, 2015 and 2016 respectively.

The Independent Expert has been appointed under section 109 of the Financial Services and Markets Act 2000 to report his opinion on the likely effect of the Part VII Transfer proposals on policyholders and other key stakeholders of the Transferors and Transferee entities including whether any of their interests could in any way (either directly or indirectly) be adversely affected by the Part VII Transfer. His appointment has been approved by the PRA after consulting with the FCA. He is not an advisor to any company involved in the Part VII Transfer, but is a person independent of the parties involved whom the PRA and FCA consider has the necessary skills to assess the effect of the transfer.

His primary role will be to consider the Part VII Transfer and to report his opinion to the Court. His report must be impartial, based on a thorough review of the proposals and the businesses of the Transferors and Transferee entities and in a form that is approved by the PRA and FCA. All relevant companies have provided Mr Newton with access to key staff and any information he has requested.

1. **What is the Independent Expert report?**

The Independent Expert Report sets out in detail Mr Newton's opinion on the likely effect of the Part VII Transfer proposals on policyholders and other key stakeholders of the Transferors and Transferee entities including whether any of their interests could in any way (either directly or indirectly) be adversely affected by the Part VII Transfer. Mr Newton has summarised his report and this summary is included at Appendix 2 to this document. A full copy of his report can be downloaded from the following dedicated pages of the QBE and Compre websites <https://qbeeurope.com/qie-bothnia-part-vii-information/> or [www.compre-group.com/qbe-moorgate-bothnia-part-vii-information/](http://www.compre-group.com/qbe-moorgate-bothnia-part-vii-information/) - or we can send a copy to you on request using the contact details provided in Section 17 ("*How do I find further information?*").

The Independent Expert may also prepare a supplement to his report prior to the Court hearing in relation to any matters which may have changed or have been updated since his first report. Any supplementary report will be posted onto the websites, so you may wish to check for updates.

1. **When is the Court hearing?**

The Court will hear the application for the order sanctioning the Part VII Transfer (the **Application**) on 17 November 2017 at The Rolls Building, Fetter Lane, London, EC4A 1NL, United Kingdom. Anyone wishing to attend the hearing should check the following pages of the QBE and Compre websites <https://qbeeurope.com/qie-bothnia-part-vii-information/> or [www.compre-group.com/qbe-moorgate-bothnia-part-vii-information/](http://www.compre-group.com/qbe-moorgate-bothnia-part-vii-information/) which will be updated should the hearing date change.

The Court hearing will be attended by representatives of the companies involved, and the Independent Expert. The Transferor and Transferee companies will be jointly represented at the Court hearing by a barrister. The PRA and FCA also have the right to attend. The Court hearing is open for members of the public to attend.

Any person who believes that he or she would be adversely affected by the carrying out of the Part VII Transfer is entitled to either make written representations or be heard (either in person or by a legal representative) at the hearing of the Application on 17 November 2017. See Section 9 ("*What should I do if I think I may be adversely affected by the proposal or object to the transfer?*") for further information.

1. **What will happen at the Court hearing?**

The Judge will review whether all of the legal procedures for completing a Part VII transfer have been followed correctly. The Judge will also review the witness statements and evidence presented by the companies in support of the proposed transfer, and will consider the reports of the Independent Expert, the PRA and the FCA.

Time will be allocated to hear any objections put forward (whether in writing or in person) by affected policyholders or any other person who alleges that they would be adversely affected by the proposals.

The Judge must decide whether or not it is appropriate to approve the Part VII Transfer, taking all of the evidence into account. If the Judge does approve the Part VII Transfer, then a Court Order is made which allows the Part VII Transfer to come into effect at the time specified in the Order.

1. **How will I know if the Scheme has been approved?**

We will announce the outcome of the Court application on both websites, following the Court hearing, which is due to take place on 17 November 2017.

1. **How do I find further information?**

Copies of documents relating to the Part VII Transfer including the full Independent Expert Report and this document are available free of charge at <https://qbeeurope.com/qie-bothnia-part-vii-information/> and [www.compre-group.com/qbe-moorgate-bothnia-part-vii-information/](http://www.compre-group.com/qbe-moorgate-bothnia-part-vii-information/). Future updates relating to the Part VII Transfer, including any changes to the Court hearing date and a copy of the supplemental report to be prepared by the Independent Expert, will be posted onto the websites, so you may wish to check for updates. If the Part VII Transfer is approved, it will be announced on the websites.

