

Information booklet

Relating to the proposed transfer of part of the general insurance business

of

QBE UK Limited

to

East West Insurance Company Limited

Under Part VII of the Financial Services and Markets Act 2000

CONTENTS

PART ONE OVERVIEW	1
1. INTRODUCTION	1
1.1 THE PROPOSED TRANSFER.....	1
1.2 THIS BOOKLET	1
2. COMMONLY ASKED QUESTIONS	2
2.1 WHY IS QBEUK DOING THE TRANSFER?	2
2.2 WHAT BUSINESS IS BEING TRANSFERRED?	2
2.3 WHO IS EWICL?	3
2.4 THE TRANSFER	3
2.5 EFFECTS OF THE TRANSFER.....	4
2.6 THE INDEPENDENT EXPERT	6
2.7 THE COURT PROCESS	7
2.8 FURTHER INFORMATION AND ACTION REQUIRED	7
PART TWO SUMMARY OF THE SCHEME.....	10
PART THREE SUMMARY OF THE REPORT OF THE INDEPENDENT EXPERT	14
APPENDIX LEGAL NOTICE	20

PART ONE

OVERVIEW

1. Introduction

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

1.1 The proposed transfer

QBE UK Limited (**QBEUK** or the **Transferor**) is proposing to transfer part of its run-off general insurance business to East West Insurance Company Limited (**EWICL** or the **Transferee**).

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

The proposed transfer is subject to legal and regulatory approvals. If approved, it is expected to take effect on 4 December 2019.

This document has been designed to give you an overview of the proposed transfer and to help you answer any questions you may have.

1.2 This Booklet

It is important that you understand the background to the proposed transfer and you are encouraged to read the whole of this booklet. A summary of a report prepared by an independent expert, Mr Simon Sheaf of Grant Thornton UK LLP (the **Independent Expert**) is set out in Part 3 of this booklet. Mr Sheaf has been appointed as the Independent Expert under section 109 of FSMA to report to the Court on the effect of the proposed transfer on policyholders and other key stakeholders. His appointment has been approved by the UK Prudential Regulation Authority (**PRA**) in consultation with the UK Financial Conduct Authority (**FCA**). The PRA and the FCA are the UK financial services regulators.

The formal notice of the proposed transfer is set out in the Appendix to this document.

To help you to consider how the transfer will affect you, further details about the proposed transfer are included within this booklet, including some commonly asked questions and, in Part 2, a summary of the terms of the legal document that will give effect to the proposed transfer (the **Scheme Document**).

If you are happy with the proposed transfer, you do not need to do anything. If the transfer is approved by the Court, all policies covered by the Scheme will automatically transfer to EWICL.

If you believe that you would be adversely affected by the proposed transfer, you are entitled to make written representations to the Court and/ or appear either in person or by counsel at the Court hearing where the application to approve the transfer will be heard. If you intend to make written representations to the Court and/ or appear at the Court hearing 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 preferably at least 15 days before the Court hearing using the contact details provided in response to "*How do I*

find further information" on page 8/9. However, you are not obliged to do so and may still make written representations to the Court up to and/ or at the Court hearing.

You may also raise your concerns with us in writing or over the telephone using the contact details provided in response to "*How do I find further information*" on page 8/9. We will make a record of your concerns and communicate these to the PRA, the FCA and Independent Expert and the Court.

The Court hearing is currently scheduled to take place on 29 November 2019. If approved, the transfer will take effect at 00:01 (GMT) on 4 December 2019.

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 free of charge by contacting QBEUK or EWICL at the contact details set out on page 8/9 or by download from www.armourholdings.com/regulatory-and-statutory and <https://qbееurope.com/qbeuk-ewicl-part-vii-information/>.

It is possible that there may be other parties with an interest under your policy or policies with QBEUK (for example, joint holders, assignees or insured subsidiaries or affiliates). If you believe that any other party may be affected by the transfer of any of your policies, please forward a copy of this booklet on to them as soon as possible.

