

EXPLANATORY BOOKLET

Relating to the proposed insurance business transfer scheme by:

RiverStone Insurance Limited

to

RiverStone Insurance (UK) Limited

under Part VII of the Financial Services and Markets Act 2000

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1. INTRODUCTION

This booklet has been prepared to provide you with an overview of the proposed transfer. **Please take the time to read it.**

The proposed Transfer

RiverStone Insurance Limited (***RIL*** or the ***Transferor***) intends to transfer the entirety of its insurance and reinsurance business, which is currently in run-off, to RiverStone Insurance (UK) Limited (***RIUK*** or the ***Transferee***) under Part VII of the Financial Services and Markets Act 2000 (***FSMA***) (the ***Transfer***). The business included in the Transfer has been written by RiverStone Insurance Limited (or Brit Insurance Limited as it was previously known until 15 October 2012). Both the Transferor and Transferee are members of the RiverStone Europe group of companies (the ***RiverStone Group*** or the ***Transferor Group***).

The Transfer will enable the RiverStone Group to simplify and consolidate its legal structure in line with the existing operational, administrative and functional arrangements within the group. By combining the run-off liabilities of the Transferor with those of the Transferee in a single corporate entity (instead of being operated through separate companies within the RiverStone Group), the RiverStone Group will be able to reduce costs and achieve greater capital efficiency. The Transferee is also the RiverStone Group's transferee entity for other insurance business transfer schemes which have recently taken place (or are due to take place).

The Transfer will have no impact on the terms and conditions of your policy except that the policy provider will change to RIUK. If the Transfer becomes effective, RiverStone Management Limited (***RSML***) will continue to manage the day-to-day business of both the Transferor and Transferee following the Transfer. If your policy is currently serviced by a broker or intermediary, it will continue to be serviced by them, so the level of service that you currently receive will not be affected in any way as a result of the proposed Transfer.

In addition to, and independently of this Transfer, as announced on 28 April 2017, RIUK and AXA Insurance UK plc (***AXA***) have entered into a separate agreement to transfer a portfolio of employers' liability and public liability policies (together with their associated reinsurance protections) that were underwritten prior to 2002 from AXA to RIUK (the ***AXA Transfer***). The AXA Transfer will involve a separate insurance transfer arrangement under Part VII of FSMA, which also will be considered, and reported on, by the Prudential Regulation Authority (***PRA***) and the Financial Conduct Authority (***FCA***), and will be subject to the sanction of the High Court of Justice in England and Wales (***the Court***). You are not required to take any action in respect of the AXA Transfer.

What should you do now?

It is important that you understand the background to the proposed Transfer and you are encouraged to read the whole of this booklet. Also enclosed is a summary of a report prepared by an independent expert, Mr Philip Tippin of KPMG LLP (the ***Independent Expert***), who has been appointed under section 109 of FSMA to report on the

effect of the proposed Transfer on policyholders and other key stakeholders. Mr Tippin's appointment has been approved by the PRA in consultation with the FCA.

To help you to consider how the Transfer will affect you, further details are included within this booklet, including a summary of the terms of the legal document that will give effect to the Transfer (the *Scheme Document*) and some frequently asked questions.

If you believe that you would be adversely affected by the proposed Transfer, you have the right to make written representations and/or to appear at the Court hearing where the application to sanction the Transfer will be heard. If you intend to make written representations and/or appear at the Court hearing, either in person or by legal representation, you are requested to provide the written representations or notice of your intention to appear at Court with details of your concerns as soon as possible and ideally at least five days before the Court hearing. This should be sent to the RiverStone Group's solicitors, Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London, EC4Y 1HS (Ref 166187:0001/GHFS/LEH) or to RIL using the contact details provided below.

If you are happy with the proposed Transfer, you do not need to do anything. If the Transfer is sanctioned by the Court, all policies covered by the Transfer will automatically transfer to RIUK.

The Court hearing is currently scheduled to take place on 7 September 2018 and if sanctioned the Transfer will take effect on 28 September 2018.

Copies of all documents relating to the Transfer, including the full terms of the Scheme Document and the full report of the Independent Expert, are available to download free of charge from www.riltoriuk.co.uk or by contacting RIL at the contact details provided below.

It is possible that there may be other parties with an interest under your policy or policies with the Transferor or Transferee entities (for example, joint holders, assignees, subsidiaries or affiliates). If you believe that any other party may be affected by the Transfer in relation to any of your policies, please forward a copy of this booklet on to them as soon as possible. Similarly, if you have assigned your policy to someone else, then please forward a copy of this booklet on to them.

If you have any further questions relating to the Transfer, please contact RIL:

- on its helpline on 01273 792007 (or, if resident outside the UK, on +44 1273 792007),
- by email to riltoriuk@rsml.co.uk, or
- in writing to F.A.O. Fraser Henry, RiverStone Insurance Limited, Park Gate, 161-163 Preston Road, Brighton, East Sussex, BN1 6AU, United Kingdom.

The helpline will be open between the hours of 9.30 a.m. and 5.30 p.m. from Monday to Friday UK time (excluding Bank Holidays). When calling the helpline number outside of these hours, please leave a short message stating the nature of your query and your contact

details and RIL will endeavour to return your call within 48 hours (excluding Saturdays, Sundays and Bank Holidays).

All future updates relating to the Transfer, including any changes to the Court hearing date and a copy of any supplementary report prepared by the Independent Expert, will be posted onto the website at www.riltoriuk.co.uk. Please check the website regularly for any updates.

2. YOUR QUESTIONS ANSWERED

(i) More about the companies and the business to be transferred

Who is the RiverStone Group?

The RiverStone Group is part of the insurance and reinsurance operations of Fairfax Financial Holdings Limited, a company domiciled in Canada and listed on the Toronto Stock Exchange. The RiverStone Group provides a wide range of finality solutions for legacy and run-off insurance and reinsurance business through its Lloyd's managing agency and (re)insurance company platforms. The RiverStone Group includes other insurance and reinsurance business written by other members of the RiverStone Group that is administered in the United Kingdom.

