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LCP
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1. Executive summary

1.1. The Proposed Transfer

Fidelis Underwriting Limited (FUL) currently operates across the European Economic Area (EEA) utilising the EEA’s Freedom of Services (FoFS) and Freedom of Establishment (FoFE) arrangements.

In the event of a so called “Hard Brexit” where FUL no longer has FoFS or FoFE rights, FUL may not legally be able to carry on the non-UK EEA business. For example, FUL would not be able to issue new insurance policies across the EEA, and might not legally be able to pay valid claims to existing non-UK EEA policyholders.

To provide certainty that FUL can continue to carry on EEA business post-Brexit with minimum disruption, FUL is proposing to transfer the relevant EEA business from FUL into Fidelis Risk Ireland DAC (FRID). There will be no change in the ultimate parent company, Fidelis Insurance Holdings Limited (FIHL).

1.2. My role as Independent Expert

FUL and FRID have jointly appointed me to act as the Independent Expert (IE) for the Proposed Transfer. The Prudential Regulation Authority (PRA), in consultation with the Financial Conduct Authority (FCA), has approved my appointment.

As IE, my overall role is to assess whether:

- The security provided to policyholders of FUL will be materially adversely affected by the implementation of the Proposed Transfer.
- The Proposed Transfer will have any adverse impact on service standards experienced by policyholders.
- Any reinsurer of FUL covering the transferring business will be materially adversely affected.

This report is my Scheme Report for the Proposed Transfer. I will also prepare a Supplementary Report ahead of the Sanctions Hearing for the Proposed Transfer. The purpose of the Supplementary Report is to confirm and/or update my conclusions in this report, based on any new material or issues that arise.
1.3. Summary of my conclusions

I have set out below my summary conclusions, considering the effect of the Proposed Transfer from three perspectives:

- “Non-transferring policyholders”, who will remain with FUL after the Proposed Transfer.
- “Transferring policyholders”, who will transfer from FUL to FRID as a result of the Proposed Transfer.
- Reinsurers whose contracts with FUL are transferring to FRID.

Non-transferring policyholders

There are c. 7700 non-transferring policyholders which represent c. 83% of FUL’s business based on booked provisions net of reinsurance and c. 96% by number of policyholders. The majority of policyholders will not be transferring and the overall risk profile of FUL will not be materially affected by the Proposed Transfer.

FUL is not planning any material changes to how the non-transferring business is carried out. In particular, following the Proposed Transfer:

- There are no plans to change how policyholders are serviced.
- FUL has no plans to change the approaches for providing policyholder security (including how insurance provisions and capital requirements are set).

Therefore, I have concluded that the security provided to non-transferring policyholders will not be materially adversely affected by the Proposed Transfer. No material impact on service standards is expected for non-transferring policyholders following the Proposed Transfer.

Transferring policyholders

The Proposed Transfer involves c. 300 transferring policyholders. The transferring policyholders will remain within the Fidelis Group, and FRID will be subject to the same group-wide policies as FUL.

FUL is planning to minimise any changes as to how the transferring business is carried out, to avoid disruption to the operating model or its customers. For example, FRID is not planning any changes to how transferring policyholders are serviced following the Proposed Transfer, except to the extent that the Central Bank of Ireland (CBI) requests changes as a condition of FRID becoming an authorised insurer. As these requests are from a regulator, all else being equal, I would expect the changes to enhance the service received by transferring policyholders.

Policyholder security for the transferring policyholders is to be provided through a combination of assets held within FRID itself and security provided by Fidelis Insurance.
Bermuda Limited (FIBL), another insurer within the Fidelis Group. The security provided by FIBL will be a significant quota share arrangement (covering 85% of FRID’s business) which will be collateralised to help protect FRID policyholders in the event of FIBL becoming insolvent.

FUL currently benefits from a similar quota share arrangement with FIBL (covering 50% of FUL’s business). All else being equal, this change from 50% to 85% means the security provided to transferring policyholders will become more reliant on FIBL. I have concluded that this is unlikely to materially adversely affect the transferring policyholders due to the collateral in place and the financial strength of FIBL.

In addition to the reinsurance arrangements with FIBL, FUL benefits and FRID will benefit from parental guarantees provided by FIHL, the ultimate parent company. I understand these parental guarantees will provide an equivalent level of further security to non-transferring and transferring policyholders in the event that either FUL or FRID respectively becomes insolvent, at the same time that FIBL becomes insolvent.

A number of the transferring policyholders are currently eligible to access the Financial Services Compensation Scheme (FSCS) in the UK, and will lose this access as a result of the Proposed Transfer. All else being equal, this would reduce the security provided to these policyholders; however, I have concluded that the quota share reinsurance and parental guarantee provided to FRID mean it is very unlikely policyholders will be materially adversely affected by the loss of access to the FSCS.

Therefore, I have concluded that the security provided to transferring policyholders within FRID will be similar to the security currently provided to them within FUL.

If the Proposed Transfer does not proceed then, under a Hard Brexit scenario, FUL might not legally be able to pay any claims to existing EEA policyholders, unless arrangements are agreed as part of the UK Government’s Brexit negotiations with the European Union (EU).

In summary, based on the above considerations, I have concluded that it is very unlikely that the security provided to transferring policyholders will be materially adversely affected by the Proposed Transfer. No material impact on service standards is expected for transferring policyholders following the Proposed Transfer.
Reinsurers

The main reinsurance policy currently protecting the transferring policyholders is the 50% intra-group quota share reinsurance provided by FIBL to FUL, which also protects non-transferring policyholders. The protection provided to the transferring policyholders from this reinsurance will transfer to FRID.

There are also two reinsurance policies purchased by FUL from reinsurers external to the Fidelis Group that will be transferring to FRID.

Exposure to claims faced by FUL’s reinsurers will not change following the Proposed Transfer and the reinsurers will continue to be required to pay out the same claim amounts in respect of the same events as before the Proposed Transfer.

Therefore, I have concluded that reinsurers of FUL who provide cover for the transferring business will not be materially affected by the Proposed Transfer.

Further details on my conclusions, and other supporting information, are set out in this report.

I will be reviewing these conclusions and preparing a Supplementary Report ahead of the Sanctions Hearing for the Proposed Transfer. The purpose of the Supplementary Report is to confirm and/or update my conclusions based on any new material or issues that arise.
2. Introduction

2.1. Background

Part VII - Section 109 of the Financial Services and Markets Act 2000 (FSMA) requires that a scheme report (the Scheme Report) must accompany an application to the High Court of Justice of England and Wales (the Court) to approve an insurance business transfer scheme (Part VII transfer).

The Scheme Report should be produced by a suitably qualified independent person (the Independent Expert or IE) who has been nominated or approved by the Prudential Regulation Authority (PRA) having consulted with the Financial Conduct Authority (FCA). The Scheme Report should address the question of whether any policyholders or reinsurers impacted by the insurance business transfer are adversely affected to a material extent.

FUL and FRID have jointly nominated Stewart Mitchell (I or me) of Lane Clark & Peacock LLP (LCP, we, or us) to act as the Independent Expert for the proposed insurance business transfer scheme (the Proposed Transfer) of the insurance business of FUL to FRID under Section 105 of the FSMA. The Proposed Transfer is intended to be effected on 31 December 2018 (the Effective Date).

This report is the Scheme Report for the Proposed Transfer. I will also prepare a Supplementary Report ahead of the Sanctions Hearing for the Proposed Transfer. The purpose of the Supplementary Report is to confirm and/or update my conclusions in this report, based on any new material or issues that arise.

2.2. The Proposed Transfer

FUL currently writes both direct insurance and reinsurance policies in 27 countries across the EEA.

Direct insurance is defined to be insurance policies sold to the insured party.

Reinsurance is defined to be insurance policies sold to other insurance companies.

In the event of a so called Hard Brexit where FUL no longer has FoFIS or FoFIE rights, FUL’s current operating model would no longer be viable. Under this scenario, FUL may not legally be able to carry on the non-UK EEA business. For example, FUL would not be able to issue new insurance policies across the EEA, and might not legally be able to pay valid claims to existing EEA policyholders.

Under the Proposed Transfer, the relevant EEA insurance business will transfer from FUL to FRID, a newly established insurer based in Ireland. The purpose of the Proposed Transfer is to provide certainty that FUL can continue to carry on EEA business post-Brexit with minimum disruption to its operating model and its customers.
FUL has received advice that a loss of FoFIS rights will not impact the ability for FUL to pay claims or otherwise service reinsurance policies. As such, reinsurance policies written by FUL will not be transferred to FRID.

FUL’s parent company is FIHL, a company incorporated in Bermuda. In this report, I have used the term ‘Fidelis Group’ to refer to FIHL and all subsidiary companies.

FRID has been established for the purposes of the Part VII transfer and will be a non-life insurance carrier in Ireland. Once FRID has been approved to write insurance by the CBI, the name will be changed to Fidelis Insurance Ireland DAC (FIID) as insurers are only permitted to use “Insurance” within their company name in Ireland once they have received authorisation.

FRID is a wholly owned subsidiary of Fidelis European Holdings Limited (FEHL), a company incorporated in England and Wales.

FEHL is a wholly owned subsidiary of FIBL, a registered Class 4 insurer in Bermuda.

FIBL is a wholly owned subsidiary of FIHL.

The following diagram shows a simplified structure chart of the Fidelis Group pre- and post- the Proposed Transfer.
2.3. Independent Expert appointment

My appointment

FUL and FRID have jointly appointed me to act as the IE for the Proposed Transfer. The PRA, in consultation with the FCA, has approved my appointment. FUL will bear the costs associated with the production of my report. I note that no costs or expenses of the scheme will be borne by policyholders.

My experience

I am a Fellow of the Institute and Faculty of Actuaries (IFoA) and am certified to act as a Signing Actuary for Statements of Actuarial Opinions for Lloyd’s.

I am a Partner in the Insurance Consulting practice at LCP and have 30 years’ experience in general insurance.

I have skills in all areas of general insurance actuarial work (including reserving, capital, pricing and transactions), and have been the IE or supported or provided peer review to the IE for five other insurance business transfer schemes. I have also led the work on Section 166 regulatory reports for the PRA.

Appendix 3 contains my CV with further details of my experience.

Independence statement

I confirm that I have no direct or indirect interests in FUL, either personally or via LCP. In particular:

- I am not, directly or indirectly, a shareholder in FUL or any other company within the Fidelis Group and I am not a member of any pension scheme under the management of FUL;

- I do not hold any insurance policies issued by FUL.

This is the first piece of work LCP has carried out for any company within the Fidelis Group. I also confirm that LCP does not hold any direct or indirect shareholding in FUL or any other company within the Fidelis Group.

2.4. Scope of this Scheme Report

Appendix 2 contains an extract from my terms of reference, which defines the scope of my work in relation to the Proposed Transfer. The actual work performed is in line with this agreed scope.

This Scheme Report considers the effect of the Proposed Transfer upon the policyholders of FUL and FRID, and reinsurers whose contracts with FUL are transferring to FRID. It contains a description of the Proposed Transfer, the
methodology I have used to analyse the Proposed Transfer, the opinions I have formed, and reasons why I have formed those opinions.

The use of “I”, “me” and “my” in this report generally refers to work carried out by me or by the team operating under my direct supervision. However when it is used in reference to an opinion, it is mine and mine alone.

The Proposed Transfer assumes a Hard Brexit where FUL no longer has FoS or ForE rights for existing or new policyholders. There are significant uncertainties as to how the UK Government’s Brexit negotiations and other Brexit arrangements will develop over the coming months and I have considered contingencies in section 3.4 and 3.5.

2.5. Use of this Scheme Report

This Scheme Report has been produced by Stewart Mitchell FIA of LCP under the terms of our written agreement with FUL. It is subject to any stated limitations (eg regarding accuracy or completeness).

This Scheme Report has been prepared for the purpose of accompanying the application to the Court in respect of the proposed insurance business transfer scheme described in this report, in accordance with Section 109 of the Financial Services and Markets Act 2000. The Scheme Report is not suitable for any other purpose.

A copy of the Scheme Report will be sent to the PRA and the FCA, and will accompany the Scheme application to the Court.

