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Summary of the Independent Expert's Report on the Proposed Transfer of a Portfolio of Policies from Ageas Insurance Limited to RiverStone Insurance (UK) Limited

About the independent expert

My name is Simon Sheaf and I am a Partner and Head of General Insurance Actuarial and Risk at Grant Thornton UK LLP. I am a Fellow of the Institute and Faculty of Actuaries and a Fellow of the Society of Actuaries in Ireland. I have more than 25 years of experience working within the general insurance industry. I have previously been a member of both the Council and the Management Board of the Institute and Faculty of Actuaries.

About this document

This document is a summary of my Independent Expert's report ("my Report") that has been prepared following my nomination by Ageas Insurance Limited ("AIL") and RiverStone Insurance (UK) Limited ("RIUK") to be the Independent Expert reporting on the proposed insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 to transfer a portfolio of policies from AIL to RIUK ("the Scheme"). My appointment has been approved by the Prudential Regulation Authority ("PRA") having consulted with the Financial Conduct Authority ("FCA").

This summary sets out the key findings, methodology, assumptions and analysis from my Report. This summary is subject to the same limitations on its use as those set out in my Report. This summary of my Report must be considered in conjunction with my Report and reliance must not be placed solely on this summary. In the event of real or perceived conflict between this summary and my Report, my Report shall prevail.

I have used a number of terms and abbreviations within this summary that are defined in my Report.

How to obtain copies of my Report

Copies of my Report can be obtained at ageastoriuk.co.uk or alternatively by contacting AIL or RIUK as follows:

- Ageas Insurance Limited:
 - **Phone:** 0800 597 8118 (or, if resident outside the UK, on +44 (0)2380 350264)
 - **Email:** AILtoRIUK@ageas.co.uk
 - **Address:** FAO: Head of External Affairs, Ageas Insurance Limited, Ageas House, Hampshire Corporate Park, Templars Way, Eastleigh, Hampshire, SO53 3YA, United Kingdom
- RiverStone Insurance (UK) Limited:
 - **Phone:** 01273 792007 (or, if resident outside the UK, on +44 (0)1273 792007)
 - **Email:** ailtoriuk@rsml.co.uk
 - **Address:** FAO: Head of Corporate Legal, RiverStone Insurance (UK) Limited, Park Gate, 161-163 Preston Road, Brighton BN1 6AU, United Kingdom

Introduction

The proposed Scheme relates to the transfer from AIL to RIUK of two portfolios of insurance policies:

- Business written by or on behalf of AIL (or its predecessors) or transferred to or assumed by AIL (or its predecessors) prior to 20 December 2018, which had an inception date prior to 31 December 1992.
- Business underwritten by Northern Star Insurance Company Limited (“Northern Star”) or its predecessor entities which was transferred to AIL in 2000.

The majority of the claims remaining in the Transferring Portfolio relate to policyholders and claimants located in the UK and the US. There are also some policyholders from other EEA states and other countries outside of the US and EEA within the Transferring Portfolio. The claims are primarily in respect of asbestos, pollution and health (“APH”) losses on US direct liability policies, APH claims on US cedants and London Market assumed reinsurance excess of loss and facultative policies, and non-APH losses on London Market assumed reinsurance excess of loss policies.

As part of the agreement to transfer these portfolios to RIUK, AIL entered into a reinsurance agreement (the “RTD”) with RIUK. This agreement provides 100% reinsurance to AIL in respect of the Transferring Portfolio.

Purpose of the Scheme

The purpose of the Scheme is to transfer the legal obligations relating to the Transferring Portfolio from AIL to RIUK.

The purpose of the RTD and the resulting Scheme from AIL’s perspective is to dispose of a non-core legacy portfolio.

The Scheme aligns with RIUK’s strategy of acquiring legacy portfolios and it intends to fulfil its contractual obligations in an orderly run-off.

Who will be affected by the Scheme?

The policyholders affected by the Scheme include not only the policyholders within the Transferring Portfolio but also the existing policyholders of RIUK and the policyholders remaining within AIL at the Effective Date of the Scheme.

I am not required to consider the impact of the Scheme on any policyholders that subsequently effect policies with either AIL or RIUK.

My role

An Independent Expert’s Report is required under Section 109 of the Financial Services and Markets Act 2000 in order that the Court may properly assess the impact of the proposed Scheme. My Report describes the proposed transfer of business under the Scheme and considers the potential impact on all affected policyholders, including the security of their policies and the levels of service that policyholders can expect to receive once the Scheme becomes effective.