Who is RIL?

The Transferor, or RIL, is incorporated in the United Kingdom and is part of the RiverStone Group and is regulated in the UK by the PRA and FCA. RIL was previously known as Brit Insurance Limited (*Brit*), but it changed its name to RIL on 15 October 2012, so your policy may have been a Brit policy originally. RIL is an indirect, wholly-owned subsidiary of Fairfax Financial Holdings Limited.

What business was written by RIL?

RIL commenced underwriting, predominantly reinsurance risks, in 1994 (as Benfield Reinsurance Company Limited until 1999, and then as Brit until 2012). RIL's business is split between: (i) retail business classes sold to retail customers in the UK and Ireland; and (ii) a much smaller amount of international business. RIL's retail business predominantly consists of conventional classes of general insurance business sold to customers (including small trades) in the UK and Ireland via brokers, either directly or on a delegated underwriting authority basis through business placed with brokers directly by the customer and via sub-brokers. RIL did not itself sell retail products directly to customers. RIL's international business consists predominantly of the reinsurance of other insurers or reinsurers, which was transacted via brokers, either directly or on a binding authority basis.

RIL ceased writing the majority of new business by June 2012 and its business is now in run-off.

Who is RIUK?

The Transferee, RIUK, is a UK-incorporated member of the RiverStone Group. RIUK is an indirect, wholly-owned subsidiary of Fairfax Financial Holdings Limited. It is regulated in the UK by the PRA and FCA. It was incorporated in 1974 and commenced underwriting non-life insurance and reinsurance business.

RIUK is currently in run-off, having written and assumed a diverse portfolio including short and long tail liabilities. The majority of its remaining business is in respect of long tail casualty business which includes U.S. workers compensation, European motor liability, medical malpractice, asbestos, pollution and health hazard losses, marine, aviation and

non-marine property business. RIUK's business was largely written on a wholesale basis, primarily through London Market brokers and is comprised mainly of reinsurance.

(ii) **The Transfer**

What is a Part VII transfer?

"Part VII transfer" is the name sometimes given to a transfer of insurance business under Part VII of FSMA. It is a statutory scheme whereby the liabilities of one insurer (or a number of insurers) and corresponding assets are transferred to another entity. The process that must be followed is stringent to ensure that policyholders are protected. To be effective the Transfer is required to be sanctioned by the Court. In considering a Part VII transfer scheme, the Court will take into account the views of the PRA, the FCA and the Independent Expert, whose appointment must be approved by the PRA in consultation with the FCA, and any objections made by affected parties such as policyholders and reinsurers.

Why is the RiverStone Group doing the Transfer?

The Transfer will enable the RiverStone Group to simplify and consolidate its legal structure in line with the existing operational, administrative and functional arrangements. By combining the run-off liabilities of the Transferor with those of the Transferee in a single corporate entity (instead of being operated through separate companies within the RiverStone Group), the RiverStone Group will be able to reduce costs and achieve greater capital efficiency. The Transferee is also the group's transferee entity for other transfer schemes which have taken place (or are due to take place).

Who is paying for the Transfer?

The cost of the Transfer will be borne by RIL and RIUK. No costs to accomplish the Transfer will be passed on to policyholders.

What is the Scheme Document?

This is the legal document which governs the transfer of RIL's business to RIUK and sets out the precise terms of the Transfer. The Scheme Document is subject to Court approval. We have included a summary of the Scheme Document within this booklet in section 3 but you can download a full copy of it from www.riltoriuk.co.uk, free of charge. If you would like a paper copy posted to you, then please contact RIL at the contact details provided on page 14.

When will the proposed Transfer happen?

If the proposals are sanctioned by the Court, then we expect that the Transfer will take effect at 23:59 on 28 September 2018 (the **Effective Date**).

(iii) **Effects of the Transfer**

What will be the effect of the Transfer?

A summary of the key terms of the Scheme Document is set out in section 3 to this booklet. In broad terms, the effect of the Scheme will be that the Transferor's rights and obligations

under its respective policies subject to the Transfer will be transferred, without alteration, to RIUK. Any rights or obligations that you have under such policies will remain unchanged, but following the Transfer will instead be exercisable against or owed to RIUK.

The Transfer will include all corresponding assets matching the insurance and reinsurance policies to be transferred, including outwards reinsurance assets.

What changes will we notice?

The Transfer will not affect how policies or claims are dealt with in any way or change any terms and conditions of your policies. There will be no need to re-issue any policy documentation. There will be no changes to the way in which your policy is administered and you should continue to contact RSML or your current broker or other intermediary for any policy or claim related queries in the usual way. This applies equally to policyholders and cedants of both the Transferor and Transferee entities.

In addition, in relation to employers' liability policies written by RIL, individual claimant's rights under the Third Parties Rights Against Insurers Act 2010 and under the Third Party Rights Against Insurers Act 1930 (as applicable) are not affected by the Transfer.

What will happen to claims?

Claims will be processed and paid in the usual way up until the Effective Date of the Transfer. After the Effective Date, claims will continue to be processed in the usual way but will be paid by RIUK in place of RIL. There will be no change in the way that claims are processed.

How will the Transfer affect the security of my policy?

The legal and regulatory framework relating to an insurance business transfer proposal seeks to ensure that policyholders' interests are safeguarded and the security and benefit to all groups of policyholders of the Transferor and the Transferee will not be adversely affected. This includes detailed consultation with the PRA and FCA and an independent assessment by the Independent Expert of how the Transfer will impact different groups of policyholders with differing rights, benefits and interests. The appointment of the Independent Expert has been approved by the PRA in consultation with the FCA.