This report is only appropriate for the purpose described above and should not be used for anything else. No liability is accepted or assumed for any use of the Scheme Report for any other purpose other than that set out above.

2.6. Reliances

I have based my work on the data and other information made available to me by FUL. Appendix 4 contains a list of key data and other information that I have considered. I have also held discussions with the relevant staff of FUL and their advisors.

I have used data as at 31 December 2017 for my analysis to align with the last full audit of FUL. Prior to the Sanctions Hearing for the Proposed Transfer, I will prepare a Supplementary Report to confirm and/or update my conclusions in this report, based on any new material or issues that arise.

I have received all of the information that I have requested for the purposes of the production of my report. In this respect:

- FUL will submit witness statements to the Court stating that all information provided to me by FUL is correct and complete in all material aspects, and there have been
no material adverse changes to the financial position of FUL since that information was provided to me.

- I have conducted checks on the data provided to me for internal consistency and reasonableness.
- My checks of the data have not revealed any cause for me to doubt that it is materially appropriate for me to rely on the integrity of the information provided for the purpose of this report.

The conclusions in my report take no account of any information that I have not received, or of any inaccuracies in the information provided to me.

I have not needed to take any third party legal advice on any aspects of the Proposed Transfer. FUL has confirmed that it has received no other specific legal advice relevant to my role as IE for the Proposed Transfer.

FUL has provided a Data Accuracy Statement confirming that the data and information provided to me regarding the Proposed Transfer are accurate and complete.

Figures in this report may be subject to small rounding differences and so totals within the tables may not equal the sum of the rounded components.

2.7. Professional standards

This report complies with the applicable rules on expert evidence and with the guidance for Scheme Reports set out by the PRA in their Statement of Policy and by the PRA and the FCA in their Handbooks.

This report complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100) and Technical Actuarial Standard 200: Insurance (TAS 200) issued by the Financial Reporting Council (FRC). The FRC is responsible for setting technical actuarial standards in the UK.

I have considered The Actuaries’ Code as issued by the IFoA while producing this report.

This report has been subject to independent peer review prior to its publication, in line with Actuarial Professional Standard X2: Review of Actuarial Work (APS X2) as issued by the IFoA. This peer review has been undertaken by Tom Durkin, FIA. Tom is a Partner at LCP. He was not involved in the production of the report. He has appropriate experience and expertise to act as peer reviewer of this report.
2.8. Materiality

The FRC considers that matters are material if they could, individually or collectively, influence the decisions to be taken by users of the actuarial information. It accepts that an assessment of the materiality is a matter of reasonable judgement that requires consideration of the users and the context.

I have applied this concept of materiality in planning, performing and reporting the work described in this Scheme Report. In particular, I have applied this concept of materiality when using my professional judgement to determine the risks of material misstatement or omission and to determine the nature and extent of my work.

In complying with the reporting requirements of TAS 100, I have made judgements on the level of information to include in this Scheme Report. For example, to make the report easier to read, I have not included all the details that would normally be included in a formal actuarial report, such as details of the methodologies and assumptions underlying the reserve and capital assessments.

2.9. Definition of “materially adverse”

In order to determine whether the Proposed Transfer will have a “materially adverse” impact on any group of policyholders or on any reinsurers covering transferring business, it has been necessary for me to exercise my judgement in the light of the information that I have reviewed.

The Proposed Transfer will affect different policyholders in different ways and, for any one group of policyholders, there may be some effects of the Proposed Transfer that are positive, and others that are adverse. When assessing whether the Proposed Transfer will have a “materially adverse” impact, I have considered the aggregate impact of these different effects on each group of policyholders and on reinsurers.

Throughout the report, I have provided the rationale for my judgements and conclusions. These explain why, in each case, I have concluded whether policyholders and reinsurers are materially adversely affected or otherwise.
3. Outline of Proposed Transfer

3.1. The companies involved in the Proposed Transfer

Fidelis Underwriting Limited

FUL is an insurance company incorporated in England and Wales in August 2015, authorised by the PRA and regulated by the PRA and FCA. FIHL is the parent company of FUL owning 100% of the issued share capital.

In July 2017 A.M. Best affirmed the Financial Strength Rating of “A-” ("Excellent") for FUL with a stable outlook. This is the maximum rating A.M. Best will give in the first five years of operation of an insurer.

FUL effects and carries out contracts of general insurance. FUL is permitted to carry out business in the UK and across 30 other countries on a FoS basis. There are also policyholders outside of the EEA.

FUL writes a portfolio that is predominantly direct specialty insurance, with a small number of reinsurance policies including Marine, Aviation, Property, Credit, Suretyship, Financial Loss and Casualty business.

The Proposed Transfer involves c. 300 transferring policyholders of Aviation, Credit and Surety and Title business.

Fidelis Insurance Holdings Limited

FIHL was incorporated in Bermuda in 2014. FIHL is not a regulated undertaking.

In July 2017 A.M. Best affirmed the Long-Term Issue Credit Rating of "bb" ("Fair") for the preference shares of FIHL with a stable outlook.

Fidelis Insurance Bermuda Limited

FIBL is a Class 4 insurer incorporated in Bermuda in 2015, authorised and regulated by the Bermuda Monetary Authority (BMA). FIHL is the parent company of FIBL owning 100% of the issued share capital.

In July 2017 A.M. Best affirmed the Financial Strength Rating of "A-" ("Excellent") for FIBL with a stable outlook.

Fidelis European Holdings Limited

FEHL is a holding company incorporated in England and Wales in January 2018. FIHL is the parent company of FEHL owning 100% of the issued share capital.
Fidelis Risk Ireland DAC

FRID is an insurance company incorporated in Ireland in December 2017, an application for authorisation has been made to the CBI. Fidelis expect confirmation of authorisation in principle later in August 2018. FEHL is the parent company of FRID owning 100% of the issued share capital.

As at 31 December 2018, the expected Effective Date of the Proposed Transfer, FRID will have no existing policyholders. Initially the only business will be that which transfers as a result of the Proposed Transfer, but new business will be written into FRID from 1 January 2019. In the event of a delay in the Effective Date of the Proposed Transfer, there would therefore be existing policyholders of FRID at the time of the Proposed Transfer. If this were to happen, I would need to consider the impact of the Proposed Transfer on these policyholders.

FUL have confirmed there are no other insurance business transfers currently expected into FRID.

3.2. Description of the Proposed Transfer

Transferring policies

If sanctioned by the Court, the Proposed Transfer will move the following business written by FUL to FRID:

- Direct insurance sold to non-UK EEA domiciled insureds; and/or
- Direct insurance of non-UK EEA located insurance risks.

FUL has received advice that a loss of FofS rights will not impact the ability for FUL to pay claims or otherwise service reinsurance policies. As such, reinsurance policies will not be transferred to FRID.

All rights and obligations of FUL relating to the transferring policies will also be transferred to FRID. Following the Effective Date, any new or renewed direct insurance policies for non-UK EEA domiciled insureds or non-UK EEA located risks will be insured by FRID.

As at 31 December 2017 there were c. 8,000 FUL policyholders, of which there were c.300 policyholders in scope to transfer to FRID. The transferring policies represent booked provisions of $19m net of reinsurance compared to total booked provisions for FUL of $106m.

There is one policy with both non-UK EEA and non-EEA coverage. This policy will be split into a non-EEA policy that will remain with FUL and a non-UK EEA policy that will transfer to FRID.
FUL expect that all policies they plan to transfer to FRID will be able to transfer at the Effective Date. Should this not be possible for any reason, there are provisions in the Scheme Document to allow for the transfer of such policies at a later date.

Reinsurance

Reinsurance is an arrangement with another insurer to share or pass on risks. Reinsurance contracts may be underwritten by an external reinsurer or by a reinsurance entity in the same group.

Currently, the transferring policyholders benefit from an intra-group quota share reinsurance policy from FIBL. Quota share is a common type of reinsurance arrangement, where an insurer shares a set proportion of premiums and claims with the reinsurer. The percentage of the quota share contract with FIBL is set at 50%, so as to retain 50% of the business within FUL. The reinsurance is collateralised using a trust arrangement set up to the benefit of FUL in the event of FIBL defaulting on its obligations.

Following the Proposed Transfer, the intra-group quota share reinsurance protection that protects the transferring policyholders will transfer to FRID.

In addition, FRID will purchase further quota share reinsurance from FIBL to increase the percentage of the quota share contract to 85%, so as to retain 15% of business within FRID. This reinsurance contract will also be collateralised to protect policyholders of FRID, similarly to the FUL quota share.

Two separate and distinct collateral arrangements will operate; the existing one for the FUL quota share collateral and one that will be set up for the FRID quota share collateral.

In the event of both an insolvency of FIBL and the collateral proving insufficient to pay claims, FUL have confirmed that FRID policyholders would be in no worse a position in terms of priority than FUL policyholders.

FUL currently benefit from a parental guarantee from FIHL which will pay any debts FUL is unable to pay and provide additional assets in a situation where FUL has insufficient assets to meet its liabilities. A similar guarantee on parallel terms is expected to be agreed for FRID at the next FIHL board meeting, ahead of the Directions Hearing.

FRID and FIBL will instruct an external party to perform transfer pricing analysis to demonstrate that the price of the quota share reinsurance contract is on an arm’s length basis, ie in line with standard commercial terms. With intra-group reinsurance policies, this is a common approach to demonstrate the policy is not significantly under- or over-priced.
I will review the transfer pricing report when it is available in Autumn 2018 and address this point further in my Supplementary Report.

The transferring policyholders currently benefit from two external reinsurance arrangements. FUL have confirmed that these reinsurance arrangements will transfer to FRID as part of the Proposed Transfer. These arrangements are a contract protecting certain Title policies, and an external quota share protecting a single transferring Warranty policy.

3.3. Purpose of the Proposed Transfer

The purpose of the Proposed Transfer is to provide certainty that the Fidelis Group can continue to carry on EEA business post-Brexit with minimum disruption to its operating model and its customers.

3.4. Alternative options considered

The Proposed Transfer assumes a Hard Brexit where FUL no longer has FofS or FofE rights for existing or new policyholders.

There are significant uncertainties as to how the UK Government's Brexit negotiations and other Brexit arrangements will develop over the coming months.

For example, under a Hard Brexit, FUL may not legally be able to pay valid claims to existing EEA policyholders. Under alternative Brexit scenarios, a legal route for paying these claims may be agreed by the UK Government and the EU.

The Proposed Transfer is FUL’s Brexit contingency plan to provide certainty that the Fidelis Group can continue to carry on EEA business post-Brexit with minimum disruption to its operating model and its customers. Therefore, FUL have not considered any alternatives or made further contingency plans. We understand FUL have discussed this with the PRA.
3.5. Contingency plans

In the event of the Proposed Transfer not being completed by the proposed Effective Date, FRID still plan to begin writing new business (ie the renewals of transferring policies and any policies to new insureds) from 1 January 2019. In this scenario this additional group of policyholders who take out policies before the revised Effective Date would need to be considered.

I would need to consider whether this new group of FRID policyholders were materially disadvantaged by the delayed Proposed Transfer and the transferring of liabilities from FUL to FRID.

FUL will notify any such policyholders of the Proposed Transfer and the new Effective Date and provide access to this Scheme Report and other court documentation so that policyholders can take out policies with FRID in full knowledge of the Proposed Transfer. Dependent on the timing of any new Effective Date, I will consider this issue in my Supplementary Report before the Sanctions Hearing, but an additional Supplementary Report may be required in the event of a late change to the Effective Date.
4. My approach as IE

As IE, my overall role is to assess whether:

- The security provided to policyholders of FUL will be materially adversely affected by the implementation of the Proposed Transfer.
- The Proposed Transfer will have any adverse impact on service standards experienced by policyholders.
- Any reinsurer of FUL covering the transferring business will be materially adversely affected.

To make these assessments, I have considered the effect of the Proposed Transfer from the perspectives of each of:

- Non-transferring policyholders, who will remain with FUL after the Proposed Transfer.
- Transferring policyholders, who will transfer from FUL to FRID as a result of the Proposed Transfer.
- Reinsurers whose contracts with FUL are transferring to FRID.