All future updates relating to the proposed transfer, including any changes to the Court hearing date and a copy of the supplementary report to be prepared by the Independent Expert, will be posted onto the QBE website (<https://qbееurope.com/qbeuk-ewicl-part-vii-information/>) and the Armour Group website (www.armourholdings.com/regulatory-and-statutory).

2. Commonly asked questions

2.1 Why is QBEUK doing the transfer?

QBEUK's objective in disposing of the business to be transferred under the Scheme is to rationalise its business by divesting itself of a legacy portfolio which is no longer core to its ongoing operations.

2.2 What business is being transferred?

The business proposed to be transferred by QBEUK to EWICL pursuant to the Part VII Transfer comprises:

- certain United Kingdom and Republic of Ireland employers' liability and public liability business written or assumed by QBEUK that incepted on or prior to 31 December 2007, subject to certain policies that are excluded from the Scheme (as more particularly described in the Scheme Document) (the **Autumn Portfolio**); and
- UK employers' liability, motor and personal accident policies and global public and products liability policies written or assumed by QBEUK and issued to Tata Steel Europe Limited (**TSEL**) that incepted on or after 1 January 1990 and expired on or prior to 31 March 2016, subject to certain liabilities that are excluded from the Scheme (the **Chestnut Portfolio**),

together with reinsurance agreements benefiting QBEUK relating to the Autumn Portfolio (the **Transferring Business**).

2.3 Who is EWICL?

The Transferee, EWICL, is a company incorporated in England and Wales and is authorised by the PRA and regulated by the PRA and FCA. EWICL is authorised to carry on general insurance business in the United Kingdom with respect to certain classes of general insurance business. EWICL has been conducting insurance business since 1964.

EWICL is part of the Armour Group, a Bermudan based group of companies which operates within the insurance sector. Under the terms of an outsourcing agreement in place since June 2016, and in anticipation of the Part VII Transfer, claims handling and administration services for the Transferring Business is provided by Armour Risk Management Limited, another company within the Armour Group.

2.4 The transfer

What is a Part VII transfer?

“Part VII transfer” refers 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 scheme is required to be approved 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.

What is the Scheme Document?

The Scheme Document is a legal document setting out the terms on which the transfer of business from QBEUK to EWICL is proposed to take effect. We have included a summary of the terms of the Scheme Document in Part Two of this booklet. A full copy of the Scheme Document can be downloaded from (<https://qbeeurope.com/qbeuk-ewicl-part-vii-information/>) or (www.armourholdings.com/regulatory-and-statutory). If you would like a paper copy posted to you, then please contact QBEUK at the contact details provided in response to "*How do I find further information*" on page 8/9.

When will the proposed transfer happen?

If the proposals are approved by the Court, then we expect that the transfer will take effect at 00:01 (GMT) on 4 December 2019.

Is there an opportunity to vote on these proposals?

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

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

We hope this booklet provides you with the information to allow you to understand what is proposed, and answer any questions that you may have. However, if you consider you may be adversely affected by the proposal or object to the proposal, then please let us know by

calling or writing to QBEUK or EWICL using the contact details provided in response to "*How do I find further information*" on page 8/9.

If you have an objection to the proposed transfer or if you believe you will be adversely affected as a result of the proposed transfer, then you are entitled to make written representations to the Court and/ or to appear either in person or by counsel at the Court. You may also raise these concerns with us in writing or over the telephone using the contact details provided in response to "*How do I find further information*" on page 8/9.

Any person who intends to appear at Court or make representations (whether by telephone or in writing) is requested to notify his or her objections to QBEUK or EWICL as soon as possible and preferably at least 15 days before the Court hearing at which the application to approve the transfer will be heard using the contact details provided in response to "*How do I find further information*" on page 8/9. However, you are not obliged to do so. However, you are not obliged to do so and may still make written representations to the Court up to and/ or at the Court hearing. The Court hearing is currently scheduled to take place on 29 November 2019.

