

SUMMARY OF SCHEME AND INDEPENDENT EXPERT'S REPORT

Proposed transfer of the business of Sompo Japan Nipponkoa Insurance Company of Europe Limited and part of the business of Endurance Worldwide Insurance Limited

1. OVERVIEW

1.1 It is proposed that:

- (a) the EEA direct insurance business of Sompo Japan Nipponkoa Insurance Company of Europe Limited ("**SJNKE**") and the EEA direct insurance business of Endurance Worldwide Insurance Limited ("**EWIL**"), together with part of their respective EEA reinsurance businesses, will be transferred to SI Insurance (Europe), SA ("**SIIE**"); and
- (b) the remaining business of SJNKE will be transferred to EWIL

under a scheme pursuant to Part VII of the Financial Services and Markets Act 2000 (the "**Act**") (the "**Proposal**").

1.2 SJNKE is an insurance company incorporated in England and Wales. It is authorised to effect and carry out contracts of insurance and reinsurance by the UK prudential regulator, the Prudential Regulation Authority ("**PRA**").

1.3 EWIL is an insurance company incorporated in England and Wales. It is authorised to effect and carry out contracts of insurance and reinsurance by the PRA.

1.4 Under the terms of the Proposal:

(a) EWIL will transfer to SIIE:

- (i) all of the direct insurance contracts under which EWIL is the insurer where such policies include a risk or policyholder situated in an EEA state other than the UK;
- (ii) all of the reinsurance contracts under which EWIL is the reinsurer where such policies include a reinsured situated in Croatia, Greece, Latvia, Liechtenstein, Luxembourg, Poland or Slovakia;

(b) SJNKE will transfer to SIIE:

- (i) all of the direct insurance contracts under which SJNKE is the insurer where:
 - (1) such policies are administered through its branches in Belgium, France, Germany, Italy and Spain, or by its agent Canopius BV in the Netherlands; or
 - (2) such policies are administered through its UK head office where such policies include a risk or policyholder situated in an EEA state other than the UK;
- (ii) all of the reinsurance contracts under which SJNKE is the reinsurer where:
 - (1) such policies are facultative reinsurance administered through its branches in Belgium, France, Germany, Italy and Spain, or by its agent Canopius BV in the Netherlands; or

- (2) such policies include a reinsured situated in Croatia, Greece, Latvia, Liechtenstein, Luxembourg, Poland or Slovakia;
- (c) SJNKE will transfer to EWIL all of the insurance and reinsurance contracts under which SJNKE is the insurer or reinsurer to the extent not otherwise transferred to SIIE.

The terms of those contracts however will not otherwise be affected as a result of the transfer. Consequently, policyholders need to take no action in relation to claims or premiums.

- 1.5 The rationale for the transfers to SIIE (described above) is to ensure this business can continue to be administered following the UK's departure from the EU. The transfer to EWIL (described above) is being undertaken to simplify the UK operations by consolidating them into one company.
- 1.6 SIIE is an insurance company incorporated in Luxembourg. SIIE is part of the Somp Holdings, Inc. group of companies. SIIE is authorised by the Luxembourg insurance regulator, the *Commissariat aux Assurances*, to effect and carry out contracts of insurance and reinsurance.

2. PROCESS

- 2.1 The Proposal will be effected under provisions contained in Part VII of, and Schedule 12 to, the Act. These provisions permit a business carried on by a UK insurance company to be transferred to another insurance company. The details of such a transfer must be set out in a scheme (the "**Scheme**"), which can only become effective with the sanction of the High Court of Justice of England and Wales (the "**Court**").
- 2.2 SJNKE and EWIL made an application to the Court in respect of the Proposal by a Claim Form issued on 17 August 2018. The Court hearing is expected to take place on 10 December 2018. The application to the Court was accompanied by a report on the terms of the Scheme in a form approved by the PRA and made by a person appearing to the PRA to have the skills necessary to make a proper report (the "**Independent Expert's Report**").
- 2.3 Any person (including staff employed in the performance of SJNKE's business, EWIL's business or SIIE's business) who alleges that he or she would be adversely affected by the carrying out of the Scheme is entitled to object (by sending written representations to the solicitors named below and/or the Court or making oral representations to the solicitors named below) or may appear at the time of that hearing in person or by Counsel, as may the PRA and the Financial Conduct Authority. Any person who intends to object orally or in writing or so to appear is requested (but not obliged) to notify his or her objections and the reasons therefor as soon as possible, and preferably before 7 December 2018, to Hogan Lovells International LLP (the solicitors acting for SIIE, SJNKE and EWIL) at Atlantic House, Holborn Viaduct, London, EC1A 2FG, quoting reference C4/NC/TJG, or by telephoning +44 (0)20 7296 2000. All objection letters received before the hearing will be provided to the Court, the Prudential Regulation Authority and the Financial Conduct Authority.
- 2.4 Subject to the granting of an order of the Court sanctioning the Scheme, the Scheme is expected to become effective at 00.01 am on 1 January 2019 (the "**Effective Date**").