A summary of the Independent Expert's report is enclosed; his overall conclusion is as follows: *"I have considered the Transfer and its likely effect on each of the policyholder groups. I have concluded that the risk of any policyholder being adversely affected by the proposed Transfer is sufficiently remote for it to be appropriate to proceed with the proposed Transfer as described in my report."*

Will employers' liability policies of RIL continue to be traceable through ELTO?

Key policy details relating to all known employers' liability policies written by RIL are included on the database held by the Employers Liability Tracing Office (*ELTO*), through which RIL's insurance coverage currently can be traced. Following the Transfer, RIUK will be traceable in the same way through this database and will be named as the relevant

insurer instead of RIL. After the Transfer, RSML, or the relevant Third Party Administrator, will continue to handle any future claims.

I am not based in the UK – how does the Transfer affect me?

If the Court sanctions the Transfer, its decision will bind all policyholders as a matter of English law and will be recognised in all other European Economic Area (*EEA*) jurisdictions (subject to the PRA notifying the regulator in other relevant EEA states and certain rights of the relevant EEA regulators to refuse to consent to the Transfer).

How will the Transfer affect reinsurers and retrocessionaires?

Notification of claims will continue to be made in the same way as before the Transfer. There will be no change to the claims agreement process or the calculation, cession and collection of reinsurance recoveries. Set-off rights that exist prior to the Transfer will be preserved. No action is required by you.

(iv) The Independent Expert

Who is the Independent Expert?

The Independent Expert is Mr Philip Tippin of KPMG LLP. He is a partner in the non-life actuarial practice of KPMG LLP (*KPMG*). He has been a Fellow of the Institute and Faculty of Actuaries for 19 years.

Philip Tippin has been an actuarial services partner since 2004. He joined KPMG in 2001 and has led its general insurance actuarial business for much of his time with the firm. He has worked on a number of previous Part VII transactions over this period. Philip qualified as a Fellow of the Institute of Actuaries in 1998 with Watson Wyatt, having specialised in general insurance actuarial work since the start of his career.

Prior to joining KPMG Philip also worked as a consultant with Deloitte, and spent several years as a syndicate actuary in the Lloyd's Market with Venton (latterly Alleghany) Underwriting.

What does the Independent Expert do?

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

His primary role is to consider the Transfer and to report his opinion to the Court. His report must be impartial, based on a thorough review of the proposals and the businesses of the Transferor and Transferee and in a form that is approved by the PRA and FCA. All relevant

companies have provided Mr Tippin with access to key staff and any information he has requested.

Who pays the Independent Expert?

The Independent Expert is paid by RIL and RIUK; however he has an overriding duty to the Court, to assist the Court and to give the Court independent expert evidence on the Transfer.

What does it mean that he is independent?

In accordance with FSMA, Mr Tippin's overriding duty of responsibility is to the Court and not to the companies involved in the proposed Transfer. His report must be impartial. His appointment has been approved by the PRA in consultation with the FCA, who were provided with evidence to demonstrate his independence from the parties to the Transfer.

We have enclosed a summary of his report, but you can download a full copy of his report from www.riltoriuk.co.uk. The Independent Expert may also prepare a supplement to his report prior to the Court hearing in relation to any matters which may have changed or have been updated since his first report. Any supplementary report will be made available in advance of the Court hearing from the website: www.riltoriuk.co.uk in advance of the hearing to sanction the Transfer. If you would like a paper copy of any of the reports posted to you then please contact RIL at the contact details provided on page 14.

(v) **More about the Transfer process**

Why are you writing to me?

In order for the Transfer to take place, a rigorous legal and regulatory approval process must be followed. Policyholder protection is paramount and, as part of the legal process, notification to policyholders, claimants and other key stakeholders is required. The manner in which the formal notifications of the Transfer are being issued has been discussed with the PRA and FCA, and sanctioned by the Court.

Have the FCA and PRA reviewed the Scheme Document?

Under FSMA, the ultimate decision as to whether to sanction a Part VII transfer lies with the Court. The PRA, in consultation with the FCA, will be responsible for specific regulatory functions connected with Part VII transfer applications including approval of the appointment of the Independent Expert and the form of his report, approval of the press notices and notification letters sent to policyholders and other affected parties and the provision of relevant regulatory certificates as required by legislation.

Both the PRA and the FCA have the right to make written and oral representations to the Court, including providing the Court with reports setting out their views on the proposed Transfer, which the Court will take into account in deciding whether the Transfer is fair and whether policyholders' interests are safeguarded.

Have the regulators in other countries been consulted?

Yes. In accordance with FSMA, relevant regulators in the EEA will be consulted.

Can I vote on the Transfer?

There are no voting procedures in relation to a Part VII transfer and you are not required to take any action in relation to the Transfer. If the Transfer is sanctioned by the Court, all affected policies will automatically transfer to RIUK. However, you do have a right to object or raise any concerns in relation to the Transfer proposals and for your objection to be heard by the Court. Please refer to the next question for details on what to do if you wish to object.

What if I have an objection to the Transfer?

We hope this booklet provides you with sufficient information to allow you to understand what is being proposed, and answer any questions that you may have. However, if you believe that you will be adversely affected by the Transfer or wish to raise any concerns, you have the right to make written representation and/or appear at the Court hearing to sanction the Transfer.

The Court hearing is scheduled to take place on 7 September 2018 at the Rolls Buildings, Royal Courts of Justice, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL, UK. If you wish to make representations at the Court hearing but are not able to attend the hearing, you may do so either by calling or writing to RIL at the contact details provided on page 14 or through legal representation. Alternatively, you may write to the solicitors of the RiverStone Group at the address details given below.

Any person who intends to appear at the Court, or to make representations in writing, is requested to notify the RiverStone Group's solicitors as soon as possible and ideally at least five days before the Court hearing to Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London, EC4Y 1HS (Red: 166187.0001/GHFS) or to RIL at the address provided on page 14.