We will keep a record of all the objections received and will provide these to the Court, the PRA, the FCA and Independent Expert, 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.

2.5 **Effects of the transfer**

What will be the effects of the transfer?

The full terms of the transfer are set out in the Scheme Document and are subject to Court approval. A summary of the main elements of the Scheme is contained in Part Two of this booklet.

The main terms of the proposal are as follows:

- QBEUK will transfer the Transferring Business, including (so far as it is possible) all of the assets and liabilities compromised in it, to EWICL;
- policies with QBEUK will, once the proposal takes effect, become policies with EWICL.

The transfer will include certain reinsurance assets relating to the insurance policies to be transferred.

This means that any policyholders or claimants in respect of these policies (including expired policies) will become policyholders or claimants respectively of EWICL following the transfer.

Following the transfer, personal data that was held by QBEUK in respect of transferring policyholders and claimants will be held and processed by EWICL.

If the Court approves the transfer, its decision will bind all policyholders as a matter of English law and will be recognised in all other EEA jurisdictions (subject to the PRA notifying the regulator in other relevant EEA States, including in the Republic of Ireland, and certain rights of the relevant EEA regulators to refuse to consent to the transfer).

It is currently expected that the Scheme will take effect at 00:01 (GMT) on 4 December 2019.

Will the terms of my policy or its administration change?

Autumn Portfolio

If the proposals are approved there will be no changes to the terms and conditions of any transferring policy. In broad terms, QBEUK's rights and obligations under policies comprised in the Autumn Portfolio will be transferred, without alteration, to EWICL.

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

Chestnut Portfolio

Certain liabilities under policies comprised in the Chestnut Portfolio are excluded from the proposed transfer and will be retained by QBEUK. These are described in detail in the Scheme Document and, in summary, include:

- Any claim under the policies issued by QIEL for TSEL relating to liabilities assumed by British Steel Limited (**British Steel**), or any predecessor entity or business of British Steel, pursuant to certain agreements affecting the transfer of the relevant undertaking from TSEL to British Steel;
- Any claims under the original policies issued by QIEL for TSEL relating to liabilities of Specialty Steel UK Limited (**Specialty Steel**), or any predecessor entity or business of Specialty Steel; and
- Noise induced hearing loss/ deafness liabilities whereby the deafness is caused or alleged to be caused over a period of time longer than one day. This means that The Chestnut Portfolio includes any claim for deafness or any similar hearing impairment that is caused or alleged to be caused by a single exposure to sound pressure or other acute acoustic trauma occurring over a period of time of one day or less.

If you hold a policy comprised in the Chestnut Portfolio, further details about the splitting of your policy between QBEUK and EWICL are set out in the cover letter accompanying this booklet.

Subject to the aforesaid, if the proposals are approved, QBEUK's rights and obligations under policies comprised in the Chestnut Portfolio will be transferred, without alteration, to EWICL.

Policy Administration

Unless otherwise stated in the covering letter accompanying this information booklet, claims are currently handled on behalf of QBEUK by Armour Risk Management Limited, a company within the Armour Group (like EWICL).

Unless otherwise stated in the covering letter accompanying this information booklet, following the proposed transfer, Armour Risk Management Limited will continue to handle claims, albeit on behalf of EWICL, and there will be no changes to how issued policies are

administered as part of the proposed transfer to EWICL. EWICL will endeavour to ensure that policyholders continue to receive the same levels of service as currently seen. Policyholders should continue to contact their usual contact or their current broker or other intermediary for any policy or claim related queries in the usual way.

How will the Scheme affect the security of my policy?

The Scheme has been reviewed by an Independent Expert and by the FCA and PRA, and it will not take place unless approved by the Court. The Independent Expert's assessment has considered the security of all policyholders and his report is summarised in Part Three of this booklet. A full copy of the Independent Expert's report can be downloaded free of charge from (<https://qbeurope.com/qbeuk-ewicl-part-vii-information/>) or (www.armorholdings.com/regulatory-and-statutory). If you would like a paper copy posted to you, then please contact QBEUK or EWICL at the contact details provided in response to "How do I find further information" on page 8/9.