3. SUMMARY OF THE SCHEME

3.1 Transfer of insurance and reinsurance contracts

Under the Scheme (save as provided in paragraph 3.3 below)

- (a) EWIL will transfer to SIIE:
 - (i) all of the direct insurance contracts under which EWIL is the insurer where such contracts include a risk or policyholder situated in an EEA state other than the UK;
 - (ii) all of the reinsurance contracts under which EWIL is the reinsurer where such policies include a reinsured situated in Croatia, Greece, Latvia, Liechtenstein, Luxembourg, Poland or Slovakia;

(the "**EWIL Transferred Policies**");
- (b) SJNKE will transfer to SIIE:
 - (i) all of the direct insurance contracts under which SJNKE is the insurer where:
 - (1) such policies are administered through its branches in Belgium, France, Germany, Italy and Spain, or by its agent Canopius BV in the Netherlands; or
 - (2) such policies are administered through its UK head office where such policies include a risk or policyholder situated in an EEA state other than the UK;
 - (ii) all of the reinsurance contracts under which SJNKE is the reinsurer where:
 - (1) such policies are facultative reinsurance administered through its branches in Belgium, France, Germany, Italy and Spain, or by its agent Canopius BV in the Netherlands; or
 - (2) such policies include a reinsured situated in Croatia, Greece, Latvia, Liechtenstein, Luxembourg, Poland or Slovakia;

(the "**SJNKE EEA Transferred Policies**");
- (c) SJNKE will transfer to EWIL all of the insurance and reinsurance contracts under which SJNKE is the insurer or reinsurer to the extent not otherwise transferred to SIIE (the "**SJNKE Non-EEA Transferred Policies**").

3.2 Litigation

From the Effective Date:

- (a) any proceedings which are pending, current or contemplated by or against SJNKE or EWIL in respect of the EWIL Transferred Policies or the SJNKE EEA Transferred Policies will be continued or (as the case may be) commenced by or against SIIE;
- (b) any proceedings which are pending, current or contemplated by or against SJNKE in respect of the SJNKE Non-EEA Transferred Policies will be continued or (as the case may be) commenced by or against EWIL.

3.3 **Excluded policies**

If any insurance or reinsurance contract that is proposed to be transferred under the Scheme is excluded from the transfer for any reason, then that contract will not be transferred. However, SJNKE and EWIL have no reason to believe that any such insurance or reinsurance contract will not be transferred.

4. **SUMMARY OF THE INDEPENDENT EXPERT'S REPORT**

A summary of the Independent Expert's Report is appended to this document.

5. **COPIES OF DOCUMENTS RELATING TO THE PROPOSAL**

Copies of the Independent Expert's Report and of this document are available on the following website: https://www.sompo-intl.com/Part_VII_Transfer and will also be provided, free of charge, by Hogan Lovells International LLP, solicitors for SIIE, SJNKE and EWIL, whose details are given in section 2.3 of this document.

16 August 2018

SUMMARY OF REPORT OF THE INDEPENDENT EXPERT

RELATING TO

THE PROPOSED TRANSFER OF THE EEA BUSINESSES FROM
SOMPO JAPAN NIPPONKOA INSURANCE COMPANY OF EUROPE LIMITED
AND ENDURANCE WORLDWIDE INSURANCE LIMITED TO
SI INSURANCE (EUROPE), SA

AND

THE PROPOSED TRANSFER OF THE NON-EEA BUSINESS FROM
SOMPO JAPAN NIPPONKOA INSURANCE COMPANY OF EUROPE LIMITED
TO ENDURANCE WORLDWIDE INSURANCE LIMITED

APPENDIX

SUMMARY OF THE INDEPENDENT EXPERT REPORT ON THE PART VII TRANSFER

1. About the Independent Expert's Report and this Summary

I, Gary Wells, 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 transfers on the policyholders of SJNKE, EWIL and SIIE. My report is intended to assist the Court in properly assessing the effect of the proposed transfers 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 transfers.