I would typically also consider the perspective of existing policyholders of the transferee (ie FRID), but this is not required for the Proposed Transfer as FRID has no existing policyholders. As described in section 3.5, if there is a delay in the Effective Date of the Proposed Transfer being approved by the Court, there will be a group of existing policyholders within FRID from when it begins writing new business starting 1 January 2019. Should this occur, I will consider this group of policyholders in an update to my Supplementary Report.

My approach to assessing the Proposed Transfer has been to perform the following five steps analysing evidence provided by FUL to support the Proposed Transfer:

**Step 1: Assessing the provisions of FUL and FRID**

The first important form of security that an insurer provides to policyholders is the level of provisions. Provisions are based on an estimate of the amount of money the insurer will need to pay policyholders’ claims and to cover the other costs associated with running the insurer.

Therefore, I have assessed the appropriateness of the provisions included on FUL’s balance sheet and the approach to be used for the calculation of provisions for both FUL and FRID pre- and post-transfer. Details of this step are set out in section 5.
Step 2: Assessing the capital positions of FUL and FRID

In addition to the level of provisions, insurers hold capital designed to withstand more extreme levels of claims. The level of capital held is the second important form of security provided to policyholders.

For both FUL and FRID, the level of capital required is set under the European Solvency II standard. A key metric under Solvency II is the Solvency Capital Requirement (SCR). This is an estimate of capital required to ensure that an insurer is able to meet its obligations over the next 12 months with a probability of at least 99.5%.

I have assessed the appropriateness of the projected capital requirements of FUL and FRID. Details of this step are set out in section 6.

Step 3: Assessing overall policyholder security

Under this step, I have considered the level of provisions and capital (from steps 1 and 2) in the context of the assets held by each of FUL and FRID and other forms of security such as reinsurance.

For this analysis, I have considered the current balance sheet of FUL and the post-transfer pro-forma balance sheets for each of FUL and FRID. Details of this step are set out in section 7.

Step 4: Assessing policyholder communications

I have assessed the appropriateness of FUL’s communication strategy to inform policyholders and other stakeholders of the Proposed Transfer.

The key focus of my assessment was whether the policyholders and other stakeholders are to be provided with sufficient and clear enough information so that they can understand how the Proposed Transfer may affect them. Details of this step are set out in section 8.

Step 5: Assessing potential impact on customer service and other considerations that might affect policyholders

I have considered how the level of customer service provided to policyholders could change following the Proposed Transfer. I have also considered a range of other factors that might affect policyholders, such as ongoing expense levels and tax implications. Details of this step are set out section 9.
5. Reserving considerations

5.1. Introduction to insurance reserving

For an insurance company, the primary purpose of reserving is to assess the provisions that need to be set in order to pay policyholders’ claims and to cover the other costs associated with running an insurer.

Depending on how they are set, the provisions may be on a “best estimate” basis (ie with no deliberate optimism or pessimism) or include a “margin for prudence” (ie additional provisions to cover higher than expected claims). Where the provisions include a margin for prudence, this is typically designed to cover claims that are moderately higher than expected rather than more extreme levels of claims.

In addition to any margin for prudence, the insurer would nearly always hold additional capital designed to withstand more extreme levels of claims. My considerations related to capital for the Proposed Transfer are set out in section 6.

5.2. Introduction to reserving bases

Insurers use a range of different reserving bases (ie different measures of the provisions), for different purposes.

For example, financial accounting standards require the provisions to be calculated in particular ways, and an insurer may also use a different basis for internal management accounts. Solvency II calculates the provisions in yet another way.

For the Proposed Transfer, I have considered the provisions under two reserving bases, which are each relevant for different purposes, namely:

- **UK Generally Accepted Accounting Principles (GAAP)** – these are the accounting standards used to set the provisions underlying the published financial accounts of FUL. GAAP provisions are relevant for policyholders as they are used as a reference point when setting provisions to cover future claims and other costs.

- **Solvency II technical provisions** – these are calculated in line with the European Solvency II regulations that came into effect in both UK and Ireland with effect from 1 January 2016. These provisions are relevant for policyholders as they are the basis for calculating the capital required and assessing solvency, for both FUL and FRID.
5.3. My considerations relating to reserving

As IE, my overall assessments related to reserving are:

- whether an appropriate level of provisions is maintained for both non-transferring and transferring policyholders; and
- whether any aspects of the reserving may lead to policyholders being materially adversely affected by the Proposed Transfer.

To make these assessments, I have considered the following areas:

- Appropriateness of provisions (section 5.5);
- Key uncertainties when setting the provisions (section 5.6);
- Current FUL reserving process and governance (section 5.7);
- Future reserving approach and governance (section 5.8); and
- Setting of case estimates (section 5.9).

Within these areas, I have also considered any expected differences in the reserving approach between FUL and FRID to understand how this may affect policyholders.

Further details on each of these considerations are set out below, and I have stated my overall conclusion related to reserving in section 5.10.

5.4. Approach to my review

I have reviewed a number of documents provided by FUL relating to the setting of provisions, including the reserving process and governance. In addition, I have had meetings to discuss the information provided and any questions I have had on the approach. A list of the key data and documentation is provided in Appendix 4.

5.5. Appropriateness of provisions

The following table shows the level of booked provisions as at 31 December 2017 for FUL, split between the non-transferring and transferring policyholders. The transferring provisions represent c.17% of the total provisions, net of reinsurance.

<table>
<thead>
<tr>
<th></th>
<th>Gross of reinsurance</th>
<th>Net of reinsurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-transferring</td>
<td>190</td>
<td>87</td>
</tr>
<tr>
<td>Transferring to FRID</td>
<td>38</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>229</td>
<td>106</td>
</tr>
</tbody>
</table>

Source: FUL, figures include ULAE, UPR and bad debt
My assessment of the appropriateness of provisions

I have considered the appropriateness of the following:

- Booked provisions for FUL as at 31 December 2017;
- Calculation approach for the transferring provisions;
- Solvency II technical provisions for FUL.

Booked provisions for FUL

As there is a limited history of claims experience, FUL’s approach to setting provisions is reliant on expert judgement and in particular the use of market benchmarks. The key benchmark assumptions used are the selected loss ratios and, to a lesser extent, the patterns used to estimate the development of claims.

FUL is supported by an external consultancy that provides actuarial support and peer review for the calculation of the booked provisions. The approach taken uses standard actuarial techniques such as the chain ladder, expected loss ratio and Bornhuetter-Ferguson methods.

The main focus of my assessment of the provisions was a review of the documents provided to me by FUL relating to the calculated provisions as at 31 December 2017 (the latest date that full audited results were available), and my discussions with key members of FUL’s reserving team.

I have compared the market benchmarks used in the calculation of the booked provisions and found them to be consistent with my wider market experience.

The provisions calculated by the FUL actuarial team are on a best estimate basis, ie with no implicit or explicit margin. FUL also hold no management margin within the booked estimates.

The booked provisions are not discounted for the “time value of money”. To the extent that claims will be paid out some time in the future, there is an argument that having no discounting provides an additional element of prudence in the provisions. This is due to the ability to earn investment income up to the point that the claims are paid.
Independent reserve review

In addition to the external consultancy mentioned in the previous section, FUL also commission an independent review of reserve adequacy from Willis Towers Watson (WTW), another actuarial consultancy, on an annual basis. The most recent review was as at 31 December 2017.

I have reviewed the following reports prepared by WTW:

- “Final exhibits for review of unpaid claims liabilities as at 31 December 2017” dated 1 March 2018; and

These reports indicated that the best estimate provisions calculated by WTW were below the best estimate provisions booked by FUL, but within a reasonable range of this estimate. This provides additional evidence of the appropriateness of the booked provisions, although I have not relied on these reports in reaching my overall conclusions as the IE.

Calculation of the transferring provisions

For the purposes of the Proposed Transfer, FUL have commissioned a third actuarial consultancy to estimate the provisions for the transferring policyholders. I have reviewed the methodology of the work performed by the consultancy and concluded that this was appropriate, considering the nature of the transferring provisions.

Solvency II technical provisions for FUL

I have reviewed the approach taken by FUL to convert the booked GAAP provisions into Solvency II technical provisions (TPs).

I have focussed my review on the areas which, in my experience, are the areas of greatest interest to an independent reviewer. This included the treatment of contract boundaries, Events Not in the Data (ENIDs) and the Risk Margin.

When calculating the TPs as at 31 December 2017, FUL included the full estimated premium income for some binder business (where third parties write business on behalf of FUL without the need for prior agreement by FUL, subject to certain criteria). The Solvency II regulations state that only the business (and so the profit arising therefrom) that FUL is legally committed to write at the relevant point in time should be included.

FUL deemed at the time that their approach gave a reasonable best estimate of the TPs as at 31 December 2017, given other offsetting premium not taken into account due to processing lags in the data available.
Using more recent data, FUL estimate that the impact was greater than assumed and that the TPs were potentially understated by up to $5m.

FUL reported a SCR coverage ratio (as defined in Section 6) of 133% in their 2017 Solvency and Financial Condition Report (SFCR) and forecast an SCR coverage ratio of 125% as at 31 December 2018.

FUL estimate that the understatement of the TPs overstated the above SCR coverage ratios by 1 to 5% (eg, after adjusting for the updated TPs calculation, the SCR coverage ratio as at 31 December 2017 would reduce from 133% to between 128% and 132%). This does not materially affect the capital strength of FUL. The FRID SCR coverage ratios are not affected by this issue.

FUL have confirmed that, at the Effective Date of the Proposed Transfer, more reliable data will be available and that the TPs will be calculated in line with the Solvency II regulations.

My conclusion is that, other than the point discussed above, FUL’s approach used to calculate the TPs is appropriate. I have not sought to re-perform the calculation of the TPs or verify the calculations performed by FUL.

5.6. Key uncertainties when setting provisions

The ultimate costs of settling general insurance claims are subject to uncertainty in terms of both the frequency (ie how many valid claims there will be) and severity (ie the cost of settling each claim) including exposure to inflation in claim amounts over time. Therefore, there are uncertainties when setting the corresponding provisions.

As FUL has limited history of writing insurance, a key uncertainty in setting provisions is the relevance of the market benchmarks used. FUL have used benchmarks based on business written by Lloyd’s Syndicates, which FUL believe to be similar to the business written by FUL.

A number of the classes of business written by FUL can have very long periods of exposure, eg Title insurance which covers defects or disputes relating to the title of property. It can take a considerable amount of time before losses are reported to and paid by FUL as policies are valid in perpetuity ie there is no end date on the policy. However, FUL have confirmed that it is rare for a claim to occur more than eight years after the policy commences.
5.7. Current FUL reserving process and governance

FUL reserving process

The reserving process for FUL is based on the group-wide process, with the quarterly Reserving Committee held by FIHL to cover all subsidiary companies.

FIHL use standard actuarial techniques and the approach is in line with standard market practice to calculate provisions for the types of insurance covered by FUL. FIHL use commercially available reserving software to calculate their provisions.

FIHL outsource the reserving process to an actuarial consultancy, however the actuarial function is led by the Group Chief Actuary. The Group Chief Actuary is responsible for the selection of assumptions and overall recommendation of provisions to the FIHL Reserving Committee.

The Chief Actuary makes a recommendation on level of reserves to the relevant entity board based on the recommendations of the Reserving Committee. The relevant entity boards have overall responsibility for reviewing, challenging and recommending the level of provisions to hold. They are also responsible for ensuring the provisions are maintained in line with the FIHL risk tolerance.

Wider stakeholder involvement in the reserving process

The FIHL Reserving Committee is attended by a wide group of members, including representation from the Chief Executive Officer of each subsidiary company, key underwriters and the claims team. Papers are circulated in advance of the Reserving Committee and members are encouraged to challenge the results. I have reviewed the papers circulated to the Reserving Committee and have concluded they provide sufficient detail for decisions to be taken.

Actions from the Reserving Committee and any changes recommended are recorded in the minutes and circulated to attendees.

Reserving process governance

I have seen evidence of clear minutes from committees involved in the reserving process, including post-meeting email discussions to agree outstanding points and actions. There are terms of reference in place for the various committees involved in the reserving process. Each of these is evidence of robust governance around the reserving process.