If you raise an objection about the proposed Transfer, we will respond in writing within five working days, either to respond to your objection, or to acknowledge receipt of your objection. If we are simply acknowledging receipt of your objection, we will tell you in our response when we will respond in full.

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

Where and when will the Court hearing take place?

The Court hearing is scheduled to take place on 7 September 2018 at the Rolls Buildings, Royal Courts of Justice, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL, UK. It is possible that the hearing date may change. Anyone wishing to attend the hearing should check our website at www.riltoriuk.co.uk which will be updated should the hearing date change.

Who can attend?

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

The Court hearing is open for members of the public to attend. If you have an objection to the Transfer because you believe you will be adversely affected by it, then you can attend (in person or by a legal representative), and make your objection at the Court hearing.

If you do intend to appear or to be represented at the Court hearing, you are requested to notify the RiverStone Group's solicitors as soon as possible and ideally at least five days before the Court hearing to Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London, EC4Y 1HS or to RIL at the address provided on page 14.

What will happen at the Court hearing?

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

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

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

(vi) Further information and action required

Do I need to do anything?

If you believe that you will be adversely affected by the Transfer or wish to raise concerns in relation to the Transfer, you have the right to object. Please see the response to "What if I have an objection to the Transfer?" on page 11 for details of the steps you should take if you wish to object.

However, if you are happy with the proposed Transfer, you do not need to do anything. You are not required to take any action in relation to the Transfer. If the Transfer is sanctioned by the Court, all rights, liabilities and obligations under all of the affected policies will automatically transfer to RIUK along with any claims relating to those policies. There will be no need to reissue any policy documentation and all contact details will remain the same.

It is possible that there may be other parties with an interest under your policy or policies with the Transferor or Transferee entities (for example, joint holders, assignees, subsidiaries or affiliates). If you believe that any other party may be affected by the Transfer in relation to any of your policies, please forward a copy of this booklet on to

them as soon as possible. Similarly, if you have assigned your policy to someone else, then please forward a copy of this booklet on to them.

Where can I find out more information?

We have included information within this booklet to help you to understand the proposed Transfer. Further information about the Transfer, including the full terms of the Scheme Document and the full report of the Independent Expert, is available free of charge at www.riltoriuk.co.uk.

The Independent Expert has also prepared a separate report to address the AXA Transfer (described in the Introduction on page 3), which is available free of charge at www.axa.co.uk/help-and-advice/business/insurance-transfer/.

If you have any other queries relating to the Transfer or would like hard copies of the Transfer documents to be sent to you, please contact RIL by:

- telephone helpline on 01273 792007 (or, if resident outside the UK, on +44(0) 1273 792007);
- email to riltoriuk@rsml.co.uk; or
- writing to F.A.O. Fraser Henry, RiverStone Insurance Limited, Park Gate, 161-163 Preston Road, Brighton, East Sussex, BN1 6AU, United Kingdom.

The helpline will be open between the hours of 9.30 a.m. and 5.30 p.m. from Monday to Friday UK time. When calling the Transfer helpline number outside of these hours, please leave a short message stating the nature of your query and your contact details and RIL will endeavour to return your call within 48 hours (excluding Saturdays, Sundays and Bank Holidays). If you contact us by email or in writing, we will respond to you within five working days, either to respond to your query, or to acknowledge receipt of your query. If we are simply acknowledging receipt of your query, we will tell you in our letter when we will respond in full.

Any other general queries relating to your policy or claims should continue to be made using the contact details set out in your policy documents.

All future updates relating to the Transfer will be posted onto the website at www.riltoriuk.co.uk, including any changes to the date of the Court hearing and a copy of any supplementary report prepared by the Independent Expert. Please check the website regularly for any updates.

How will I know if the Transfer has been sanctioned?

We will announce the outcome of the Court application on the website at www.riltoriuk.co.uk. If the Transfer is sanctioned, it is expected to become legally effective on 28 September 2018 and all future communications relating to the business that has been transferred will be made by RIUK. If the Transfer is not sanctioned, there will be no change to the legal entity with whom your policy is placed.

3. SUMMARY OF THE SCHEME DOCUMENT

A. INTRODUCTION

This section summarises the key legal terms of the proposed Transfer, as set out in the Scheme Document. Defined terms used in this section shall have the meanings given in the Scheme Document. A copy of the full Scheme Document is available on our website: www.riltoriuk.co.uk or upon request:

- by phone on 01273 792007 (or, if resident outside the UK, on +44(0) 1273 792007);
- by e-mail to riltoriuk@rsml.co.uk; or
- in writing to F.A.O. Fraser Henry, RiverStone Insurance Limited, Park Gate, 161-163 Preston Road, Brighton, East Sussex, BN1 6AU, United Kingdom.

This summary statement and the Scheme Document contain important information. If you are in any doubt as to the meaning or import of the contents of this summary or the Scheme Document, you are recommended to seek your own advice from your solicitor or other professional adviser.

B. KEY TERMS OF THE SCHEME DOCUMENT

1. Effective Date

- 1.1 The Transfer is conditional upon the Court granting an order pursuant to FSMA sanctioning the Transfer. If this order is granted, the Transfer will become effective from 28 September 2018 (the *Effective Date*).
- 1.2 Paragraphs 2 to 11 below describe the effect of the Scheme Document if it is sanctioned by the Court.

2. Transfer of the Transferring Business

- 2.1 On and with effect from the Effective Date, the Transferor will transfer all of the Transferring Business to the Transferee. The Transferring Business comprises the Transferring Policies, Transferring Assets, Transferring Contracts and Transferring Liabilities.
- 2.2 At the Effective Date:
 - (a) each Transferring Policy and Transferring Asset and, in each case, all the interest and title of the Transferor in it shall without any further act or instrument, be transferred to and be vested in the Transferee;
 - (b) each Transferring Liability shall, without any further act or instrument, be transferred to and become a liability of the Transferee and shall cease to be a liability of the Transferor; and

- (c) any existing indemnity, power of attorney, authority, declaration or consent given to or by the Transferor relating to any part of the Transferring Business (including the Transferring Policies) shall have effect from the Effective Date as if given to, or as the case may be, by the Transferee.