If you have any other queries relating to the Part VII Transfer or would like hard copies of the Part VII Transfer documents to be sent to you then you can write to QBE or Moorgate at the addresses provided below or telephone the helpline on +44 (0)203 551 6551 from Monday to Friday during usual business hours. When calling the helpline outside of these hours, please leave a short message stating the nature of your query and your contact details and we will endeavour to return your call as soon as possible.

**QBE**

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**Ref**: RFP Part VII Transfer

**Moorgate**

Moorgate Insurance Company Limited  
4th Floor  
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30-33 Minories  
London  
EC3N 1DD  
United Kingdom  
**FAO**: Caroline Hobbs  
**Email**: RFPTransfer@compre-group.com  
**Ref**: RFP Part VII Transfer

1. **What should I do now?**

If you do not think you are adversely affected and have no objections to the proposal you do not have to do anything.

If you consider you may be adversely affected by the proposal or object to the proposal or if you need any further information, then please refer to the Section 9 ("*What should I do if I think I may be adversely affected by the proposal or object to the transfer?*") and Section 17 ("*How do I find further information?*") for more information.

APPENDIX 1

THE PART VII TRANSFER

# **Introduction**

This section summarises the terms of the proposed Part VII Transfer.

# **Effective Date**

The Part VII Transfer is conditional upon the Court granting an order pursuant to FSMA sanctioning the Part VII Transfer. If this order is granted, it is currently proposed that the Part VII Transfer will take effect from 11:59pm on 30 November 2017 (**Effective Date**).

Paragraphs 3 to 12 below describe the effect of the Part VII Transfer if it is approved by the Court.

# **Transfer of the Transferring Business**

Subject to paragraph 6 (Delayed transfers) below, on and with effect from the Effective Date, the Transferors will transfer all of the Transferring Business to the Transferee. The Transferring Business comprises:

#### the QBE Pool Policies;

#### the QBE Retroceded Pool Policies;

#### the Moorgate Pool Policies; and

#### the Moorgate Retroceded Pool Policies

(collectively the **Transferring Policies**), together with all outwards reinsurance and retrocession agreements of the Transferors in respect of the Transferring Policies.

Subject to paragraph 6 (Delayed transfers) below, at the Effective Date:

#### the rights, benefits and powers of the Transferors under or by virtue of the Transferring Policies and all rights and claims against any third party in relation to the Transferring Business or arising as a result of either of the Transferors having carried on the Transferring Business shall, without any further act or instrument, be transferred to and be vested in the Transferee by order of the Court;

#### each asset comprised in the Transferring Business and all the interest and title of the Transferors in it shall, without any further act or instrument, be transferred to and be vested in the Transferee by order of the Court; and

#### all liabilities of the Transferors under or in respect of the Transferring Policies or attributable to the Transferring Business shall, without any further act or instrument, be transferred to and become liabilities of the Transferee and shall cease to be liabilities of the Transferors by order of the Court.

Subject to paragraph 6 (Delayed transfers) below, on and with effect from the Effective Date:

#### each holder of a Transferring Policy shall become entitled to the same rights against the Transferee as were available to them against the relevant Transferor under such Transferring Policy (to the exclusion of any rights which they may have had against that Transferor under the Transferring Policy) and shall account to the Transferee for any further or additional premiums or other sums attributable or referable thereto as and when the same become due and payable; and

#### all premiums and other amounts attributable or referable to the Transferring Policies shall, on and with effect from the Effective Date, be payable to the Transferee and the Transferee shall be entitled to any and all defences, claims, counterclaims and rights of set-off under the Transferring Policies which would have been available, individually or collectively, to the Transferors.

# **Continuity of Proceedings**

Any pending or current proceedings or complaints (including any judicial, quasi-judicial, disciplinary, administrative or arbitration proceedings) issued or served before the Effective Date by or against either Transferor in connection with the Transferring Business shall be continued by or against the Transferee in place of the relevant Transferor and the Transferors shall not have any liability under those proceedings. The Transferee shall be entitled to all defences, claims, counterclaims and rights of set-off that would have been available to the Transferors in respect of the Transferring Business.