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

- *"the risk of any group of policyholders or reinsurers being materially adversely affected by the Scheme is sufficiently remote that there is no reason why the Scheme should not proceed"* (paragraph 2.27).

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

Key policy details relating to all known employers' liability policies written by QBEUK since 1 April 2011, as well as any policies written before 1 April 2011 with an outstanding claim as at that date or where a claim has been made on or after that date and liability is accepted are included on the database held by the Employers Liability Tracing Office (**ELTO**), through which QBEUK's insurance coverage can be traced. Following the transfer, EWICL will be traceable in the same way through this database and will be named as the relevant insurer instead of QBEUK.

2.6 The Independent Expert

Who is the Independent Expert?

The Independent Expert is Mr Simon Sheaf of Grant Thornton UK LLP. Mr Sheaf is a Fellow of the Institute and Faculty of Actuaries (IFoA) and a Fellow of the Society of Actuaries in Ireland. He currently holds a Chief Actuary (Non-Life with Lloyd's) Practising Certificate and a Lloyd's Syndicates Practising Certificate issued by the IFoA.

Mr Sheaf has 25 years' experience in general insurance with skills in all areas of general insurance actuarial work (including reserving, capital, pricing and transactions). He joined Grant Thornton's Financial Services Group as General Insurance Practice Leader in 2006. He is a partner in Grant Thornton and his current job title is Head of General Insurance Actuarial and Risk and he leads the provision of actuarial and risk consulting services to the general insurance sector.

The Independent Expert has been appointed to provide a scheme report as required by section 109 of FSMA to report his opinion on the likely effect of the Part VII transfer proposals on policyholders and other key stakeholders of QBEUK and EWICL including whether any of their interests could in any way (either directly or indirectly) be materially adversely affected by the transfer. His appointment has been approved by the PRA after

consulting with the FCA. He is not an advisor to any company involved in the transfer, but is a person independent of the parties involved whom the PRA and FCA consider has the necessary skills to assess the effect of the transfer.

The Independent Expert's 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 QBEUK and EWICL and in a form that is approved by the PRA and FCA. All relevant companies have provided Mr Sheaf with access to key staff and any information he has requested.

What is the Independent Expert report?

The Independent Expert Report sets out in detail Mr Sheaf's opinion on the likely effect of the transfer proposals on policyholders and other key stakeholders of QBEUK and EWICL including whether any of their interests could in any way (either directly or indirectly) be materially adversely affected by the transfer. Mr Sheaf has summarised his report and this summary is included at Part Three of this booklet. A full copy of his report can be downloaded free of charge from (<https://qbeeurope.com/qbeuk-ewicl-part-vii-information/>) or (www.armourholdings.com/regulatory-and-statutory). If you would like a paper copy posted to you, then please contact QBEUK or EWICL at the contact details provided in response to "*How do I find further information*" on page 8/9.

The Independent Expert will 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. The supplementary report will be posted onto the QBE and the Armour Group websites, so you may wish to check for updates.

2.7 The Court process

When is the Court hearing?

The Court will hear the application for the order sanctioning the Scheme (the **Application**) on 29 November 2019 at The Rolls Building, Fetter Lane, London, EC4A 1NL, United Kingdom. Anyone wishing to attend the hearing should check the QBE website (<https://qbeeurope.com/qbeuk-ewicl-part-vii-information/>) or Armour Group website (www.armourholdings.com/regulatory-and-statutory), which will be updated should the hearing date change.

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

Any person who believes that he or she would be adversely affected by the carrying out of the transfer is entitled to make written representations to the Court and/ or to appear either in person or by counsel at the Court hearing where the Application will be heard. You may also raise these concerns with us in writing or over the telephone using the contact details set out in response to "*How do I find further information*" on page 8/9, and we will make a record of your concerns and communicate these to the PRA, the FCA, the Independent Expert and the Court. See the response to "*What should I do if I think I may be adversely affected by the proposal or object to the transfer?*" on page 3 for further information.