3. Rights and obligations under Transferring Policies

- 3.1 Policyholders with Transferring Policies will continue to have the same rights, benefits and obligations and be subject to the same terms and conditions in relation to those policies save that the Transferee will be substituted as the insurer in place of the Transferor. There will be no other changes to the terms and conditions of the Transferring Policies.
- 3.2 All rights, benefits and obligations or liabilities of the Transferor in respect of the Transferring Business under reinsurance or retrocession contracts will be transferred to the Transferee and the Transferee shall be substituted as a party to such contracts in place of the Transferor. Any reinsurers or retrocessionaires of the Transferring Business will have no greater or lesser liability to the Transferee as they would have had to the Transferor in respect of the Transferring Business.
- 3.3 The Transferee will have all the rights, benefits, powers and obligations of the Transferor in respect of the Transferring Business and holders of the Transferring Policies will have rights against the Transferee instead of against the Transferor.
- 3.4 All references in any Transferring Policy or Transferring Contract to the Transferor, a Transferor Board or any other officers, employees or agents of the Transferor shall, with effect on and from the Effective Date, be read as references to the Transferee, the Transferee Board or any other officers, employees or agents of the Transferee respectively.

4. Continuity of Proceedings

- 4.1 Any pending or current Proceedings issued, served or commenced or continued before the Effective Date by or against the Transferor in respect of the Transferring Business will be continued by or against the Transferee in place of the Transferor in respect of the Transferring Business. The Transferee will be entitled to any and all defences, claims, counterclaims and rights of set-off that the Transferor would have had in respect of the Transferring Business.
- 4.2 Any judgment, order or award which is not fully satisfied before the Effective Date will become enforceable by or against the Transferee in the place of the Transferor, in respect of the Transferring Business.
- 4.3 On and with effect from the Effective Date, or in the case of any Residual Asset or Residual Liability the relevant Subsequent Transfer Date, any proceedings by or against the Transferor in respect of the Transferring Business will be continued or commenced against the Transferee. The Transferor shall have no liability under such proceedings and for the avoidance of doubt the Transferee may determine, in

its absolute discretion, after the Effective Date to discontinue any such proceedings brought by a Transferor in respect of the Transferring Business.

- 4.4 At and with effect from the Effective Date, all references to the Transferor in any Periodical Payment Orders relating to the Transferring Business shall be read and construed as if the same were references to the Transferee so that such references shall take effect as if the Transferee were the original party to the Periodical Payment Orders in place of the Transferor and any liabilities of the Transferor in respect of any such Periodical Payment Orders shall be the liabilities of the Transferee.

5. Residual Assets and Residual Liabilities

- 5.1 It is possible that some of the policies that would otherwise be included as Transferring Policies will not transfer on the Effective Date, for example:

- (a) where legal steps are required to be taken in other jurisdictions;
- (b) if the Court determines not to transfer such policies on the Effective Date; or
- (c) if the Transferor and the Transferee agree before the Effective Date that such policies should not transfer at that time.

- 5.2 Any Transferring Assets or Transferring Liabilities which cannot be transferred or which it is not appropriate to transfer at the Effective Date (***Residual Assets*** and ***Residual Liabilities***, respectively) will be transferred (if appropriate) once the relevant restriction to the transfer has been removed (the date of each such transfer, a ***Subsequent Transfer Date***).

- 5.3 The Transferor will hold any Residual Assets on trust for the Transferee, with effect from the Effective Date.

- 5.4 RiverStone Management Limited (***RSML***) will continue to administer any Residual Assets and/or Residual Liabilities on behalf of the Transferor, and the Transferee shall have full authority to conduct any such proceedings or, where appropriate, direct the Transferor as to the conduct of the proceedings.

6. Retained Policies

- 6.1 The Scheme Document is intended to transfer all of the Transferring Policies from the Transferor to the Transferee. However, the Scheme Document also contains provisions for the Transfer to proceed if the Court is unable to transfer a particular policy because it is discovered that the state of a commitment of that policy was not the UK but elsewhere in the EEA and the consent of the regulator in that EEA state had not been obtained.

- 6.2 That policy would be a Retained Policy for the purposes of the Scheme Document and in those circumstances that Retained Policy would not transfer to the Transferee. The Scheme Document places an obligation on the Transferee in such

circumstances to use its reasonable endeavours to procure the novation to it of any such Retained Policy, and thereafter it shall be treated in all respects as if it were a Transferring Policy.

7. Excluded Assets and Excluded Liabilities

Certain assets and liabilities are specifically excluded from the Transfer and will not transfer to the Transferee. The amount of EUR 3.7m which is the minimum capital requirement applicable to the Transferor in accordance with the PRA Rulebook, is excluded from the Transfer (the *Excluded Assets*). Any liabilities under or relating to the Excluded Assets are also excluded from the Transfer (the *Excluded Liabilities*).

8. Indemnities

The Transferee shall discharge on the Transferor's behalf or, failing that, shall indemnify the Transferor against (i) any loss or expense incurred by the Transferor that is attributable to the Transferring Policies arising before or after the Effective Date; (ii) each Residual Liability, and (iii) all liabilities arising in respect of Retained Policies.

9. Contribution Rights

The Transferee shall succeed to any and all contribution rights or liabilities of the Transferor from or to any other person arising as a result of or in connection with the Transferring Policies.

10. Mandates

Any mandates, including direct debits, standing orders or other instructions or authorities, payable to or from the Transferor in respect of the Transferring Business will be payable to or from the Transferee instead.