Any judgment, order or award in respect of the Transferring Business which is not fully satisfied before the Effective Date will become enforceable by or against the Transferee in the place of the relevant Transferor.

On and with effect from the Effective Date or, in the case of any proceedings or complaints relating to an asset or liability comprised in the Transferring Business the transfer of which is delayed as described in paragraph 6 (Delayed transfers) below, the date on which the delayed asset or liability transfers, any proceedings or complaints by or against either Transferor in connection with the Transferring Business will be continued or commenced by or against the Transferee and the Transferors shall have no liability under such proceedings.

# **Reinsurance and Retrocession Contracts**

The Transferors have taken steps to notify the reinsurers and retrocessionaires who reinsure the Transferring Business (the **Reinsurers**) of the Part VII Transfer.

Subject to paragraph 6 (Delayed transfers) below, on and with effect from the Effective Date, all rights, benefits and powers conferred or vested in, and all liabilities imposed on, the Transferors in respect of the Transferring Business by or under outwards reinsurance or retrocession contracts with the Reinsurers will be transferred to the Transferee, who shall be substituted as a party in place of the Transferors from inception in so far and to the extent that any such reinsurance or retrocession contracts relate to the Transferring Business. The Part VII Transfer provides that the reinsurers and retrocessionaires in respect of the Transferring Business will have no greater or lesser liability to the Transferee under any reinsurance or retrocession contracts relating to the Transferring Business than they would have had to the Transferors (under the same reinsurance or retrocession contracts) in the absence of the Part VII Transfer.

# **Delayed transfers**

It is possible that certain of the policies, reinsurance contracts, retrocession contracts, assets, mandates, proceedings and liabilities that would otherwise be included in the Transferring Business may not transfer on the Effective Date and will instead remain with the relevant Transferor, for example:

#### where legal steps are required to be taken in other jurisdictions;

#### if the relevant Transferor and the Transferee agree before the Effective Date that they should not transfer at that time; or

#### if the Court determines not to transfer them on the Effective Date.

Where this is the case, the relevant Transferor will retain any delayed policies, reinsurance contracts, retrocession contracts, assets, mandates, proceedings and liabilities for the account of the Transferee until such time as their transfer occurs and the Transferee will administer such delayed business on behalf of the relevant Transferor until that time and shall have full authority to conduct any proceedings comprised in or relating to such delayed business or, where appropriate, direct the relevant Transferor as to the conduct of such proceedings.

# **Excluded Policies, Assets and Liabilities**

Certain assets and liabilities, contracts and policies are specifically excluded from the Part VII Transfer and will not transfer to the Transferee.

All policies of QBE other than the QBE Pool Policies and QBE Retroceded Pool (together the **QBE Transferring Policies**) are excluded from the Part VII Transfer. All assets and liabilities of QBE other than (i) assets and liabilities under or related to the QBE Transferring Policies and (ii) outwards reinsurance and retrocession agreements in respect of the QBE Transferring Policies are also excluded from the Part VII Transfer.

All of Moorgate's reinsurance business is comprised in the business Moorgate proposes to transfer pursuant to the Part VII Transfer.

# **Indemnities**

The Transferee shall discharge on each Transferor’s behalf or, failing that, shall indemnify each Transferor against any loss or expense incurred by that Transferor, whether before or after the Effective Date, that is attributable to the Transferring Policies or to other liabilities comprised in the Transferring Business.

# **Data Protection**

The Transferee shall succeed to all rights, liabilities and obligations of the Transferors in respect of any personal data which relates to the Transferring Business and which is subject to the Data Protection Act 1998.

# **Costs and expenses**

All costs and expenses incurred in connection with the preparation and carrying into effect of the Part VII Transfer, whether before or after the Effective Date, shall be paid by the Transferors and the Transferee (and not the policyholders of the Transferring Business).

# **Modifications, amendments and additions**

The Transferors and the Transferee may consent on their own behalf and on behalf of all other persons concerned (other than the PRA and FCA) to any modification, amendment or addition to the Part VII Transfer or to any further condition or provision affecting the same which the Court may approve or impose prior to or after the sanction of the Part VII Transfer.