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 QBEUK and EWICL in support of the proposed transfer, and will consider the reports of the Independent Expert, the PRA and the FCA.

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

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

How will I know if the Scheme has been approved?

We will announce the outcome of the Court hearing to consider the Application on the QBE and Armour Group websites following the Court hearing, which is due to take place on 29 November 2019. It is proposed that the transfer will take effect at 00:01 (GMT) on 4 December 2019.

2.8 Further information and action required

What should I do now?

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

If you consider you may be adversely affected by the proposal or object to the proposal, then please refer to the response to "*What should I do if I think I may be adversely affected by the proposal or object to the transfer?*" on page 3 for details of the steps you should take if you wish to object. If you need any further information about the proposals please refer to the response to "*How do I find further information?*" below.

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

How do I find further information?

Copies of documents relating to the transfer including the full Scheme Document, Independent Expert Report and this document are available to download free of charge at <https://qbeurope.com/qbeuk-ewicl-part-vii-information/> or www.armourholdings.com/regulatory-and-statutory. Future updates relating to the proposed transfer, including any changes to the Court hearing date and a copy of the supplementary report to be prepared by the Independent Expert, will be posted onto the websites, so you may wish to check for updates. If the transfer is approved, it will be announced on the QBE and Armour Group websites.

If you are a QBEUK policyholder and have any further questions, <https://qbeurope.com/qbeuk-ewicl-part-vii-information/> contains additional information which you may find useful. You may also contact QBEUK by:

- Calling the QBE contact centre on 0800 022 4027 (if calling from the UK), 1800800817 (if calling from the Republic of Ireland) or +44 203 465 3337 (if calling from elsewhere) from Monday to Friday during usual business hours (09:00-17:00 (UK));
- Emailing qbeuk-ewicl-pvii@uk.qbe.com referencing 'Project Fall Part VII Transfer'; or
- Writing to us at QBE, 30 Fenchurch Street, London, EC3M 3BD; clearly marking on the front the reference 'Project Fall Part VII Transfer'.

If you are an EWICL policyholder and have any further questions, www.armourholdings.com/regulatory-and-statutory contains additional information which you may find useful. You may also contact EWICL by:

- Calling the EWICL contact centre on 0800 470 0437 from Monday to Friday during usual business hours (09:00-17:00 (UK));
- Emailing ewicl-transfer@armourrisk.com referencing 'Project Fall Part VII Transfer'; or
- Writing to us at East West Insurance Company Limited, 20 Old Broad Street, London, EC2N 1DP; clearly marking on the front the reference 'Project Fall Part VII Transfer'.

In order to help direct your query, please clearly state or mark your query with the following reference 'Project Fall Part VII Transfer'

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.

PART TWO

SUMMARY OF THE SCHEME

1. Introduction

This section summarises the terms of the Scheme. It does not explain every aspect of the Scheme.

2. The Effective Date

The Scheme is conditional upon the Court granting an order pursuant to s.111 of the Financial Services and Markets Act 2000 sanctioning the Scheme. If this order is granted, it is currently proposed that the Scheme will take effect at 00:01 (GMT) on 4 December 2019 (the **Effective Date**).

3. The Effect of the Scheme

3.1 The Scheme is intended to transfer the Transferring Business, including the Transferring Autumn Policies and Transferring Chestnut Policies together with reinsurance agreements benefiting the Transferor relating to the Autumn Portfolio (**Autumn Outwards Reinsurance Agreements**), to the Transferee.

3.2 Certain policies and liabilities are specifically excluded from the Scheme. In particular:

3.2.1 Schedule 1, Part B of the Scheme Document contains a list of policies to be excluded from the Transferring Autumn Portfolio and retained by the Transferor (**Retained Autumn Policies**); and

3.2.2 certain insurance liabilities of the Transferor are excluded from the Transferring Chestnut Portfolio and will be retained by the Transferor (**Retained Chestnut Liabilities**).