This appendix contains a summary (**Summary**) of my report, dated 16 August 2018. 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 which I have omitted from this Summary. My report also includes further information regarding SJNKE, EWIL and SIIE that 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 from https://www.sompo-intl.com/Part_VII_Transfer or may be obtained by written request to Hogan Lovells International LLP (the solicitors acting for SJNKE, EWIL and SIIE), Atlantic House, Holborn Viaduct, London EC1A 2FG, quoting reference C4/NC/TJG.

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. Further, by way of background, my report includes material regarding the insurance regulatory environment in the UK and in Luxembourg. 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 SJNKE, EWIL and SIIE, as applicable.

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

2. 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 Direct Policies¹ issued by SJNKE either (1) through its branches in Belgium, France, Germany, Italy or Spain, or by its agent, Canopius BV in the Netherlands, or (2) through its head office where such policies include a risk or policyholder situated in an EEA state other than the UK; and those holders of Assumed Reinsurance Policies² issued by SJNKE either (1) as facultative reinsurance policies administered through its branches in Belgium, France, Germany, Italy or Spain, or by its agent, Canopius BV in the Netherlands, or (2) with cedants in Croatia, Greece, Latvia, Liechtenstein, Luxembourg, Poland or Slovakia – the **Transferring SJNKE EEA (excluding UK) Policyholders**;
- those holders of Direct Policies issued by EWIL through its UK head office where such policies include a risk or policyholder situated in an EEA state other than the UK; and those holders of Assumed Reinsurance Policies issued by EWIL with cedants in Croatia, Greece, Latvia, Liechtenstein, Luxembourg, Poland or Slovakia – the **Transferring EWIL EEA (excluding UK) Policyholders**;
- those holders of policies issued by SJNKE under which SJNKE is the insurer or reinsurer other than holders of Transferring SJNKE EEA (excluding UK) Policies – the **Transferring SJNKE UK and non-EEA Policyholders**;
- the current policyholders of EWIL who have policies that are not being transferred – the **Non-Transferring EWIL Policyholders**; and
- the current (as at the Effective Date, expected to be 1 January 2019) policyholders of SIIE – the **SIIE Policyholders**.

I have been told that it is intended that all of SJNKE's business will be transferred as part of the proposed Scheme and therefore it is expected that there will be no current policyholders of SJNKE who have policies that are not being transferred. Further, I have been told that the surplus assets of SJNKE (other than £4 million of retained assets that are to transfer under the cross-border merger of SJNKE into SIIE) will be transferred to SIIE as part of the proposed Scheme.

¹ A Direct Policyholder is a policyholder (or a prospective policyholder) who makes arrangements for him/her to enter in to a contract of insurance (directly or through an agent) with an insurance undertaking. I refer to policies issued to Direct Policyholders as Direct Policies.

² An Assumed Reinsurance Policyholder is a policyholder (or a prospective policyholder) who enters in to a contract of reinsurance that is assumed by (or written by) an insurance undertaking (as distinct from outwards reinsurance that is ceded to a reinsurer). I refer to policies issued to Assumed Reinsurance Policyholders as Assumed Reinsurance Policies.

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.

I refer to the Transferring SJNKE EEA (excluding UK) Policyholders and the Transferring EWIL EEA (excluding UK) Policyholders collectively as the **Transferring EEA (excluding UK) Policyholders**.

Further, I use four qualitative terms to describe the financial status of SJNKE, EWIL and SIIE, assigning increasing levels of financial strength:

- **“sufficiently capitalised”** refers to financial resources (own funds³) between 100% and 119% of regulatory capital requirements;
- **“more than sufficiently capitalised”** refers to financial resources (own funds) between 120% and 149% of regulatory capital requirements;
- **“well-capitalised”** refers to financial resources (own funds) between 150% and 199% of regulatory capital requirements, and
- **“very well-capitalised”** refers to financial resources (own funds) in excess of 200% of regulatory capital requirements.