11. Data Protection

The Transferee shall succeed to all rights, liabilities and obligations of the Transferor in respect of any personal data which relates to the Transferring Business and which is subject to the Applicable Privacy Laws.

12. Costs and expenses

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

13. Modifications, amendments and additions

- 13.1 At any time prior to the sanction of the Transfer by the Court, the terms of the Scheme Document may be modified or amended with the consent of the Transferor and the Transferee and any necessary approval or requirement of the Court.

13.2 At any time after the sanction of the Transfer by the Court, the Transferor and the Transferee may apply to Court for its approval of any further amendments, subject to the FCA and PRA being notified of such amendments and to the application being accompanied by a certificate from an independent actuary confirming that in his opinion the proposed amendment will not materially adversely affect the policyholders of the Transferor and Transferee.

14. Governing Law

The Scheme Document is governed by English law.

4. LEGAL NOTICE

IN THE HIGH COURT OF JUSTICE
CR-2017-009253
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
COMPANIES COURT (ChD)

IN THE MATTER OF
RIVERSTONE INSURANCE LIMITED
AND
RIVERSTONE INSURANCE (UK) LIMITED
AND

IN THE MATTER OF
THE FINANCIAL SERVICES AND MARKETS ACT 2000

NOTICE

NOTICE IS HEREBY GIVEN that, on 11 May 2018, RiverStone Insurance Limited (the “**Transferor**”) and RiverStone Insurance (UK) Limited (the “**Transferee**”) made an application (the “**Application**”) to the High Court of Justice, Business and Property Courts of England and Wales, Chancery Division of the Companies Court in London (the “**Court**”) pursuant to section 107(1) of the Financial Services and Markets Act 2000 (as amended) (“**FSMA**”) for an Order:

- (1) under section 111 of FSMA sanctioning an insurance business transfer scheme for the transfer to the Transferee of the business (the “**Transferring Business**”) carried on by the Transferor (the “**Scheme**”); and
- (2) making ancillary provision in connection with the Scheme pursuant to section 112 and 112A of FSMA.

A copy of a report on the terms of the Scheme prepared in accordance with section 109 of FSMA, by an Independent Expert, Mr Philip Tippin of KPMG LLP, whose appointment has been approved by the Prudential Regulation Authority, (the “**Scheme Report**”), a statement setting out the terms of the Scheme and containing a summary of the Scheme Report, and the full Scheme document are available free of charge at www.riltoriuk.co.uk. Supporting documents and any further news about the Scheme will be posted on this website so you may wish to check for updates. You can also request free copies of any of these documents by writing to or telephoning the Transferor using the contact details below.

The Application is due to be heard on 7 September 2018 by a Judge of the Chancery Division of the Companies Court of the High Court at The Rolls Building, Fetter Lane, London, EC4A 1NL, United Kingdom. If sanctioned by the Court, it is currently proposed that the Scheme will take effect on 28 September 2018.

Any person who claims that he or she may be adversely affected by the carrying out of the Scheme has a right to attend the hearing and express their views either in person or by a legal representative.

Any person who claims that they may be adversely affected by the Scheme but does not intend to attend the hearing may make representations about the Scheme by telephone or in writing to the solicitors named below or the Transferor using the contact details set out below.

Any person who intends to appear at the hearing or make representations by telephone or in writing is requested (but is not obliged) to notify his or her objections as soon as possible and preferably at least five days before the hearing of the Application on 7 September 2018 to the solicitors named below or to the Transferor using the contact details set out below.

If the Scheme is sanctioned by the Court, it will result in the transfer to the Transferee of all the contracts, property, assets and liabilities relating to the Transferring Business; notwithstanding that a person would otherwise be entitled to terminate, modify, acquire or claim an interest or right or to treat an interest or right as terminated or modified in respect thereof. Any such right will only be enforceable to the extent the Order of the Court makes provision to that effect.

[*Date of Publication*] 2018

Transferor contact information:

Telephone number: 01273 792007 (or, if resident outside the UK, on +44 1273 792007). Our phone lines are open from 9.30am to 5.30pm Monday to Friday (excluding bank holidays).

Postal address: F.A.O Fraser Henry, RiverStone Insurance Limited, Park Gate, 161-163 Preston Road, Brighton, East Sussex, BN1 6AU, United Kingdom

Email: riltoriuk@rsml.co.uk

Freshfields Bruckhaus Deringer LLP

65 Fleet Street
London
EC4Y 1HS
United Kingdom

Ref: 166187-0001 (GHFS/LEH)

Solicitors for the Transferor



**SUMMARY INDEPENDENT EXPERT REPORT
OF PHILIP TIPPIN FIA
In the matters of**

RIVERSTONE INSURANCE LIMITED
AND
RIVERSTONE INSURANCE (UK) LIMITED

AND IN THE MATTER OF PART VII OF THE FINANCIAL
SERVICES AND MARKETS
ACT 2000

IN THE HIGH COURT OF JUSTICE

DATED 10 MAY 2018

Introduction

I, Philip Tippin, am a partner in the actuarial practice of KPMG LLP ('KPMG'). I have been a Fellow of the Institute and Faculty of Actuaries for 19 years. I have been appointed by RiverStone Insurance (UK) Limited ('RIUK') and RiverStone Insurance Limited ('RIL') (together, the 'Transfer Companies') to act as the Independent Expert in connection with the proposed transfer described below. My appointment was approved by the Prudential Regulation Authority ('PRA') in consultation with the Financial Conduct Authority ('FCA') on 9 June 2017.

This summary report covers the main conclusions of my Independent Expert's Report. As noted in the Independent Expert's Report I have not considered any alternative arrangements to those set out in the Transfer documents submitted to the High Court of Justice of England and Wales ('the Court'). I have relied on data and other information made available to me by the Transfer Companies. While I have received written confirmation from the Transfer Companies of the accuracy of the information provided to me, I have not sought independent verification and my work does not constitute an audit of the financial or other information provided to me.