5.8. Future reserving approach and governance

As at Q3 2018, ie prior to the Proposed Transfer, FUL will update their data systems to be able to split out the premiums and claims related to the transferring business. This will enable them to calculate provisions for FRID using the existing Fidelis Group
reserving process. As this update will be in place prior to the Proposed Transfer, the reserving process will not change following the Proposed Transfer.

The Reserving Committee will continue to consider the reserves of all entities in the same meeting, and so there will be no change to the governance process for reserving.

5.9. Setting of case estimates

Claims handlers assess claims as they are notified to an insurer and use their judgement and experience to estimate the likely cost of each claim. This is known as setting a “case estimate”.

Typically, these case estimates would be a key input into the reserving process as a basis for projecting the estimated costs of future claims, ie those that have not yet been reported and the additional cost of settling those that have been reported.

The provision for these future claims is known as IBNR (incurred but not reported). The IBNR includes estimated developments to existing open claims, ie those that have been reported but not fully settled. The provision for these open claims is called IBNER (incurred but not enough reported). Depending on the type of insurance being considered, and the claims handling approach, both the IBNR and IBNER can be either positive or negative.

As FUL has a limited history of claims experience, there is limited reliance placed on the case estimates at the moment, other than for specific large losses. However, the claims experience to date can give an early indication of the appropriateness of the benchmarks selected.

FUL follow the FIHL policies on setting case estimates, which state that case estimates should represent “the most likely ultimate probable cost as soon as is practicable”. There have been no changes in the setting of case estimates since FUL started writing insurance.
5.10. Overall conclusion: Reserving considerations

I have set out below my overall conclusions related to reserving. These reserving considerations should not be considered in isolation. For example, the overall level of protection for policyholders also depends on the level of capital held, and a range of other considerations. My overall conclusions on the Proposed Transfer are set out in section 10.

Non-transferring policyholders

Based on the work described above, I have concluded that an appropriate level of provisions will be maintained for the non-transferring policyholders and that they will not be materially adversely affected by the reserving aspects of the Proposed Transfer.

The key reasons for reaching my conclusions for non-transferring policyholders are as follows:

- The transferring provisions are relatively small compared to the non-transferring provisions and so the Proposed Transfer will have a limited impact.
- FUL has confirmed that the future reserving process and governance for FUL will be materially unchanged post-transfer.

Transferring policyholders

Based on the work described above, I have concluded that an appropriate level of provisions will be maintained for the transferring policyholders and that they will not be materially adversely affected by the reserving aspects of the Proposed Transfer.

The key reasons for reaching my conclusions for transferring policyholders are as follows:

- FUL have confirmed that the FRID reserving process will be subject to the current FUL and Group governance structure, and have provided sufficient evidence to support this statement.
- The calculation of the transferring provisions has been performed using an appropriate methodology.
6. Capital considerations

6.1. Introduction to insurance capital setting

A key reason why insurers hold capital is to withstand adverse or extreme levels of claims and other losses. The capital is held in excess of the provisions for policyholders’ claims and for the other costs associated with running an insurer.

An insurer’s “capital coverage ratio” is calculated as the available capital in excess of provisions divided by the capital required under regulations. The coverage ratio is a measure of capital strength and, whilst it does not capture all aspects of policyholder protection, all else being equal, a higher coverage ratio provides more protection. A higher ratio indicates there is more capital available per £ of capital required. Under Solvency II, the level of available capital is referred to as “own funds”.

For the purposes of this report, I describe a company as having “sufficient capital” (relative to the regulatory capital requirement under consideration) if the coverage ratio is above 100%. I describe a company as “well-capitalised” if the coverage ratio is between 150% and 200% and “very well-capitalised” if the coverage ratio is in excess of 200%.

6.2. Calculating capital requirements

For both FUL and FRID, the level of capital required is set under the European Solvency II standard.

A key metric under Solvency II is the SCR. This is an estimate of capital required to ensure that an insurer is able to meet its obligations over the next 12 months with a probability of at least 99.5%.

Under Solvency II, there are three ways in which the SCR can be calculated:

- Standard formula: under this approach, the SCR is set using a prescribed calculation and parameters, as specified in the Solvency II regulations. Within the standard formula framework, insurers can use undertaking-specific parameters (USPs) to help improve the parameterisation of the calculation for their specific business.

- Internal model: under this approach, the SCR is set using the insurer’s own internal capital model. The internal model is developed and parameterised by the insurer to reflect their specific business.

- Partial internal model: under this approach, the SCR is set using a combination of the standard formula and the insurer’s own internal capital model. Under this approach, some aspects of the SCR are calculated using the internal model, and the remainder is calculated using the standard formula.
The choice of approach is made by the insurer; however, an insurer needs to obtain regulatory approval in order to use USPs, an internal model or a partial internal model to calculate their SCR. An insurer does not need approval to calculate their SCR using the standard formula without USPs, but does need to complete their own assessment of the appropriateness of the standard formula for this purpose.

FUL uses the standard formula without USPs to calculate their SCR, and FRID also intends to calculate their SCR using the standard formula without USPs.

**Capital requirements beyond a “one-year” view**

The SCR is a “one-year” view of risk as it focuses on risks that an insurer faces over the next 12 months. As part of their overall capital management, insurers typically also consider an “ultimate” view of risk that considers the risks faced over the period until the business is fully run-off.

Both FUL and FRID use the standard formula which does not give an estimate of the SCR on an ultimate view. However, FUL and FRID have considered an ultimate view of risk within their Own Risk and Solvency Assessment (ORSA) through a number of scenarios to capture risks that are not covered within the standard formula, including beyond the next 12 months.

The SCR requirements for FRID are dominated by risk of losses from catastrophe events as calculated by the standard formula (c. 75% of the SCR). The standard formula assumes a number of scenarios across each of the key types of insurance being transferred to FRID all happen within one year, which FUL view as very unlikely.

On this basis, FUL’s view is that the SCR calculated under the standard formula is likely to overestimate the true one-year risk that FRID is exposed to and hence the SCR is likely to be overstated. However, given the limited historical data available, it is difficult to determine an estimate of the quantum of the overstatement.

**Minimum Capital Requirement**

Another key measure of capital under Solvency II is the Minimum Capital Requirement (MCR). This is a simpler calculation than the SCR and typically a less onerous requirement.

Both FUL and FRID are projected to be very well-capitalised on this measure (with MCR capital coverage ratios of 514% and 713% respectively). Therefore, I have not considered the MCR further as part of my assessment of capital considerations, and my primary focus is on the SCR.
6.3. Components of capital requirements

The key components of the SCR common to both FUL and FRID are:

- **Underwriting risk**: the risk that the value of insurance claims proves to be higher than expected. For example, this covers the risk of large-scale aviation losses or other catastrophe events, and uncertainties related to existing liabilities included on the balance sheet.

- **Market risk**: the risk of changes in each insurer's financial position due to changes in the market value of assets, liabilities and financial instruments. For example, this covers the risk of falls in the value of assets that are being held to make future claims payments.

- **Counterparty default risk**: the risk of defaults or downgrades by counterparties that either owe the insurer money, or hold money on its behalf. For example, this covers the risk of the failure of a reinsurer or a broker.

- **Operational risk**: the risk of losses caused by failures in an insurer's operational processes, people and systems, or from events that are external to the insurer. For example, this would cover the risk of fraud or IT failure.

The most material component of the SCR for FUL is underwriting risk, which represents 94% of the SCR, as reported in FUL's Solvency and Financial Condition Report as at 31 December 2017. This is as expected given that insurance is the core business of FUL.

The most material component of the SCR for FRID is also underwriting risk, which is expected to represent 90% of the SCR. This is as expected given that insurance is the core business of FRID and the intra-group reinsurance is collateralised and so reduces counterparty default risk.

6.4. My considerations related to capital

As IE, my overall assessments related to capital are:

- whether the projected capital requirements have been calculated appropriately for both non-transferring and transferring policyholders;

- whether there are expected to be any material adverse changes in the strength of capital protection for either group of policyholders (I have assessed this by comparing the projected SCR coverage ratios pre- and post- the Proposed Transfer); and

- whether any other aspects of the capital considerations may lead to policyholders being materially adversely affected by the Proposed Transfer.
To make these assessments, I have considered the following areas:

- The capital policy for each of FUL and FRID (section 6.6);
- SCR appropriateness for FUL and FRID (section 6.7);
- The SCR under stressed scenarios for FRID (section 6.8);
- The planned capital structures for FUL and FRID (section 6.9); and
- Projected SCR coverage ratios (section 6.10).

6.5. Approach to my review

I have reviewed a number of documents provided by FUL relating to the calculation of capital requirements and projected coverage ratios. A list of the key data and documentation reviewed is provided in Appendix 4.

I have also independently calculated selected aspects of the standard formula SCR calculation for FUL and FRID using LCP’s standard formula model, and compared my results to those produced by FUL and FRID.

6.6. The capital policy for each of FUL and FRID

I have reviewed the capital policy for both FUL and FRID; there are no material differences in the policies.

6.7. SCR appropriateness for FUL and FRID

I have considered the SCR appropriateness for both FUL and FRID considering two aspects: the appropriateness of using the standard formula; and calculating my own independent estimates of the SCR.

Appropriateness of the standard formula for FUL

FUL has reviewed the appropriateness of the standard formula for the purpose of calculating the SCR.

The assessment produced by FUL indicates a limitation of the standard formula approach is that the capital requirements calculated are more cautious than their expectations based on the risks they are exposed to. However, given the limited historical experience of writing these risks, it is not possible to provide sufficient evidence to support the use of USPs (which is the key alternative approach that FUL could have considered).

The review concluded that the standard formula is “not inappropriate” given the risk profile of FUL, ie whilst there are limitations, they are not material.
I have reviewed the standard formula assessment provided by FUL and I am satisfied that it supports the conclusion that the standard formula is “not inappropriate” for FUL.

**Independent calculation of the SCR for FUL**

I have also performed an independent calculation of the standard formula SCR for FUL and compared my results to those produced by FUL. This is based on LCP’s standard formula model using data supplied by FUL.

My independent estimates support my conclusion that the standard formula SCR for FUL has been calculated correctly.

** Appropriateness of the standard formula for FRID**

FRID has reviewed the appropriateness of the standard formula for the purpose of calculating the SCR.

As for FUL, the assessment produced by FRID indicates a limitation of the standard formula approach is that the capital requirements calculated are more cautious than their expectations based on the risks they are exposed to. However, given the limited historical experience of the transferring business, it is not possible to provide sufficient evidence to support the use of USPs (which is the key alternative approach that FRID could have considered).

The review concluded that the standard formula is “not inappropriate” given the risk profile of FRID, ie whilst there are limitations, they are not material.

I have reviewed the standard formula assessment provided by FRID and I am satisfied that it supports the conclusion that the standard formula is “not inappropriate” for FRID.

**Independent calculation of the SCR for FRID**

I have also performed an independent calculation of the standard formula SCR for FRID and compared my results to those produced by FRID. This is based on LCP’s standard formula model using data supplied by FRID.

My independent estimates support my conclusion that the standard formula SCR for FRID has been calculated correctly.
6.8. SCR stressed scenarios for FRID

For FRID, 75% of the SCR requirement is driven by catastrophe risk (a component within underwriting risk). Within the standard formula, the catastrophe risk is calculated by applying fixed percentages to either the premiums or the largest risks written (eg the Aviation catastrophe risk is parameterised as 100% of a total loss from the largest risk). As a result, the SCR calculated is less sensitive to the typical stresses that may be applied to inputs requiring expert judgement.

The two key inputs requiring expert judgement are the future premium and the claims provisions. I have used the following scenarios to assess the sensitivity to inputs:

- **25% deterioration in claims provisions:** this scenario increases the SCR by c. 1%. The SCR coverage reduces to 176%.
- **25% increase in estimate of future premium:** this scenario increases the SCR by c. 4%. The SCR coverage reduces to 173%.

As the catastrophe risk is the largest element of the SCR requirement, it would be usual to consider stress scenarios for this risk. However, the SCR is based on the maximum risks within FRID’s stated risk appetite and so I have not considered this further.