Following the sanction of the Part VII Transfer, the Transferors and the Transferee may without further sanction of the Court make minor and/ or technical amendments to the Part VII Transfer or amend the Part VII Transfer to correct a manifest error subject to the FCA and PRA being notified of the proposed amendment and both of them indicating that they do not object to it.

# **Governing Law**

The terms of the Part VII Transfer are governed by English law.

**APPENDIX 2**

SUMMARY OF THE INDEPENDENT EXPERT REPORT ON THE PART VII TRANSFER

1. **About the Independent Expert’s Report and this summary**

I, Derek Newton, am a principal of Milliman LLP and a Fellow of the Institute and Faculty of Actuaries. I have been appointed as the Independent Expert to provide, in accordance with Part VII of the FSMA, a report on the potential impact of the proposed transfer on the policyholders of QBE, Moorgate and Bothnia. My report is intended to assist the Court in properly assessing the effect of the proposed transfer on all affected policyholders, in particular in respect of the security of their policies and the levels of service that they could expect to receive after the transfer.

This appendix contains a summary (**Summary**)of my report, dated 27 July 2017. The Summary is subject to the same limitations on its use as those set out in my report. My report contains the reasoning behind my conclusions, some of the detail of I have omitted from this Summary. My report also includes further information regarding QBE, Moorgate and Bothnia which I have also not included within this summary. While I am satisfied that this Summary provides an appropriate synopsis of my report, reliance on this Summary alone could be misleading. Copies of my report and any subsequent update can be obtained as set out in paragraph 17 on page 2 of this document.

The document to which this Summary is an appendix contains a description of the proposed Scheme. Therefore, I have not included further description of the proposed Scheme within this Summary. Furthermore, by way of background, my report includes material regarding the insurance regulatory environment in the UK and in Finland and the history of the companies involved. Again, I have not included that material within this Summary which instead focuses on what I perceive to be the security and service levels provided to policyholders and the likely effect of the proposed Scheme on policyholders of QBE, Moorgate and Bothnia, as applicable.

In the event of any conflict of interpretation between this Summary and my report, the interpretation contained in my report will prevail.

1. **Who will be affected by the Scheme?**

I have determined that the following policyholder groups might be affected by the proposed Scheme:

* those holders of policies issued by the RFP Pool and covered in part by QBE as well as those members of the RFP Pool that have ceded their liabilities to QBE (**QBE Transferring Policyholders**);
* those holders of policies issued by the RFP Pool and covered in part by Moorgate as well as those members of the RFP Pool that have ceded their liabilities to Moorgate (**Moorgate Transferring Policyholders**);
* the current policyholders of QBE who have policies that are not being transferred; and
* the current policyholders of Bothnia.

I have been told that it is intended that all of Moorgate’s business will be transferred as part of the proposed Scheme and therefore it is expected that there will be no current policyholders of Moorgate who have policies that are not being transferred.

I have assessed the circumstances, security and levels of service of each of these groups of policyholders separately and have then similarly considered the changes that the Scheme is likely to cause in those circumstances, security and levels of service. I consider that policyholders of no other insurance companies would be affected by the proposed Scheme.

1. **Will there be any impact on security of the Transferring Policyholders?**

I have reviewed the level of excess assets held by each of QBE, Moorgate and Bothnia relative to their respective capital requirements, using where available both current and forward looking measures of those requirements. I have noted that the level of excess assets relative to the required capital is higher in Bothnia and Moorgate than it is in QBE. I have considered key components of solvency calculation and of the funds available to meet the solvency requirements, in particular the reserves. I have also considered the risk profiles of all three companies, including what the risk profile of Bothnia would look like after the transfer takes place. These different aspects are not wholly quantifiable and hence are not directly comparable with one another. Taking all of these aspects into account, I have concluded that, on an on-going basis, the security of the Transferring Policyholders will not be materially affected by differences in the financial strength between QBE, Moorgate and Bothnia.

In the event of Bothnia becoming insolvent prior to the Effective Date, the Transferring Policyholders would continue to have their claims paid by QBE and Moorgate, as appropriate. Were Bothnia to become insolvent after the Effective Date, the Transferring Policyholders would not have any recourse to either QBE or Moorgate. In such circumstances, the policyholders of Transferring Business as reinsureds would rank behind direct policyholders of Bothnia in accessing the remaining assets of Bothnia. However, given the level of excess assets within Bothnia, the insolvency of Bothnia appears to me presently to be only a remote possibility, and one that would not be materially affected by the Scheme.