This summary must be considered in conjunction with the Independent Expert's Report and reliance must not be placed solely on this summary. Both this summary and the Independent Expert's Report must be considered in their entirety, including the limitations on their use as set out in the Independent Expert's Report. In the event of any real or perceived conflict between this summary and the Independent Expert's Report, the latter shall be definitive.

RIUK is a wholly-owned subsidiary of RiverStone Holdings Limited ('RHL') and is part of the Fairfax Financial Holdings Limited group, a Canadian based holding company engaged in property and casualty insurance and reinsurance business and investment management. RIUK is a non-life insurer which has not written new business since 1999, instead focusing on the acquisition of run-off business. It has had a diverse portfolio of run-off business which has included Marine, Aviation, Transport, Property, Casualty, Fire, Liability, Excess of Loss, Personal Lines, Professional Indemnity, Financial Institutions, Accident & Health and Motor classes. The majority of the remaining exposure exists on the longer tailed classes such as European Motor, US Asbestos and Italian Medical Malpractice.

RIL was acquired by RHL under its former name Brit Insurance Limited and is a non-life insurer with several lines of business. It was incorporated in 1992 and started writing business in 1994. It ceased writing new business in 2012 and is now in run-off. The remaining exposure on this book mainly relates to claims such as medical malpractice claims and classes such as Financial Institutions, Employers' Liability ('EL') and Public Liability ('PL').

The staff that manage the business of RIUK and RIL are employed by RiverStone Management Limited ('RSML'), which is also a wholly-owned subsidiary of RHL, and is authorised by the FCA.

This transfer will take place under the provision of Part VII of the Financial Services and Markets Act 2000 ('FSMA') under a transfer, known as Project Fandango, to be sanctioned by the Court.

It is proposed that the (re)insurance policies of RIL (together with their associated reinsurance protections) will be transferred to RIUK as a reorganisation of the RiverStone Europe Group in order to simplify it. The RiverStone Europe Group consists of RHL and its subsidiaries, which include RIUK and RIL.

I refer to the transfer of business from RIL to RIUK as the 'Transfer' or as 'Project Fandango'. I refer to RIL and RIUK as the 'Transfer Companies'.

The proposed date for Project Fandango to become effective is 28 September 2018. I refer to this as the 'Effective Date'.

To the best of my knowledge, information and belief, I have no conflicts of interest in connection with the parties involved in the proposed Transfers, either through my professional work, my personal relationships or my financial relationships. I therefore consider myself able to act as an Independent Expert on this transaction. In reporting to the Court on the proposed Transfers my overriding duty is to the Court. This duty applies irrespective of any person or firm from whom I have been instructed or paid.

Copies of the Independent Expert's Report are available at the following links: www.riltoriuk.co.uk

Overview of my analysis

In considering the impact of the proposed Transfer on the security of policyholders, I have considered both the impact of the Transfer on the financial resources available to support policyholders and also a number of non-financial impacts on how a customer's experience may change as a result of the Transfer.

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

I have identified the following groups of policyholders and have considered the interests of each group separately:

- i) Existing RIUK policyholders; and
- ii) Transferring RIL policyholders.

What is the non-financial impact of the Transfer?

In the Independent Expert's Report I have considered the impact of any changes as a result of the Transfer to each of:

- i) the FCA's Treating Customers Fairly principles;
- ii) the ease of presenting a new claim;
- iii) protection of customer data;
- iv) the impact of 'Brexit'; and
- v) other considerations including regulatory framework, executive management and governance.

Treating Customers Fairly

Claims and policy administration

RSML currently provides the claims service to RIUK and RIL and will continue to provide the same service to the same standard and with the same staff after RIL policyholders transfer to RIUK.

Therefore there will be no anticipated impact on RIUK or RIL policyholders with regard to claims administration.

Conduct risk

Conduct risk is low both for RIUK and RIL as all policies are expired. The Transfer does not expose RIUK or RIL policyholders to materially greater conduct risk.

Conduct risk is also monitored in the same way over both RIUK and RIL.

I do not believe there will be any adverse impact upon RIUK or RIL policyholders due to conduct risk as a result of the Transfer.

The ease of presenting a new claim

As discussed above, there is no change in the way that claimants present a new claim as a result of the Transfer.

I note however that claims under EL policies are not usually presented by policyholders themselves, but by the solicitors representing the third party claimants. These solicitors use the Employers' Liability Tracing Office ('ELTO') to identify the insurers to pursue claims against.

ELTO is set up to provide claimants, insurers, policyholders, and other interested parties with access to a database of EL policies through an online search engine. The system can be used, for example, to find the insurer of a previous employer where the claimant has suffered from injury or disease caused by previous employment. ELTO requires all insurers to upload the details on all new and renewed EL policies post April 2011 and any policies prior to that which have had new claims made against them.

Both RIUK and RIL are members of ELTO and use the same systems for monitoring and control purposes, provided by RSML.

RIL and RIUK meet their ELTO obligations and the same underlying ELTO compliance framework including controls, processes, personnel and governance operates across both RIL and RIUK.

There will therefore be no detriment to policyholders or claimants from the Transfer.

Protection of customers' data

Cyber security risk is a relatively new and increasing threat to businesses today. Cyber-attacks on companies are becoming more frequent. These attacks can take forms such as gaining access to and selling or publicising customers' data, or preventing the business from operating as usual. Cyber security is therefore becoming ever more paramount. It is a reasonable expectation of a customer that their insurer should take appropriate steps to protect their confidential data.

RIUK and RIL both have the same IT/cyber security team and carry out ongoing training and reviews, multiple audits, and have received annual re-accreditation of the UK Government 'Cyber Essential Plus' standard.