3.3 If approved, the Scheme will have the following effect at the Effective Date:

3.3.1 the Transferee will replace the Transferor as insurer or reinsurer, as the case may be, under the Transferring Policies and will become entitled to the benefit of certain reinsurances that are currently held by the Transferor in respect of the Autumn Portfolio;

3.3.2 all rights and obligations of the Transferor arising from the Transferring Business, including in respect of existing claims and rights of policyholders to bring claims under expired policies, will automatically (by operation of law) transfer to, and become rights and obligations of, the Transferee and will no longer be rights and obligations of the Transferor;

3.3.3 each policyholder with a Transferring Policy contained in the Transferring Business shall (i) become entitled to the same rights against the Transferee, including any rights in respect of existing claims and to bring claims under expired policies, as were available to them against the Transferor in respect of that policy; and (ii) shall have the same obligations and be subject to the same terms and conditions in relation to that policy save that the Transferee will be substituted as the insurer in place of the Transferor;

3.3.4 all references in any Transferring Policy to the Transferor, Transferor Board, a Transferor Group Undertaking 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, a Transferee Group Undertaking or any other officers, employees or agents of the Transferee, respectively; and

- 3.3.5 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.

4. Allocation of Chestnut Policies

From the Effective Date, in respect of any Chestnut Policy that in part is a Transferring Policy and in part covers any Retained Chestnut Liability, the Chestnut Policy will be split by the Scheme so that the part of the Chestnut Policy that relates to any Retained Chestnut Liability will be retained by the Transferor (the Retained Chestnut Policy) and that part of the Chestnut Policy that is a Transferring Policy will transfer to the Transferee (the Transferring Chestnut Policy). The Transferor will continue to be the insurer under the Retained Chestnut Policy and the Transferee will become the insurer under the Transferring Chestnut Policy in the manner described at paragraph 3.3, above. Under the terms of the Scheme, any limits, deductions, retentions and similar provisions contained in the Chestnut Policy before the Effective Date will, after the proposed transfer, operate in aggregate across the Retained Chestnut Policy and the Transferring Chestnut Policy as if they were a single policy in the same way as such provisions operated under the Chestnut Policy before the Effective Date (albeit with two insurers whose liability is several and not joint and several) so that the insured(s) under the Chestnut Policy have a contract with each of the Transferor and the Transferee but with respect to such provisions are no better or worse off as a result of the proposed transfer.

5. Allocation of Outwards Reinsurance

From the Effective Date, where Autumn Outwards Reinsurance Agreements include Transferring Autumn Outwards Reinsurance but also attach to Excluded Policies, Retained Autumn Policies or any other policy that is not a Transferring Policy, the effect of the Scheme is to split such Autumn Outwards Reinsurance Agreements between the Transferor and the Transferee. Any Transferring Autumn Outwards Reinsurance will vest in the Transferee, and any part of the Autumn Outwards Reinsurance Agreement that attaches to the Excluded Policies, Retained Autumn Policies or any other policy that is not a Transferring Policy shall remain with the Transferor. In such cases, the terms and conditions of the Outwards Reinsurance Agreement (including, where applicable, the deductibles, limits and any other applicable policy limitations) will continue to apply in aggregate across both the Transferor and the Transferee, so that, in effect, the reinsurer has a contract with each of the Transferor and the Transferee but is no better or worse off in respect of such contractual terms and conditions as a result of the Scheme.

6. Continuity of Proceedings

- 6.1 On and with effect from the Effective Date, any Proceedings (or relevant part thereof) to the extent issued, served or commenced or continued by or against the Transferor in connection with the Transferring Business, Transferring Policies, the Transferring Assets or the Transferring Liabilities shall be commenced or continued by or against the Transferee and the Transferee shall be entitled to all claims, counterclaims, defences, defences to counterclaims and rights of set-off that were or would have been available to the Transferor in relation to the Transferring Business (or relevant part thereof).