I have concluded that the proposed Scheme will not have a materially adverse effect on the security of the QBE Transferring Policyholders or the Moorgate Transferring Policyholders.

1. **Will there be any impact on security of the remaining policyholders of QBE?**

QBE’s share of the Transferring Business is very small relative to the business remaining within QBE. Moreover, Bothnia has wholly reinsured the business being transferred from QBE, that business currently being recorded within QBE’s balance sheet at a nil net value. Therefore, the proposed Scheme will have no impact on the assets available to meet QBE’s capital requirements. It will, however, slightly reduce those capital requirements by reducing QBE’s exposure to reinsurance counterparty risk.

I have concluded that the impact of the proposed Scheme on the security of the remaining QBE policyholders will be negligible and not adverse.

1. **Is there an impact on security of the current policyholders of Bothnia?**

As the Transferring Business is currently 100% reinsured by Bothnia, the net liability is already recorded within Bothnia’s balance sheet. Therefore, the proposed Scheme will have only a small adverse impact on the excess assets of Bothnia, through an increased exposure to reinsurance counterparty risk. There would be no other change in the risk profile of Bothnia as a result of the transfer.

In the event of Bothnia becoming insolvent post the Effective Date, the policyholders of the Transferring Business, as reinsureds, would rank alongside current policyholders of Bothnia who have reinsurance policies and behind current policyholders of Bothnia who have direct policies in accessing the remaining assets of Bothnia. Therefore, there would not be a material dilution in the security for current policyholders of Bothnia in the event of Bothnia becoming insolvent.

I have concluded that the proposed Scheme will not have a materially adverse effect on the security of the current Bothnia policyholders.

1. **Will the proposed Scheme affect levels of service?**

Currently, Bothnia has responsibility for the management and administration of the Transferring Business and that will remain the case post transfer. It is expected that the current service standards will be maintained following the implementation of the proposed Scheme.

The management and administration of QBE’s business that is not being included within the proposed Scheme will not change in anyway as a result of the transfer. Similarly, the management and administration of Bothnia’s existing business will be unaffected by the transfer.

I have concluded that no group of policyholders will suffer any reduction in service standards as a result of the proposed Scheme.

1. **Conclusion**

I confirm that I have been provided with access to all material facts of which I am aware and which I consider relevant in order to assess the proposals under the proposed Scheme and I further confirm that all information that I have requested in relation to my review has been provided. I have had discussions with senior members of staff at both QBE and CHL that have helped me to evaluate the potential impact of the proposals on all policyholders under the proposed Scheme. In carrying out my review and in producing my report, I have relied, without detailed verification, upon the accuracy and completeness of the data and information provided to me by CHL and QBE. My conclusions depend on the substantial accuracy of this data, information and the underlying calculations. At the time of preparing my report, I was unaware of any issue that might cause me to doubt the accuracy of the data and other information provided to me by CHL and QBE. As far as I am aware, there are no matters which I have not taken into account in undertaking my assessment of the proposed Scheme and in preparing my report, but which nonetheless should be drawn to the attention of policyholders in their consideration of the proposed Scheme.

In my opinion, provided that the proposed Scheme operates as intended (and I have no grounds for believing it will not do so):

* the security of the policyholders of QBE, Moorgate and Bothnia will not be materially adversely affected by the implementation of the proposed Scheme on the Effective Date; and
* the Scheme will not have an impact on the service standards currently experienced by the policyholders of QBE, Moorgate and Bothnia.

1. **Update Report**

My analysis has been based upon the material supplied to me, including balance sheets and other information, based on accounting positions as at 31 December 2016.

Shortly before the date of the Court hearing at which an order sanctioning the Scheme will be sought, I will prepare a supplementary report covering any relevant matters which might have arisen since the date of my report. It is intended that the supplementary report will be published on the websites dedicated to the proposed Scheme at least one week before the date of the final Court hearing.

Derek Newton

Fellow of the Institute and Faculty of Actuaries