There is no expectation that the protection of customers' data will diminish as a result of the Transfer and I conclude that there is no risk of any material adverse impact on policyholders resulting from the Transfer. Cyber-attacks are attempted on businesses all the time, so there is always the risk that one may be successful, but the Transfer does not appear to increase that risk in any way.

I therefore identify no impact on either RIUK or RIL policyholders as a result of the Transfer.

The impact of 'Brexit'

On 23 June 2016, the UK held a nationwide referendum which asked the electorate whether they wanted the UK to remain part of or to leave the EU. The referendum resulted in a majority vote to leave the EU, a situation commonly referred to as 'Brexit', and the consequences of this vote are still uncertain. The UK formally served notice under Article 50 of the Lisbon Treaty on 29th March 2017 and has now entered a prescribed period of up to two years to negotiate on the terms of their exit from the EU. In the unlikely event of the UK leaving the EU before the Effective Date, I assume that the UK will still follow the EU-wide prudential regulatory regime known as Solvency II, or an equivalent, going forward.

At the time of my Independent Expert's Report there remains much political and economic uncertainty within the UK. Whilst there are many potential consequences (including the stock market and foreign exchange market instability witnessed during June and July of 2016), the one with the most potential to affect the business models of the Transfer Companies is the risk that UK insurance businesses would lose their 'passporting rights' to do business across the European single market (and that European insurance businesses could lose their right to trade in the UK).

As the invoking of Article 50 triggered a negotiation period of up to two years, it is unlikely to be clear what the ultimate position on 'passporting' will be before the Effective Date of the proposed Transfer.

None of the policyholder groups is any more exposed to the risk of not being able to have their policies or claims serviced as a consequence of Brexit after the Transfer than they would have been before it.

As such, I conclude that no policyholder group is materially adversely affected over this issue as a consequence of the Transfer.

Other considerations (regulatory framework, executive management and governance)

Each of the Transfer Companies is domiciled in the UK and regulated by the PRA and FCA. As such the same regulatory framework applies to each of the Transfer Companies both before and after the Transfer. There is no change in entitlement to protection under the Financial Services Compensation Scheme for any group of policyholders, and there is no change in access to the Financial Ombudsman Service.

Currently both RIUK and RIL have the same executive management teams, aside from the chairs of various committees for each one, as the two entities have slightly different non-executive directors to

meet independence requirements. The Transfer will result in a reduction from two boards of directors to one board; there will be very little change aside from the roles of the non-executive directors, which may change which committees they chair under the combined entity.

I therefore identify no adverse impact upon RIUK or RIL policyholders as a result of the Transfer.

Will the Transfers impact the security of policyholders?

I identify no material adverse change in the economic circumstances of any of the main groups of policyholders.

As a result of the Transfer, RIUK policyholders see an increase in the ratio of available capital to the regulatory capital requirement ('Capital Cover Ratio'). RIL policyholders see a decrease, however their Capital Cover Ratio will still be comfortably greater than 100% indicating that the probability that policyholder benefits may not be paid in full is remote. They will also benefit from a larger balance sheet and larger pool of capital than previously. RIUK will remain a well-capitalised company after the Transfer.

As the RIUK Capital Cover Ratio improves after the Transfer, I conclude that existing RIUK policyholders are not materially adversely affected (and indeed they benefit slightly) from the Transfer from a capital security perspective. For RIL policyholders the Transfer moves their policies to a larger balance sheet which remains well-capitalised after the Transfer. Whilst the coverage ratios drop for RIL policyholders, the drop does not materially decrease the probability of their claims being paid in full, so I conclude that the transferring RIL policyholders are not materially adversely affected by the Transfer.

Other transfers

Separately from Project Fandango, but running concurrently, it is proposed that a separate Part VII transfer along with an associated reinsurance agreement is being carried out. It involves the transfer of a portfolio of EL and PL policies (together with their associated reinsurance protections that were underwritten in 2001 and prior from AXA to RIUK). In addition, RIUK and AXA have signed a reinsurance agreement for all Disease, Abuse and Stress claims (as agreed by RIUK and AXA) from the EL and PL policies of AXA written between 1 January 2002 and 31 December 2014 to be reinsured to RIUK. This reinsurance is conditional on the Arven Part VII transfer being sanctioned by the Court. This transfer will similarly take place under the provisions of Part VII of the FSMA under a transfer to be sanctioned by the Court, referred to as Project Arven.

For the avoidance of doubt, the sanction of Project Fandango by the Court is not conditional on its sanction of Project Arven, nor is the sanction of Project Arven by the Court conditional on the sanction of Project Fandango. As Project Fandango and Project Arven are expected to happen within a short time of each other, I consider in my Independent Expert's Report my conclusions as to the impact on policyholders of the proposed Project Fandango Part VII transfer both in the case that Project Arven is sanctioned by the Court, and in the case that it is not.

For all policies involved in Project Fandango (i.e. that remain within RIUK or transfer from RIL), the potential sanction of Project Arven at or around the same time as Project Fandango provides a boost to the overall level of net assets. The capital coverage decreases but remains substantially above 100%, and policyholders will benefit from a larger balance sheet and a larger pool of capital than previously.

Therefore, I conclude that the further sanction of Project Arven alongside Project Fandango would not materially adversely affect any groups of policyholders involved in Project Fandango.

Overall conclusion

I have considered the Transfer and its likely effect on each of the policyholder groups. I have concluded that the risk of any policyholder being adversely affected by the proposed Transfer is sufficiently remote for it to be appropriate to proceed with the proposed Transfer as described in my report.

I will issue a supplemental report containing the most up-to-date financial information prior to the final hearing at which the Court's sanction for the Transfer will be sought. This report will also address any market developments, any updates on Brexit, and any policyholder responses following communications in respect of the Transfer to policyholders (as referred to in my Independent Expert's Report).



Philip Tippin

Fellow of the Institute and Faculty of Actuaries

Partner, KPMG LLP

10 May 2018