Overview of my analysis

In considering the impact of the Scheme on policyholders, I have considered both the impact of the Scheme on the financial resources available to support policyholders and also a number of non-financial impacts regarding how the policyholders’ experience may change as a result of the Scheme.

My approach to considering the effect of the Scheme on non-financial service levels experienced by policyholders has been to determine if a change in service arrangements would occur if the Scheme were to proceed, and to compare any changes with the arrangements that would be in place were the Scheme not to proceed.

Will the Scheme impact the security of the policyholders?

Transferring policyholders

As a result of the Scheme, the transferring policyholders would transfer from a well-established company writing new business to an insurer which specialises in the management of legacy portfolios.

As described in my Report, I am of the opinion that RIUK is sufficiently capitalised in order to meet policyholder obligations over the course of the run-off of the Transferring Portfolio and the existing liabilities of RIUK.

The transferring policyholders would benefit from the same legal protections in the event of RIUK being wound-up post-Scheme compared to the event of AIL being wound-up pre-Scheme.

The rights of the transferring policyholders in respect of the Financial Services Compensation Scheme ("FSCS") will not change as a result of the Scheme.

As a result, my opinion is that I do not expect the transferring policyholders to be materially disadvantaged in relation to security, including under insolvency, as a result of the Scheme.

Policyholders remaining in AIL

I do not consider there to be any material adverse impact on security of policyholders remaining in AIL as a result of the Scheme (including under insolvency) as the Transferring Portfolio is immaterial in the context of AIL's overall business. These policyholders are remaining in a company that I consider to have a sufficient level of capital in order to meet policyholder obligations.

Therefore, my opinion is that the policyholders remaining in AIL will not be materially disadvantaged in terms of security, including under insolvency, as a result of the Scheme.

Existing policyholders of RIUK

I do not consider there to be any material adverse impact on policyholder security of the existing policyholders (including under insolvency) as a result of the Scheme as the Transferring Portfolio is immaterial in the context of RIUK's overall business. Furthermore, I believe that RIUK has a sufficient level of capital in order to meet policyholder obligations following the Scheme.

Therefore, my opinion is that the existing policyholders of RIUK will not be materially disadvantaged in terms of security, including under insolvency, as a result of the Scheme.

What are the other financial impacts of the Scheme?

In addition, I have considered the impact of the Scheme on each of investment strategy; liquidity; ongoing expenses; pension arrangements; tax; the impact of guarantees; new business strategy; and other transfers. I do not identify any changes in any of these areas as a result of the Scheme that would cause any material adverse impact to any of the three groups of policyholders.

What is the non-financial impact of the Scheme?

Service levels

I have considered the impact of the Scheme on the level of service, specifically claims handling and policy servicing, experienced by the three groups of policyholders. I do not identify any changes in any of these areas as a result of the Scheme that would cause any material adverse impact to any of the three groups of policyholders.

Other non-financial factors

In my Report, I have also considered the impact of any changes as a result of the Scheme to each of: the regulatory regime; complaints and policy administration; the impact of Brexit; and management and governance arrangements. I do not identify any changes as a result of the Scheme in any of these areas that will cause any material adverse impact on any of the three groups of policyholders.

Will the Scheme impact reinsurers and co-insurers?

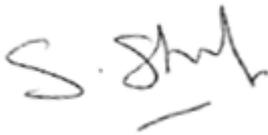
The Transferring Portfolio benefits from reinsurance protections. The reinsurance provided by RIUK to AIL in respect of the Transferring Portfolio under the RTD will cease to exist following the Scheme as the liabilities would legally transfer to RIUK. However, the other reinsurance protections covering the Transferring Portfolio will transfer as part of the Scheme.

The coverage provided to the Transferring Portfolio by reinsurers, other than RIUK, will not change as a result of the Scheme. Consequently, I do not expect that these reinsurers will be materially disadvantaged by the Scheme.

There will be no changes to the exposure of the co-insurers of the Transferring Portfolio as a result of the Scheme. They are only liable for their share of the claims, both before and after the Scheme. Their liabilities do not change as a result of the Scheme. Consequently, I do not expect that these co-insurers will be materially disadvantaged by the Scheme.

Overall conclusion

I have considered the Scheme and its likely effect on transferring policyholders, policyholders remaining within AIL, policyholders currently within RIUK, co-insurers of the Transferring Portfolio and reinsurers of the Transferring Portfolio. I do not expect any of these three groups of policyholders, the co-insurers or any of the reinsurers to be materially adversely affected by the Scheme and therefore I see no reason why the Scheme should not proceed.



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