6.9. The planned capital structures for FUL and FRID

FRID’s target initial capitalisation for day 1 after the Proposed Transfer is $35m of “Core Tier 1” own funds through share capital issued to FEHL and funded by FIBL. FRID plan to invest $30m in fixed income generating bonds and $5m in cash.

The above equates to a day 1 SCR coverage ratio for FRID of 178% (as shown in the second table of the following section).

The FUL capital structure is materially unchanged pre- and post- the Proposed Transfer.

6.10. Projected coverage ratios of SCR

The following tables set out the SCR and coverage ratios, prepared by FUL, for FUL and FRID pre- and post- the Proposed Transfer. These figures are draft and I will comment on any updates to the figures in my Supplementary Report.

<table>
<thead>
<tr>
<th>FUL – SCR and coverage ratio pre- and post- the Proposed Transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m</td>
</tr>
<tr>
<td>Pre-Transfer Day 0</td>
</tr>
<tr>
<td>Total own funds eligible to meet SCR</td>
</tr>
<tr>
<td>SCR</td>
</tr>
<tr>
<td><strong>SCR coverage ratio</strong></td>
</tr>
</tbody>
</table>

*Source: FUL*
On day 1 post-transfer, FUL is projected to be sufficiently capitalised (as defined in section 6.1). FUL has projected that the transfer will increase the SCR coverage from 125% to 129%. The target SCR coverage for FUL is set in line with the FUL risk appetite. In the years following the transfer, the SCR coverage is expected to increase.

On day 1 post-transfer, FRID is projected to be well capitalised (as defined in section 6.1), with an SCR coverage of 178%. FRID will have its own target SCR coverage that will be set by the directors of FRID. In the years following the transfer, the SCR coverage is expected to reduce, however FRID is expected to retain a higher SCR coverage than FUL. The reduction in coverage is as a result of FRID initially being capitalised at a higher level to cover the costs of setting up a new insurance company.

In summary, following the Proposed Transfer:

- The SCR coverage ratio for non-transferring policyholders is projected to increase on Day 1 post-transfer. Therefore, non-transferring policyholders will not be materially adversely affected by this aspect of the capital considerations.

- The SCR coverage ratio for transferring policyholders is projected to increase materially on Day 1 post-transfer and remain above that of FUL for the following two years. Therefore, transferring policyholders will not be materially adversely affected by this aspect of the capital considerations.

Therefore, I do not expect there to be any material adverse changes in the strength of capital protection for either group of policyholders.
6.11. Overall conclusion: Capital considerations

I have set out below my overall conclusions related to capital. These capital considerations should not be considered in isolation. For example, the overall level of protection for policyholders also depends on a range of other considerations. My overall conclusions on the Proposed Transfer are set out in section 10.

Based on the work and rationale described above I have concluded that:

- The projected capital requirements for FUL and FRID have been calculated appropriately for both non-transferring and transferring policyholders.

- Following the Proposed Transfer, I do not expect there to be any materially adverse changes in the strength of capital protection for either group of policyholders.
7. Policyholder security

7.1. My considerations relating to policyholder security

As IE, my overall assessments related to policyholder security are:

- whether the likelihood of valid policyholder claims being paid is maintained following the Proposed Transfer for both non-transferring and transferring policyholders.
- whether any change in policyholder security results in policyholders being materially adversely affected by the Proposed Transfer.

To make these assessments, I have considered the following areas:

- The GAAP balance sheets of FUL and FRID (section 7.2)
- The solvency positions of FUL and FRID (section 7.3)
- Access to the Financial Services Compensation Scheme (section 7.4)
- Access to the Financial Ombudsman Service (section 7.5)
- Reinsurance arrangements with external reinsurers (section 7.6)
- Insurance regulation (section 7.7)

Further details on each of these considerations are set out below, and my overall conclusion related to policyholder security is set out in section 7.8.

7.2. Impact on the balance sheets of FUL and FRID

I have based my analysis on data as at 31 December 2017, as this is the most recent year end at which audited financial accounts are available for FUL.

The actual balance sheets immediately pre- and post- the Proposed Transfer will be different from those below as the anticipated Effective Date is 31 December 2018.

I will also prepare a Supplementary Report ahead of the Sanctions Hearing for the Proposed Transfer, which will include an update of my conclusions in this report.
GAAP balance sheets of FUL and FRID

<table>
<thead>
<tr>
<th></th>
<th>FUL Pre-Transfer</th>
<th>FUL Day 1 Post-Transfer</th>
<th>FRID Day 1 Post-Transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments and cash</td>
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<td>332</td>
<td>37</td>
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<tr>
<td>Deferred acquisition costs</td>
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<tr>
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<td>271</td>
<td>250</td>
<td>41</td>
</tr>
<tr>
<td>Insurance and intermediaries receivables</td>
<td>279</td>
<td>254</td>
<td>22</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Any other assets, not shown elsewhere</td>
<td>8</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>1,016</td>
<td>948</td>
<td>115</td>
</tr>
<tr>
<td>Technical provisions</td>
<td>87</td>
<td>81</td>
<td>13</td>
</tr>
<tr>
<td>Uearned premium reserve</td>
<td>552</td>
<td>507</td>
<td>51</td>
</tr>
<tr>
<td>Reinsurance payables</td>
<td>202</td>
<td>185</td>
<td>17</td>
</tr>
<tr>
<td>Any other liabilities, not shown elsewhere</td>
<td>9</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>850</td>
<td>782</td>
<td>81</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>166</td>
<td>166</td>
<td>33</td>
</tr>
</tbody>
</table>

Source: FUL

The table above shows simplified balance sheets for FUL pre- and post- the Proposed Transfer and the simplified balance sheet for FRID after the Proposed Transfer.

7.3. Impact on the solvency positions of FUL and FRID

The solvency positions of FUL and FRID pre- and post-transfer are summarised in the following table.

<table>
<thead>
<tr>
<th></th>
<th>FUL Pre-Transfer</th>
<th>FUL Day 1 Post-Transfer</th>
<th>FRID Day 1 Post-Transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total own funds eligible to meet SCR</td>
<td>214</td>
<td>205</td>
<td>30</td>
</tr>
<tr>
<td>SCR</td>
<td>171</td>
<td>159</td>
<td>17</td>
</tr>
<tr>
<td><strong>SCR coverage ratio</strong></td>
<td>125%</td>
<td>129%</td>
<td>178%</td>
</tr>
</tbody>
</table>

Source: FUL

1 FUL have used separate models to estimate the technical provisions pre- and post-transfer, as such the pre- and post-transfer totals are not consistent. Updated estimates will be provided in my supplementary report. This inconsistency does not affect my conclusions in this report.
As set out in the above table, FUL is sufficiently capitalised immediately before and after the Proposed Transfer and FRID is well capitalised immediately after the Proposed Transfer (as described in sections 6.1 and 6.10).

7.4. Access to the Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS) in the UK provides consumer protection. This statutory “fund of last resort” compensates customers in the event of the insolvency of a financial services firm. Insurance protection exists for individuals and small businesses in the situation where an insurer is unable to meet its liabilities for direct policyholders only (ie reinsured policyholders are not covered). For certain insurance that is compulsory in the UK (eg motor third party liability insurance), insurance protection also exists for direct policyholders whether or not they are individuals or small businesses.

The FSCS will pay 100% of any claim incurred for compulsory insurance (eg motor third party liability insurance) and 90% of claims incurred for non-compulsory insurance (eg home insurance), without any limit on the amount payable. The PRA fund the FSCS through levies on authorised firms. No protection is available for Goods in Transit, Marine, Aviation and Credit Insurance.

Any transferring policyholders who currently have access to the FSCS will lose access to the FSCS as a result of the Proposed Transfer.

FUL have estimated that, using conservative assumptions, up to 43 of the 300 transferring policies could lose access to the FSCS. FUL plan to write to all potentially affected policyholders regarding this loss of access and will also provide details within the policyholder circular which will be sent to all policyholders.

A similar scheme to the FSCS exists in Ireland, the Insurance Compensation Fund (ICF). Eligible claimants are entitled to a maximum of 65% of the full value of their claim, up to €825k. The fund only covers risks situated in Ireland, certain lines of business are excluded and commercial policyholders are only covered where there is liability to an individual. It is expected that 6 of the transferring policyholders losing access to the FSCS would gain access to the ICF, so there may be up to 37 policyholders losing access to all compensation schemes.

In order for policyholders to need to access the FSCS, FRID would need to become insolvent. FIHL will give FRID a parental guarantee to pay any debts FRID is unable to pay and to provide additional assets in a situation where FRID has insufficient assets to meet its liabilities.

Transferring policyholders of FUL already benefit from a parental guarantee from FIHL and the FRID parental guarantee will be on parallel terms. I understand there is
therefore no change in the strength or legal enforceability of the guarantee provided to transferring policyholders.

This means, in practice, FIHL would need to become insolvent in order for FRID to become insolvent. As at 31 December 2017, FIHL had available capital of c. $1,400m compared to a capital requirement of c. $400m, ie a solvency ratio of 317%. Therefore, I have concluded that it is unlikely that the policyholders will be materially adversely affected by the loss of access to the FSCS.

7.5. Access to the Financial Ombudsman Service

The Financial Ombudsman Service (FOS) provides private individuals and micro-enterprises with a free, independent service for resolving disputes with financial companies. Micro-enterprises are defined to be businesses with less than €2m annual turnover and fewer than ten employees.

It is not necessary for the private individual or micro enterprise to live or be based in the UK for a complaint regarding an insurance policy to be dealt with by the FOS. However, it is necessary for the insurance policy concerned to be, or have been, administered from within the UK and/or issued from within the UK.

Transferring policyholders who currently have access to the FOS will lose access to this post-transfer. FRID have undertaken to comply with the FCA rules (set out in DISP, the Dispute Resolution: Complaints part of the FCA Handbook) that apply to the handling of complaints brought to the FOS and any award or direction made or given by the FOS, relating to acts or omissions prior to the Effective Date.

The FCA is currently consulting on potential changes to the FOS that may increase the scope of policyholders covered by the FOS. I have not considered this consultation in relation to the Proposed Transfer.

In Ireland, a similar scheme to the FOS is in place run by the Financial Services and Pensions Ombudsman (FPSo). The scope for access to the FPSO is wider than the FOS, given that it covers businesses with annual turnover less than €3m with no other restrictions, ie so, all else being equal, it applies to more business.

The transferring policyholders losing access to the FOS will benefit from access to the FPSO post-transfer and additional policyholders may gain access to the FPSO who didn’t have access to the FOS due to the increase in turnover threshold.

FUL will provide details of access to the FOS within the policyholder circular which will be sent to all policyholders.

I have therefore concluded the transferring policyholders are not disadvantaged from loss of access to FOS.
7.6. Reinsurance arrangements with external reinsurers

All of FUL’s reinsurance with external reinsurers that provides cover for the transferring business will be transferred to FRID. Similarly, reinsurance arrangements providing cover for non-transferring business will remain with FUL.

Therefore, there is no material change to the external reinsurance protection provided for either group of policyholders.

7.7. Insurance regulation

Prudential regulation

Prudential regulation requires financial firms to control risks and hold adequate capital to ensure regulated firms are being run in a safe and sound way.

Both the UK and Ireland are currently regulated under Solvency II. Solvency II covers the prudential regulation of insurers, including risk management and capital requirements. The position regarding UK insurance regulation post-Brexit is currently unclear. However, the expectation is that the UK will seek to maintain equivalence with Solvency II.

Based on the above considerations, I do not expect transferring policyholders to be materially adversely affected by the changes in prudential insurance regulation governing their policies from UK to Ireland.

Conduct regulation

Conduct regulation of financial firms typically includes consumer protection, market conduct rules and ethical codes of conduct. Conduct is generally regulated by the insurance regulator in the country in which a risk is located and/or the location from which the business is carried out.

There is currently less harmonisation in conduct regulation across the EEA compared to prudential regulation. However, a number of existing EU Directives govern consumer regulation across the EEA, so apply to both the UK and Ireland. For example, The Insurance Mediation Directive (IMD) aims to ensure appropriate levels of protection for customers.