3. **Will there be any impact on the security of the Transferring EEA (excluding UK) Policyholders?**

I have reviewed the key components of the calculation of the solvency requirements relative to the own funds available to meet such solvency requirements, for each of SJNKE, EWIL and SIIE, using both current and forward looking measures of those requirements. I have noted that:

- SJNKE is (as at the date of this Summary) a very well-capitalised company (moving to being a well-capitalised company by end-2018 if an intra-group capital distribution, projected to be circa £95 million (\$130 million), is made as assumed in the forward looking projections (2018 – 2022)) and is forecast to continue to be a well-capitalised company up until the Effective Date;
- EWIL is a very well-capitalised company, and is forecast to be a very well-capitalised company on the Effective Date following the implementation of the Scheme, and is projected to remain a very well-capitalised company over the forward looking (projection) period to end-2022 (assuming the anticipated change in functional currency from GBP to USD is implemented in 2019). If the anticipated change in functional currency from GBP to USD does not take place, then EWIL is forecast to be a well-capitalised company, on the boundary of very well-capitalised, over the forward looking (projection) period to end-2022; and

³ Own funds is the surplus of assets over liabilities, plus subordinated debt, as determined under the Solvency II Insurance Directive.

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- SIIE is forecast to be a very well-capitalised company on the Effective Date, following a capital injection of €85.5 million (on 31 May 2018) and the transfer of the surplus assets of SJNKE on the implementation of the Scheme (other than £4 million of retained assets that are to transfer under the cross-border merger of SJNKE into SIIE). It is forecast to remain a very well-capitalised company over the forward looking (projection) period to end-2022.

I have also considered the risk profiles of SJNKE, EWIL and SIIE, including what the risk profile(s) of SIIE (and EWIL) would look like after the transfers take place.

I note that the Transferring EEA (excluding UK) Policyholders will enjoy the additional security afforded under the SIIE Net Worth Agreement provided by ESIL (executed on 8 May 2018).

I also note that eligible Transferring SJNKE EEA (excluding UK) Policyholders currently enjoy the additional security (over and above the capital resources held within SJNKE) provided by an ILU guarantee (whereby SJNKE guarantees the payment of valid claims for policies written via the ILU). This guarantee will continue to operate on the same terms and in the same way in respect of SIIE and EWIL after the Scheme has been implemented.

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 EEA (excluding UK) Policyholders will not be materially affected by differences in the financial strength between SJNKE, EWIL and SIIE.

I note above that, post-Scheme, the Transferring EEA (excluding UK) Policyholders will be in a very well-capitalised company. This means that I consider the risk of insolvency of SIIE post-Scheme to be remote. I am therefore satisfied that the potential change in the wind-up priorities of the Transferring EEA (excluding UK) Policyholders that would be caused by the Scheme will have no material impact on the security of benefits of the Transferring EEA (excluding UK) Policyholders.

I have concluded that the impact of the proposed Scheme will not have a materially adverse effect on the security of the Transferring SJNKE EEA (excluding UK) Policyholders or the Transferring EWIL EEA (excluding UK) Policyholders.

4. Will there be any impact on the security of the Transferring SJNKE UK and non-EEA Policyholders?

In Section 3 above, I described the financial strength of SJNKE and EWIL using both current and forward looking measures.

I have also considered the risk profiles of SJNKE and EWIL, including what the risk profile of EWIL would look like after the transfers take place.

I note that the Transferring SJNKE UK and non-EEA Policyholders will enjoy the additional security afforded under the EWIL Net Worth Agreement provided by ESIL (to be implemented prior to the Effective Date).

I also note that eligible Transferring SJNKE UK and non-EEA Policyholders currently enjoy the additional security (over and above the capital resources held within SJNKE) provided by an ILU guarantee (whereby SJNKE guarantees the payment of valid claims for policies written via the ILU). This guarantee will continue to operate on the same terms and in the same way in respect of EWIL after the Scheme has been implemented.

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 SJNKE UK and non-EEA Policyholders will not be materially affected by differences in the financial strength between SJNKE and EWIL.

I note above that, post-Scheme, the Transferring SJNKE UK and non-EEA Policyholders will be in either a very well-capitalised company (if the anticipated change in functional currency from GBP to USD is implemented in 2019) or a well-capitalised company, on the boundary of very well-capitalised (if the anticipated change in functional currency from GBP to USD is not implemented). This means that I consider the risk of insolvency of EWIL post-Scheme to be low. I am therefore satisfied that the potential change in the wind-up priorities of the Transferring SJNKE UK and non-EEA Policyholders that would be caused by the Scheme will have no material impact on the security of benefits of the Transferring SJNKE UK and non-EEA Policyholders.

I have concluded that the impact of the proposed Scheme will not have a materially adverse effect on the security of the Transferring SJNKE UK and non-EEA Policyholders.