The Insurance Distribution Directive (IDD) will replace the IMD and is expected to apply across EEA member states from 1 October 2018. Its intention is to strengthen and consolidate the existing rules of the IMD covering the distribution of insurance and reinsurance, and also the administration and performance of an insurance policy once it has been written. As for Solvency II, the position regarding the compliance with IDD in the UK post-Brexit is currently unclear.
The location of risks currently insured by FUL will not change as a result of the Proposed Transfer. Therefore, the key relevant comparison is between the conduct regulations in the UK and those in Ireland. If these were materially different, this could potentially affect transferring policyholders where the business is currently carried out in the UK and post-transfer will be carried out in Ireland.

In summary, there is access to similar mechanisms in terms of conduct regulation in Ireland for the transferring policyholders based on EU Directives.

**Conclusions on regulation**

Based on the above considerations, I do not expect transferring policyholders to be materially adversely affected by the change in insurance regulation governing their policies from UK to Ireland.

**7.8. Overall conclusion: Policyholder security**

Based on the work and rationale described above, I have concluded that it is very unlikely that the security provided to transferring policyholders will be materially adversely affected by the Proposed Transfer.
8. Policyholder communications

8.1. My considerations relating to policyholder communications

I have assessed the appropriateness of FUL’s proposed communication strategy to inform policyholders and other stakeholders of the Proposed Transfer.

The key focus of my assessment was whether the policyholders and other stakeholders are to be provided with sufficient and clear enough information so that they can understand how the Proposed Transfer may affect them.

8.2. Overview of communications strategy

FUL has developed a communication strategy to notify affected parties of the Proposed Transfer and allow time for affected parties to raise objections to the Court. I have summarised the main points of the communications strategy below:

- **Transferring policyholders and claimants**: FUL will directly notify all policyholders. For Title insurance policies for real property, FUL will write to the insured address of the policy, as the insurance transfers to the new owner on the sale of the property.
- **Reinsurers**: FUL will directly notify all reinsurers whose contracts of reinsurance will be transferring to FRID.
- **Intermediaries and other parties (including brokers, managing general agents (MGA) and schemes)**: FUL will directly notify those who have placed transferring business for the transferring policyholders.

FUL will request the brokers for those policies where contact details of policyholders are not held by FUL to disseminate the appropriate information and report back to FUL on any objections received. FUL will request any brokers carrying out this task on their behalf to provide regular reporting to enable tracking of the dissemination of information.

**IE conclusion**

I am satisfied that the communications strategy will ensure that those who will be affected by the Proposed Transfer will be informed appropriately. I am satisfied that a suitable process has been arranged for the tracking of the dissemination of information by third parties.

8.3. Planned dispensations and rationale

FUL intends to request that the Court grant a dispensation from the need to directly notify the non-transferring policyholders.

FUL has provided a rationale to support their request for dispensation by reference to the judgement of Norris J in the Directions Hearing in Re Aviva International Insurance
Limited [2011] EWCH 1901 (Ch.) (the Aviva Judgement). The Aviva Judgement summarised the following factors as a rationale for granting a dispensation:

1. the impossibility of contacting policyholders;
2. the practicality of contacting policyholders;
3. the utility of contacting policyholders;
4. the availability of other information channels through which notice of the application can be made available;
5. the proportionality of strict compliance and the impact of collateral commercial concerns; and
6. the likely impact of the Proposed Transfer on policyholders.

Non-transferring policyholders

FUL’s rationale for the dispensation sought for non-transferring policyholders is as follows (I have included in brackets the reference to the factors from the Aviva Judgement where applicable).

FUL’s view is that non-transferring policyholders will have access to the information from the publications in the UK, so will have the opportunity to be made aware of the Proposed Scheme without direct notification (availability of other information channels).

FUL also believe the cost of direct notification of all non-transferring policyholders is disproportionate to the benefit received from direct notification, particularly given the non-transferring policyholders are not disadvantaged by the Proposed Transfer (proportionality and impact).

IE conclusion

I am satisfied with the rationale for the dispensation sought for non-transferring policyholders, as the information is available from other sources and my conclusions support that the non-transferring policyholders are not disadvantaged by the Proposed Transfer.

8.4. Planned notices

FUL will comply with the regulation and place a notice of the Proposed Scheme in:

- the London, Edinburgh and Belfast Gazettes; and
- two national newspapers in the UK (The Times and The Financial Times).

FUL intends to request the Court grant a dispensation from the need to place notices in national newspapers in non-UK EEA states on the following grounds:

- FUL will directly notify all transferring policyholders. Non-transferring policyholders are based in the UK so will have access to the notices referenced above (availability of other information channels); and
The costs of translating legal notices into foreign languages and advertising in two national newspapers is disproportionate relative to the number of policyholders who might be reached by such publication (proportionality).

IE conclusion

As FUL will be notifying all transferring policyholders and I have concluded that non-transferring policy holders are not disadvantaged by the Proposed Transfer, I am satisfied with the request for dispensation from publishing notices in non-UK EEA states.

8.5. Translation of key documents

All publication notices and major documents (including this report) will be provided in English and there are no plans to translate any documents into other languages.

Should any translations be required, the documents will be translated by FUL and I would rely on FUL to ensure that the translations into each language are accurate.

8.6. Clarity of communication

I have reviewed drafts of both the proposed letters and policyholder circular to be provided to policyholders explaining the background to the Proposed Transfer and the transfer process.

FUL have referenced that policies may have been sold by an intermediary, eg an MGA, rather than FUL and so some policyholders may not be aware that FUL is the insurer underwriting their policy. FUL have provided contact details within the policyholder circular to assist policyholders to identify if FUL is their insurer and also if their policy is expected to transfer.

IE conclusion

I am satisfied the communication to policyholders regarding the Proposed Transfer is clear, fair and not misleading.

8.7. Overall conclusion: Communication strategy

Based on my review of the communication strategy, I have concluded the planned communications strategy will ensure adequate coverage of affected parties. FUL is applying for a number of dispensations from communicating to some affected parties. I have concluded that these are appropriate.

I have also concluded that the planned communication is sufficiently clear for policyholders to understand the effects of the Proposed Transfer.
9. Customer service and other considerations

9.1. Customer service

The Fidelis Group operate group-wide policies and procedures, which are followed by FUL and will be adopted by FRID. The only change that will be made to these policies will be any changes requested as part of the authorisation process from the Central Bank of Ireland (CBI). As these requests are from a regulator, all else being equal, I would expect them to enhance the service that policyholders receive.

Following the Proposed Transfer, the contact point for transferring policyholders will be moved to Ireland. The time zone of Dublin is the same as London, so there will be no change in hours of availability. Contact through email does not incur costs and a local rate phone number will be provided in Ireland.

As such, I do not expect that policyholders will receive a materially different level of customer service following the Proposed Transfer.

9.2. Tax implications

FUL have provided a paper setting out the tax implications of the Proposed Transfer.

The paper confirms that there are three relevant types of tax that potentially impact the premium that policyholders are charged:

- Corporation tax: this is levied on profits; the pricing strategy does not factor in the rate of corporation tax so policyholders are not directly affected by FUL or FRID’s obligation to pay corporate tax. Any costs incurred as a result of the Proposed Transfer will not be passed on to policyholders.
- VAT: policyholders do not pay VAT on insurance premiums. Any costs incurred as a result of the Proposed Transfer will not be passed on to policyholders.
- Insurance Premium Tax (IPT): the applicable IPT rate for each policyholder is determined by the location of the risk insured which will not change. Therefore, the amount of IPT charged will not be affected by the Proposed Transfer.

Having reviewed the paper provided, I have concluded that both non-transferring and transferring policyholders are not expected to be materially adversely affected by the tax consequences of the Proposed Transfer.

9.3. Investment management implications

Currently, investment services across the Fidelis Group are outsourced to Fidelis Management Limited (FML) and FIBL, with oversight from the CFO of each operating entity. The FRID CFO will be responsible for this oversight on behalf of FRID post-transfer.
The FRID board will set the investment strategy but will be required to adhere to Fidelis Group limits. As a result, it is expected there will be no material changes to the investment strategy with the majority of assets (> 80%) in fixed income investments and the remainder in cash.

Therefore I do not anticipate any materially adverse impact to the non-transferring or transferring policyholders in terms of investment management as a consequence of the Proposed Transfer.

9.4. Implications on ongoing expense levels

All costs and expenses incurred relating to the Scheme will be borne by the Fidelis Group and will not be borne by policyholders.

FRID will benefit from access to Group services and will pay a recharge to Group, with these fees in line with the same policy that FUL currently pays for services.

FRID will use the existing pricing framework that is in place across the Fidelis Group, as such there is expected to be little or no increase in the expense loading within policyholder premiums arising from the Proposed Transfer.

Therefore I do not anticipate any materially adverse impact on expense levels to the non-transferring or transferring policyholders on as a consequence of the Proposed Transfer.

9.5. Impact on liquidity position

FRID is expected to follow the same investment strategy as FUL, with a liquidity position that is monitored and managed at the Fidelis Group level. FRID will benefit from the same liquidity support provided by the Fidelis Group to FUL. This includes a commitment given by the FIBL and FIHL Boards to provide further capital support through intra-group transactions in the event of temporary liquidity shortfalls at the entity level.

Also, the intra-group reinsurance has provisions in place to request immediate funding of large loss settlements ie within five working days.

Liquidity risk is monitored on a monthly basis at group level, with cashflow monitoring at an entity level, and on a longer term basis as part of the ORSA process for both FUL and FRID.

Therefore I do not anticipate any materially adverse impact on the liquidity position for the non-transferring or transferring policyholders as a consequence of the Proposed Transfer.
9.6. Set-off

I have considered whether the Proposed Transfer is likely to lead to any changes in the rights of set-off for creditors or debtors of FUL or FRID. “Set-off” is a right that allows parties to cancel or offset mutual debts with each other by subtracting one from the other, and paying only the balance.

I have not identified any material set-off rights as part of my review. Therefore, I do not believe considerations around set-off impact my conclusions.

9.7. Overall conclusions: Customer service and other considerations

Based on the work and rationale described above, I have concluded that no material impact on service standards (or any other considerations within this section of the report) is expected following the Proposed Transfer.
10. Conclusions and Statement of Truth

I have considered the Proposed Transfer and its likely effects on the non-transferring policyholders of FUL, the policyholders transferring to FRID and the transferring reinsurers.

In reaching the conclusions set out below, I have applied the principles as set out in relevant professional guidance, being the Technical Actuarial Standards (TASs) TAS 100: Principles for Technical Actuarial Work and TAS 200: Insurance.

I have concluded that:

- The security provided to non-transferring policyholders will not be materially adversely affected by the Proposed Transfer. No material impact on service standards is expected for non-transferring policyholders following the Proposed Transfer.

- It is very unlikely that the security provided to transferring policyholders will be materially adversely affected by the Proposed Transfer. No material impact on service standards is expected for transferring policyholders following the Proposed Transfer.

- Reinsurers of FUL who provide cover for the transferring business will not be materially affected by the Proposed Transfer.

10.1. Issues to highlight

I consider it necessary that I review the most recent information, up to the date of the Sanctions Hearing for the Proposed Transfer, when this becomes available later in the year, before confirming my opinion and conclusions.

Issues that I have highlighted in this report which require further review include:

- Any reinsurer and policyholder objections received.
- The final details of the reinsurance contract between FIBL and FRID.
- The parental guarantee provided to FRID by FIHL.

I will consider these points further as part of my Supplementary Report.
10.2. IE duty and declaration

My duty to the Court overrides any obligation to those from whom I have received instructions or paid for this Report. I confirm that I understand my duty to the Court and I have complied with that duty.

I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.

I confirm that I am aware of the requirements of Part 35 of the Civil Procedure Rules, Practice Direction 35 and the Protocol for Instruction of Experts to give Evidence in Civil Claims.

10.3. Sign-off

Stewart Mitchell FIA
Partner
30 August 2018
95 Wigmore Street
London W1U 1DQ
www.lcp.uk.com

The use of our work

This work has been produced by Lane Clark & Peacock LLP under the terms of our written agreement with Fidelis Underwriting Limited. It is subject to any stated limitations (eg regarding accuracy or completeness).