5. Will there be any impact on the security of the remaining policyholders of EWIL?

The net effect of moving the Transferring SJNKE UK and non-EEA Business into EWIL and moving the Transferring EWIL EEA (excluding UK) Business out of EWIL is projected to result in a small reduction in EWIL's portfolio at the Effective Date (i.e. less than 0.5% of the projected technical provisions). The proposed Scheme will therefore result in a small decrease to the liabilities of EWIL and with a *de minimis* net effect on the capital (and regulatory capital position) of EWIL.

I also note that the Non-Transferring EWIL Policyholders will continue to enjoy the additional security they enjoy under the EWIL Net Worth Agreement provided by ESIL (to be implemented prior to the Effective Date).

I note above that, post-Scheme, the Non-Transferring EWIL Policyholders (and the Transferring SJNKE UK and non-EEA Policyholders) will be in either a very well-capitalised company (if the anticipated change in functional currency from GBP to USD is implemented in 2019) or a well-capitalised company, on the boundary of very well-capitalised (if the anticipated change in functional currency from GBP to USD is not implemented). This means that I consider the risk of insolvency of EWIL post-Scheme to be low. I am therefore satisfied that the potential change in the wind-up priorities of the Non-Transferring EWIL Policyholders that would be caused by the Scheme will have no material impact on the security of benefits of the Non-Transferring EWIL Policyholders.

I have concluded that the impact of the proposed Scheme on the security of the Non-Transferring EWIL policyholders will be negligible and not adverse.

6. Will there be any impact on security of the current policyholders of SIIE?

The Transferring EEA (excluding UK) Business will be large compared to SIIE's existing portfolio on both a gross (and net) of reinsurance basis (as SIIE is only scheduled to start underwriting business with effect from 1 September 2018, or thereabouts). Therefore, SIIE's regulatory capital requirement will increase substantially as a result of the Scheme. However, as SIIE has received additional capital totalling €85.5 million (on 31 May 2018), and is projected to be a very well-capitalised company over the projection period (2018 – 2022), I do not believe that the financial security of the existing SIIE Policyholders will be materially adversely affected as a result of the Scheme.

I also note that the current SIIE policyholders will enjoy the additional security under the SIIE Net Worth Agreement provided by ESIL both pre- and post-Scheme.

I note above that, pre- and post-Scheme, the existing SIIE Policyholders will be in a very well-capitalised company. This means that I consider the risk of insolvency of SIIE pre- and post-Scheme to be low. I am therefore satisfied that the potential change in the wind-up priorities of the existing SIIE Policyholders that would be caused by the Scheme will have no material impact on the security of benefits of the existing SIIE Policyholders.

I have concluded that the proposed Scheme will not have a materially adverse effect on the security of the SIIE Policyholders.

7. Will the proposed Scheme affect levels of service?

The Scheme is primarily a legal and financial reorganisation of the EEA businesses operating under the Sompo International brand. As such, it will not result in any significant changes to the administration of the SJNKE, EWIL or SIIE businesses.

I note that SIIE will have a UK branch, which will be established initially by the exercise of passport rights. SIIE will also apply to the PRA/FCA for direct authorisation of the UK branch, so that (even assuming that passport rights will cease to apply after the UK leaves the EU) the PRA and FCA will directly regulate SIIE's UK branch. As such, policies that involve exposures across both the UK and the rest of the EU (and possibly the EEA) can continue to be serviced in the territory giving rise to a claim or other policy maintenance.

If passport rights cease to apply after the UK leaves the EU and, for whatever reason, the PRA/FCA has not authorised a UK (third country) branch for SIIE, I am informed by the legal advisors to the Companies (in relation to the Scheme) that SIIE (a company that would be carrying on activities only outside the UK) would not be required to have a UK licence to service policies that involve exposures across both the UK and the rest of the EU (and possibly the EEA). In this situation, SIIE would administer such policies through its offices outside the UK, according to the administration standards that apply to all of SIIE's business across the EEA.

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

8. Will the proposed Scheme affect dispute resolution and/or compensation levels?

After the implementation of the Scheme, as with all other insurance companies with an establishment in the UK, EWIL will continue to be required to participate in the FSCS. Therefore, to the extent that FSCS protection is currently available to eligible holders of the Transferring SJNKE UK and non-EEA Policies, they will continue to be protected by the FSCS if the Scheme is sanctioned.