This Scheme Report, which is our work, has been prepared for the purpose of accompanying the application to the Court in respect of the insurance business transfer scheme described in this report, in accordance with Section 109 of the Financial Services and Markets Act 2000. The Scheme Report is not suitable for any other purpose.

A copy of the Scheme Report will be sent to the Prudential Regulatory Authority, the Financial Conduct Authority and will accompany the Scheme application to the Court.

This work is only appropriate for the purpose described above and should not be used for anything else. No liability is accepted or assumed for any use of the Scheme Report for any other purpose other than that set out above.

Professional Standards

## Appendix 1 - Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Best estimate</td>
<td>An estimate prepared with no margin for either prudence or optimism included.</td>
</tr>
<tr>
<td>Bornhuetter-Ferguson (BF) method</td>
<td>A blend of the Chain Ladder Method and the Expected Loss Ratio Method (defined later in this glossary). The weighting given to each is dependent on how developed the claims are for a particular policy year.</td>
</tr>
<tr>
<td>Brexit</td>
<td>The expected exit of the UK from the EU following the referendum on continuing membership held in the UK in June 2016.</td>
</tr>
<tr>
<td>Capital Cover Ratio</td>
<td>The Capital Cover Ratio is the ratio of Available Capital to Required Capital. This is a measure of the capital strength of the insurer – the higher the ratio, the stronger the insurer.</td>
</tr>
<tr>
<td>Central Bank of Ireland (CBI)</td>
<td>The regulator of the insurance sector in Ireland.</td>
</tr>
<tr>
<td>Chain Ladder method</td>
<td>An actuarial method for estimating future payments or numbers by using the historical pattern of past payments or numbers to estimate a development profile, which can be used to extrapolate future payments or numbers.</td>
</tr>
<tr>
<td>Collateralised reinsurance</td>
<td>A trust account is set up into which funds are credited to provide security for the reinsured for recoveries expected under the reinsurance contract.</td>
</tr>
<tr>
<td>Core Tier 1</td>
<td>Under Solvency II, capital is categorised into 3 tiers based on the permanence and loss absorbency of the form of capital. Tier 1 capital is the highest quality.</td>
</tr>
<tr>
<td>Counterparty Default Risk</td>
<td>The risk of defaults or downgrades by counterparties that either owe an insurer money, or hold money on its behalf. For example, this covers the risk of the failure of a reinsurer or a broker.</td>
</tr>
<tr>
<td>Court</td>
<td>The High Court of Justice of England and Wales.</td>
</tr>
<tr>
<td>Direct policyholders</td>
<td>Any policyholders that are not insurers or reinsurers.</td>
</tr>
<tr>
<td>European Economic Area (EEA)</td>
<td>The EEA Agreement established the EEA on 1 January 1994. The EEA unites the 28 EU member states with Iceland, Liechtenstein, and Norway into an internal market governed by the same basic rules. These rules aim to enable goods, services, capital, and persons to move freely about the EEA in an open and competitive environment, a concept referred to as the four freedoms.</td>
</tr>
<tr>
<td>EEA30</td>
<td>The EEA30 is the EEA after Brexit, ie the remaining 30 member states.</td>
</tr>
<tr>
<td>Effective Date</td>
<td>The effective date of the Proposed Transfer, expected to be 31 December 2018.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>European Union (EU)</td>
<td>The EU prior to Brexit, ie the 28 member states. Post-Brexit the EU will consist of 27 member states ie excluding the UK.</td>
</tr>
<tr>
<td>Events not in data (ENIDs)</td>
<td>An estimate of possible future events or developments that are not in existing data. Insurers need to make allowance for ENIDs in their Solvency II technical provisions.</td>
</tr>
<tr>
<td>Expected Loss Ratio method</td>
<td>An actuarial method for estimating future payments or numbers based on combining an exposure measure and an assumed rate per unit of exposure (the “initial expected loss ratio”) for the written business.</td>
</tr>
<tr>
<td>Financial Conduct Authority (FCA)</td>
<td>The UK regulatory agency that focuses on the regulation of conduct by retail and wholesale financial services firms. The FCA operates as part of the regulatory framework implemented under the Financial Services Act 2012.</td>
</tr>
<tr>
<td>Financial Ombudsman Service (FOS)</td>
<td>Set up by the UK Parliament, the FOS is the UK’s official expert in sorting out problems with financial services. Parliament set up the FOS and has legal powers in the UK to address unresolved complaints between a business and a customer relating to financial services.</td>
</tr>
<tr>
<td>Financial Reporting Council (FRC)</td>
<td>The body responsible for setting actuarial standards in the UK. The FRC also regulates auditors and accountants, and sets the UK’s Corporate Governance and Stewardship Codes.</td>
</tr>
<tr>
<td>Freedom of Establishment (FofE)</td>
<td>Under the EU Insurance Directives and Insurance Mediation Directive, insurance companies have the right to provide business services through a permanent presence within the EEA under the principle of FofE utilising the “passporting” system in place between EEA regulators.</td>
</tr>
<tr>
<td>Freedom of Services (FofS)</td>
<td>Under the EU Insurance Directives, insurance companies have the right to provide business services on a cross-border basis within the EEA under the principle of FofS utilising the “passporting” system in place between EEA regulators.</td>
</tr>
<tr>
<td>Financial Services Compensation Scheme (FSCS)</td>
<td>The FSCS is the compensation fund of last resort for customers of UK authorised financial services firms. This covers insurance for individuals and some insurance for small businesses.</td>
</tr>
<tr>
<td>Financial Services and Markets Act 2000 (FSMA)</td>
<td>The legislation under which Part VII governs the transfer of (re)insurance business between (re)insurance undertakings.</td>
</tr>
<tr>
<td>Generally accepted accounting principles (GAAP)</td>
<td>A collection of commonly-followed accounting rules and standards for financial reporting. GAAP specifications include definitions of concepts and principles, as well as industry-specific rules.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Hard Brexit</td>
<td>A scenario where FUL no longer has FoS or FofE rights and may not legally be able to carry on with non-UK EEA business. For example, FUL would not be able to issue new insurance policies across the EEA, and might not legally be able to pay valid claims to existing EEA policyholders.</td>
</tr>
<tr>
<td>Incurred but not enough reported (IBNER)</td>
<td>See definition of IBNR</td>
</tr>
<tr>
<td>Incurred but not reported (IBNR)</td>
<td>The provision for claims that are reported in the future but relate to events that have already occurred. This includes provision for estimated developments to existing open claims, ie those that have been reported but not fully settled. The provision for these open claims is called IBNER (Incurred But Not Enough Reported). Depending on the type of insurance being considered and the claims handling approach, both the IBN and IBNER can be either positive or negative.</td>
</tr>
<tr>
<td>Independent Expert</td>
<td>A suitably qualified person appointed by the Court to produce an independent report on an insurance business transfer scheme, in accordance with the FSMA. The Independent Expert’s primary duty lies with the Court, and the opinion of the expert is independent of those of the sponsoring companies involved in the Transfer and the PRA.</td>
</tr>
<tr>
<td>Market risk</td>
<td>The risk of changes in an insurer’s financial position due to changes in the market value of assets, liabilities and financial instruments. For example, this covers the risk of falls in the value of assets that are being held to make future claims payments.</td>
</tr>
<tr>
<td>Minimum Capital Requirement (MCR)</td>
<td>A formulaic calculation of the capital requirement as part of the existing European Solvency II regulations for insurers. Breaching the MCR defines the point of intensive regulatory intervention. The calibration of the MCR is to be the capital required to give an 85% confidence level of sufficient capital to last one year. The MCR is a simpler calculation than the SCR and is typically a less onerous requirement.</td>
</tr>
<tr>
<td>Operational risk</td>
<td>The risk of losses caused by failures in an insurer's operational processes, people and systems, or from events that are external to the insurer. For example, this would cover the risk of fraud or IT failure.</td>
</tr>
<tr>
<td>Own funds</td>
<td>The capital in excess of provisions available to meet the SCR capital requirements under Solvency II.</td>
</tr>
<tr>
<td>Prudential Regulation Authority (PRA)</td>
<td>The part of the Bank of England that carries out the prudential regulation of financial firms in the UK, including banks, investment banks, building societies and insurance companies. The PRA operates as part of the regulatory framework implemented under the Financial Services Act 2012.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>PRA’s Statement of Policy</td>
<td>The Statement of Policy issued by the PRA entitled “Statement of Policy – The PRA’s approach to insurance business transfers – April 2015”</td>
</tr>
<tr>
<td>Proposed Transfer</td>
<td>The proposed insurance business transfer of FUL to FRID under Section 105 of the FSMA.</td>
</tr>
<tr>
<td>Quota share reinsurance</td>
<td>A reinsurance contract in which the insurer and reinsurer share both claims and premiums in the same proportion. The reinsurer usually pays a commission to the insurer to allow for their costs of selling and administering the policy.</td>
</tr>
<tr>
<td>Required capital</td>
<td>The amount of capital an insurer must hold in order to meet its regulatory capital requirements (ie the SCR).</td>
</tr>
<tr>
<td>Reinsurance</td>
<td>An arrangement with another insurer to share or pass on risks. For example, in the case of the Proposed Transfer, FRID is transferring underwriting (insurance) risk to FIHL using a reinsurance quota share arrangement.</td>
</tr>
<tr>
<td>Reinsurance bad debt</td>
<td>Reinsurance bad debt is a provision for amounts that are owed by reinsurers but which may not be paid, eg due to the insolvency of the reinsurer.</td>
</tr>
<tr>
<td>Scheme Document</td>
<td>A document submitted to the Court setting out details of the Scheme or Proposed Transfer.</td>
</tr>
<tr>
<td>Scheme Report</td>
<td>This report prepared by me, as the Independent Expert, for submission to the Court.</td>
</tr>
<tr>
<td>Solvency Capital Requirement (SCR)</td>
<td>The amount of capital insurers are required to hold under Solvency II regulations. This is an estimate of capital required to ensure that an insurer is able to meet its obligations over the next 12 months with a probability of at least 99.5%. If an insurer's capital (ie the excess of its assets over its liabilities) falls below the SCR, it will trigger regulatory intervention, with the intention of remedying that position.</td>
</tr>
<tr>
<td>Solvency Financial Condition Report (SFCR)</td>
<td>Solvency II requires each insurer to publish an SFCR annually that contains certain qualitative and quantitative information.</td>
</tr>
<tr>
<td>Solvency II</td>
<td>The system for establishing (among other things) minimum capital requirements for EEA (re)insurers under the Solvency II Directive 2009/138/EC.</td>
</tr>
<tr>
<td>Standard Formula</td>
<td>A prescribed approach under Solvency II for the calculation of capital based on an insurer's financial information (eg premiums and claims provisions).</td>
</tr>
<tr>
<td>TAS 100</td>
<td>The FRC issued Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100) which applies to all actuarial work produced after 1 July 2017.</td>
</tr>
<tr>
<td>TAS 200</td>
<td>The FRC issued Technical Actuarial Standard 200: Insurance (TAS 200) which applies to all actuarial work produced after 1 July 2017.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Technical provisions</td>
<td>Under Solvency II, the technical provisions cover the ultimate costs of settling all claims arising from events occurring up to the balance sheet date plus the provisions for future claims (and premiums) arising on unexpired periods of risk.</td>
</tr>
<tr>
<td>Transferee</td>
<td>The insurer to which the business is being transferred, Fidelis Risk Ireland DAC (FRID).</td>
</tr>
<tr>
<td>Transferor</td>
<td>The insurer from which the business is being transferred, Fidelis Underwriting Limited (FUL).</td>
</tr>
<tr>
<td>Unallocated Loss Adjustment Expenses (ULAE)</td>
<td>Unallocated Loss Adjustment Expenses are expenses relating to the handling of claims that are not allocated to specific claims, eg claim handlers’ salaries and office space.</td>
</tr>
<tr>
<td>Underwriting risk</td>
<td>The risk that the value of insurance claims proves to be higher than expected.</td>
</tr>
<tr>
<td>Unearned Premium Reserve (UPR)</td>
<td>A provision for the unexpired portion of insurance policies and appears as a liability on the insurer’s balance sheet, since the premium would be paid back upon cancellation of the policy.</td>
</tr>
</tbody>
</table>
Appendix 2 – Extract from Terms of Reference

Summary of agreed scope of work

I, Stewart Mitchell will act as IE to support your planned Part VII transfer of Fidelis Underwriting Limited’s (FUL) business into Fidelis Risk Ireland DAC (FRID).

Your primary requirement is for the IE to act in line with Section 109 of the Financial Services Markets Act 2000.

The key deliverables from the work will be:

- The main and supplementary IE reports;
- Input as required to address any issues arising;
- Presenting my findings as IE to the Court and responding to any queries and additional court requests; and
- A summary report to support policyholder communications.
I am a Partner in LCP’s Insurance Consulting practice and a Fellow of the Institute of Actuaries (qualified in 2004). I hold an MBA from City University Business School and qualified as an ACII with the Chartered Institute of Insurance.

I joined LCP in 2016, and prior to this was a Director at Ernst & Young LLP. I have 20 years’ experience as a general insurance actuarial consultant, and a further 10 years’ experience working in the insurance industry prior to joining Ernst & Young LLP.

Professional experience

I have a broad experience of actuarial engagements over the last 20 years. This experience covers reserving, capital, pricing, reinsurance and transactions.

I have been the IE and supported or provided peer review to the Independent Expert for five other insurance business transfer schemes. I have also led the work on Section 166 regulatory reports for the PRA.

I hold a Lloyd’s Signing Actuary practicing certificate and am currently the Signing Actuary for four Lloyd’s syndicates. I have performed this role for many Lloyd’s syndicates in the past, signing the opinions for up to nine Lloyd’s syndicates in a single year-end.

I have previously been appointed by the Bermuda Monetary Authority as a Loss Reserving Specialist for Bermudian insurance companies and the Appointed Actuary for Lichtenstein insurance companies.

I have provided opinions on the adequacy of claims reserves for US regulators of UK based insurance companies and for HMRC for UK insurance companies.

I have extensive experience in independent reviews of claim liabilities for general insurance companies. I have also led capital modelling projects and reviews of Solvency II technical provisions.

I have worked with many insurers in reviews of claims liabilities and capital requirements for the purpose of mergers and acquisitions.
Appendix 4 – Summary of data provided

The following is a list of the key data items I have requested and received in assessing the Proposed Transfer. All data I have requested has been provided to me. FUL has provided a Data Accuracy Statement confirming that the data and information provided to me regarding the Proposed Transfer are accurate and complete.

1. **Draft Court and regulatory documents prepared by FUL for the Proposed Transfer, including:**
   - Scheme Document (dated August 2018)
   - FUL First Witness Statement (dated August 2018)
   - FRID First Witness Statement (dated August 2018)
   - Legal notice (dated June 2018)
   - Directions Order (dated June 2018)

2. **Draft proposed communication plan and communication prepared by FUL:**
   - Proposed communication plan (letter to PRA dated August 2018)
   - Template letters to policyholders, intermediaries, reinsurers and third parties (dated August 2018)
   - Policyholder circular (dated August 2018)

3. **Documents relating to provisions and reserving processes, including:**
   - FUL reserving spreadsheets as at 31 December 2017 (dated January 2018)
   - Internal reserving reports as at 31 December 2017 (dated February 2018)
   - WTW report: ‘FINAL EXHIBITS FOR REVIEW OF UNPAID CLAIMS LIABILITIES AS AT 31 DECEMBER 2017’ dated 01 March 2018
   - FUL and FRID reserving process documents (dated 2018)
   - FRID Head of Actuarial Function Report (dated January 2018)
   - FIHL Reserving Committee Terms of Reference (dated March 2018)
   - FIHL Reserving Framework (dated March 2018)
4. **Documents relating to capital and related processes, including:**

- Solvency and Financial Condition Report (SFCR) for FUL year ending 31 December 2017
- FUL 2017 Own Risk and Solvency Assessment (ORSA) report (dated November 2017)
- FRID ORSA (dated January 2018)
- FUL and FRID Capital Policies (dated May 2018)
- FUL and FRID Standard Formula calculations (dated May 2018)
- FUL and FRID Standard Formula appropriateness assessments (dated May 2018)

5. **Other evidence prepared by FUL to support the Proposed Transfer, including:**

- Draft projections of future balance sheets and capital requirements up to 31 December 2020 for FUL and FRID
- Internal paper on the impact of the Proposed Transfer on contact points and service standards (dated May 2018)
- Internal paper on the tax, investment and liquidity implications of the Proposed Transfer (dated June 2018)
- Internal paper on access to FSCS, FOS and ICF for transferring policyholders (date June 2018)
- Note on binder premium (dated June 2018)

6. **Data Accuracy Statement**
### Appendix 5 – Mapping to requirements

The table below shows the relevant section references in the Scheme Report where I have addressed each point in the guidance from Chapter 18 of the Supervision Manual of the FCA Handbook and the PRA’s “Statement of Policy - The PRA’s approach to insurance business transfers – April 2015” with regards to the scheme report.

The guidance references for "PRA x.x" are taken from the PRA statement of policy and “FCA x.x” are taken from Chapter 18 of the Supervision Manual.

<table>
<thead>
<tr>
<th>Guidance reference</th>
<th>Guidance</th>
<th>Scheme report reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRA 2.30 (1)</td>
<td>Who appointed the independent expert and who is bearing the costs of that appointment</td>
<td>2.3 (page 10)</td>
</tr>
<tr>
<td>FCA 18.2.33 (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRA 2.30 (2)</td>
<td>Confirmation that the independent expert has been approved or nominated by the appropriate regulator (the PRA)</td>
<td>2.3 (page 10)</td>
</tr>
<tr>
<td>FCA 18.2.33 (2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRA 2.30 (3)</td>
<td>A statement of the independent expert’s professional qualifications and (where appropriate) descriptions of the experience that makes them appropriate for the role</td>
<td>2.3 (page 10)</td>
</tr>
<tr>
<td>FCA 18.2.33 (3)</td>
<td></td>
<td>Appendix 3</td>
</tr>
<tr>
<td>PRA 2.30 (4)</td>
<td>Whether the independent expert, or his employer, has, or has had, direct or indirect interest in any of the parties which might be thought to influence his independence, and details of any such interest</td>
<td>2.3 (page 10)</td>
</tr>
<tr>
<td>FCA 18.2.33 (4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRA 2.30 (5)</td>
<td>The scope of the report</td>
<td>2.4 (page 10)</td>
</tr>
<tr>
<td>FCA 18.2.33 (5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRA 2.30 (6)</td>
<td>The purpose of the scheme</td>
<td>3.3 (page 17)</td>
</tr>
<tr>
<td>FCA 18.2.33 (6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRA 2.30 (7)</td>
<td>A summary of the terms of the scheme in so far as they are relevant to the report</td>
<td>3 (page 14)</td>
</tr>
<tr>
<td>FCA 18.2.33 (7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRA 2.30 (8)</td>
<td>What documents, reports and other material information the independent expert has considered in preparing the report and whether any information that they requested has not been provided</td>
<td>Appendix 4</td>
</tr>
<tr>
<td>FCA 18.2.33 (8)</td>
<td></td>
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<tr>
<td>Guidance reference</td>
<td>Guidance</td>
<td>Scheme report reference</td>
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</tr>
<tr>
<td>PRA 2.30 (9)</td>
<td>The extent to which the independent expert has relied on: (a) information provided by others; and (b) the judgement of others</td>
<td>2.6 (page 11)</td>
</tr>
<tr>
<td>FCA 18.2.33 (9)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRA 2.30 (10)</td>
<td>The people the independent expert has relied on and why, in their opinion, such reliance is reasonable.</td>
<td>2.6 (page 11)</td>
</tr>
<tr>
<td>FCA 18.2.33 (10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRA 2.30 (11)</td>
<td>Their opinion of the likely effects of the scheme on policyholders (this term is defined to include persons with certain rights and contingent rights under the policies), distinguishing between: (a) transferring policyholders; (b) policyholders of the transferor whose contracts will not be transferred; and (c) policyholders of the transferee</td>
<td>Executive summary (page 2) 10 (page 49)</td>
</tr>
<tr>
<td>FCA 18.2.33 (11)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRA 2.30 (12)</td>
<td>Their opinion on the likely effects of the scheme on any reinsurer of a transferor, any of whose contracts of reinsurance are to be transferred by the scheme.</td>
<td>Executive summary (page 2) 10 (page 49)</td>
</tr>
<tr>
<td>FCA 18.2.33 (11A)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRA 2.30 (13)</td>
<td>What matters (if any) that the independent expert has not taken into account or evaluated in the report that might, in their opinion, be relevant to policyholders' consideration of the scheme.</td>
<td>10 (page 49)</td>
</tr>
<tr>
<td>FCA 18.2.33 (12)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRA 2.30 (14)</td>
<td>For each opinion that the independent expert expresses in the report, an outline of their reasons</td>
<td>Reserving: 5.10 (page 28) Capital: 6.11 (page 36) Policyholder: 7.8 (page 42) Communication: 8.7 (page 45) Other: 9.7 (page 48)</td>
</tr>
<tr>
<td>FCA 18.2.33 (13)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRA 2.32 (1)</td>
<td>A description of any reinsurance arrangements that it is proposed should pass to the transferee under the scheme</td>
<td>3.2 (page 15)</td>
</tr>
<tr>
<td>FCA 18.2.35 (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRA 2.32 (2)</td>
<td>A description of any guarantees or additional reinsurance that will cover the transferred business or the business of the transferor that will not be transferred</td>
<td>3.2 (page 15)</td>
</tr>
<tr>
<td>FCA 18.2.35 (2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRA 2.33 (1)</td>
<td>Include a comparison of the likely effects if it is or is not implemented</td>
<td>3.4 (page 17)</td>
</tr>
<tr>
<td>FCA 18.2.36 (1)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Guidance references and Scheme report references

<table>
<thead>
<tr>
<th>Guidance reference</th>
<th>Guidance</th>
<th>Scheme report reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRA 2.33 (2)</td>
<td>State whether they considered alternative arrangements and, if so, what</td>
<td>3.4 (page 17)</td>
</tr>
<tr>
<td>FCA 18.2.36 (2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRA 2.33 (3)</td>
<td>Where different groups of policyholders are likely to be affected differently by the scheme, include comment on those differences they consider may be material to the policyholders</td>
<td>Executive summary (page 2)</td>
</tr>
<tr>
<td>FCA 18.2.36 (3)</td>
<td></td>
<td>7.4 (page 39)</td>
</tr>
<tr>
<td>PRA 2.33 (4)</td>
<td>Include their views on:</td>
<td>(a)</td>
</tr>
<tr>
<td>FCA 18.2.36 (4)</td>
<td>(a) the effect of the scheme on the security of policyholders’ contractual rights, including the likelihood and potential effects of the insolvency of the insurer;</td>
<td>Executive summary (page 2)</td>
</tr>
<tr>
<td></td>
<td>(b) the likely effects of the scheme on matters such as investment management, new business strategy, administration, claims handling, expense levels and valuation bases in relation to how they may affect:</td>
<td>7.4 (page 39)</td>
</tr>
<tr>
<td></td>
<td>(i) the security of policyholders’ contractual rights;</td>
<td>(b) and (c)</td>
</tr>
<tr>
<td></td>
<td>(ii) levels of service provided to policyholders; or</td>
<td>9 (page 46)</td>
</tr>
<tr>
<td></td>
<td>(iii) for long-term insurance business, the reasonable expectations of policyholders; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(c) the cost and tax effects of the scheme, in relation to how they may affect the security of policyholders’ contractual rights, or for long-term insurance business, their reasonable expectations</td>
<td></td>
</tr>
</tbody>
</table>

The Proposed Transfer does not involve any mutual companies or long-term insurance business. As such, PRA 2.35 and PRA 2.36 (FCA 18.2.38 and FCA 18.2.39) do not apply.
At LCP, our experts provide clear, concise advice focused on your needs. We use innovative technology to give you real time insight & control. Our experts work in pensions, investment, insurance, energy and employee benefits.