FSCS protection currently available to eligible Transferring EEA (excluding UK) Policyholders is not expected to change as a result of the Scheme. As noted above, SIIE will have a UK branch established initially by the exercise of passport rights, and will also apply to the PRA/FCA for direct authorisation of the UK branch, so that (even assuming that passport rights will cease to apply after the UK leaves the EU) the PRA and FCA will directly regulate SIIE's UK branch. As a result of this, SIIE will be a "firm" for the purposes of the FSCS and so Transferring EEA (excluding UK) Policyholders will have the same access to the FSCS that they may have had before. FSCS protection will continue to apply to claims under transferring policies arising before or after the Effective Date, because SIIE is a participant firm within the scope of the FSCS regime (initially, as an incoming EEA firm exercising passport rights and in future as an authorised UK branch). I note that SJNKE and EWIL policyholders are largely commercial policyholders and hence would mostly not be eligible for FSCS protection.

If, however, passport rights cease to apply after the UK leaves the EU, and SIIE has not established a UK (third country) branch directly regulated by the PRA/FCA, then the eligible Transferring EEA (excluding UK) Policyholders will cease to enjoy the FSCS protection currently available to them. Nonetheless, as I have identified in Section 6 above, the SIIE Policyholders post-Scheme, will be in a very well-capitalised company. This means that I consider the risk of insolvency of SIIE post-Scheme and hence any related recourse to the FSCS to be remote.

I have therefore concluded that any loss of FSCS protection currently available to eligible Transferring EEA (excluding UK) Policyholders will not have a materially adverse effect on the security of the Transferring EEA (excluding UK) Policyholders.

Since both SJNKE and EWIL are subject to the compulsory jurisdiction of the FOS, the Scheme will have no effect on the eligibility of the holders of Transferring SJNKE UK and non-EEA Policies to bring complaints to the FOS. If they are currently able to bring complaints to the FOS, this will remain the case after the implementation of the Scheme. If they are currently not eligible to complain to the FOS this will also remain the case after the implementation of the Scheme.

Further, FOS compulsory jurisdiction covers complaints about the activities of a firm in the UK, which includes the UK branch activities of a passporting EEA insurer, such as SIIE, so there should be no change for the Transferring EEA (excluding UK) Policyholders as a result of the Scheme. In particular, activities carried on by an establishment in the UK (whether through a head office or branch of a firm) are covered by FOS both before and after the Scheme.

If, however, passport rights cease to apply after the UK leaves the EU, and SIIE has not established a UK (third country) branch directly regulated by the PRA/FCA, the Transferring EEA (excluding UK) Policyholders currently eligible to complain to the FOS will cease to have access to the services provided by the FOS. Nonetheless, I note that the number of policyholder complaints raised with either SJNKE or EWIL over the past three years has been small and no such complaints have been referred to the FOS. I also note that post-Scheme the Transferring EEA (excluding UK) Policyholders may be able to bring complaints to the Médiateur en Assurances.

I have therefore concluded that any loss of access to the FOS currently available to eligible Transferring EEA (excluding UK) Policyholders will not have a materially adverse effect on such policyholders.

9. Is there an impact upon the reinsurers of SJNKE and EWIL?

SIH intends to modify the outwards reinsurance contracts that currently provide reinsurance protection to the business written by SJNKE. This means that SIH will reach agreement with each reinsurer that the reinsurance that they provide will continue to apply both to all of the Transferring SJNKE EEA (excluding UK) Business that transfers to SIIE, and to all of the Transferring SJNKE UK and non-EEA Business that transfers to EWIL. Therefore, after the modification of reinsurance is completed, there would be no material change to the reinsurance protecting the business written by SJNKE.

SIH also intends to modify certain of the outwards reinsurance contracts that currently provide reinsurance protection to the business written by EWIL. This means that SIH will reach agreement with each reinsurer that the reinsurance that they provide will continue to apply to all of the Transferring EWIL EEA (excluding UK) Business that transfers to SIIE. Therefore, after the modification of reinsurance is completed, there would be no material change to the reinsurance protecting the business written by EWIL.

I am informed by SIH that all necessary modifications of both internal and external reinsurance treaties of SJNKE and EWIL are expected to be completed by 1 November 2018, i.e. prior to the Effective Date.

10. 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 SIH, SJNKE and EWIL 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 SJNKE, EWIL and SIIE. 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 SJNKE, EWIL and SIIE. 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 benefits to policyholders of SJNKE, EWIL and SIIE will not be materially adversely affected by the implementation of the Scheme on the Effective Date; and
- the Scheme will not materially adversely impact on service standards experienced by the policyholders of SJNKE, EWIL and SIIE.

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11. 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 2017, and projected over the 5 year period (2018 – 2022).

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.

Gary Wells /16 August 2018

Fellow of the Institute and Faculty of Actuaries