- 6.2 Any judgment, settlement, order or award obtained by or against the Transferor which relates to any part of the Transferring Business and which is not fully satisfied before the Effective Date shall on that date and to the extent to which it was enforceable by or against the Transferor immediately prior to such date, become enforceable by or against the Transferee (to the exclusion of the Transferor).
- 6.3 On and with effect from the Effective Date, any Proceedings (or relevant part thereof) for the resolution of a dispute or a claim in relation to the Transferor and concerning the Transferring Business shall be commenced against the Transferee. Any such Proceedings (or relevant part thereof) commenced in error against the Transferor after the Effective Date shall be deemed to have been commenced and shall be continued against the Transferee without the need for further order, whether for substitution of parties or otherwise. In any event, the Transferee shall be entitled to all defences, claims, counterclaims, defences to counterclaims and rights of set off that would have been available to the Transferor in relation to the Transferring Business and such Proceedings (or relevant part thereof).

7. **Residual Assets and Residual Liabilities**

- 7.1 It is possible that some of the policies and/ or rights, obligations or Proceedings under them (the **Residual Assets** and **Residual Liabilities**) that would otherwise be included in the Transferring Business will not transfer on the Effective Date, for example:
- 7.1.1 if the Court either does not have jurisdiction to transfer such Residual Assets or Residual Liabilities or if the Court does have such jurisdiction but determines not to transfer such Residual Assets or Residual Liabilities on the Effective Date;
- 7.1.2 if the Transferor and the Transferee agree before the Effective Date that such Residual Assets or Residual Liabilities should not transfer at that time.
- 7.2 Any Residual Assets or Residual Liabilities 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**).
- 7.3 The Transferor will hold any Residual Assets on trust for the Transferee, with effect from the Effective Date.
- 7.4 The Transferee 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 related proceedings or, where appropriate, direct the Transferor as to the conduct of such proceedings.

8. **Excluded Policies, Excluded Assets and Excluded Liabilities**

- 8.1 In certain circumstances, policies that are intended to be included in the proposed transfer may be specifically excluded from the transfer by the Court (**Excluded Policies**). Any assets relating to Excluded Policies (or assets which are otherwise not proposed to transfer under the Transfer) (**Excluded Assets**) or liabilities relating to the Excluded Policies (or liabilities which are otherwise not proposed to transfer under the Transfer) (**Excluded Liabilities**) are also excluded from the Transfer.
- 8.2 If there are any Excluded Policies, then the Transferor and the Transferee shall enter into the Excluded Policies Reinsurance Agreement pursuant to which, on and with effect from the Effective Date, all the liabilities of the Transferor attributable to the Excluded Policies, and all other amounts paid or payable by the Transferor in respect of such Excluded Policies, shall be reinsured in their entirety to the Transferee.

9. **Mandates**

- 9.1 Any mandates including direct debits, standing orders or other instructions or authorities payable to or from the Transferor in respect of the Transferring Business and in force at the Effective Date will after the Effective Date be payable to or from the Transferee.

10. **Data Protection**

The Transferee will 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 applicable data protection legislation, including General Data Protection Regulation (Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016) and any national laws implementing or supplementing it.

11. **Costs and Expenses**

All costs and expenses incurred in connection with the Scheme shall be paid by the Transferor and the Transferee in accordance with the terms of the framework agreement dated 30 June 2016 between, *inter alios*, the Transferor and the Transferee as amended and restated on 29 August 2017.

12. **Modifications, amendments or additions**

- 12.1 Prior to the Effective Date, the Transferee and the Transferor may consent on their own behalf and on behalf of the persons bound by the Scheme and all other persons concerned (other than the PRA and the FCA) to any modification of or addition to the Scheme which the Court may approve or impose prior to the sanction of the Scheme.
- 12.2 At any time after the sanction of the Scheme 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 or her opinion the proposed amendment will not materially adversely affect the policyholders of the Transferor or Transferee.

Court approval will not be necessary in the event of minor and/or technical modifications to the Scheme, including modifications to correct manifest errors, provided that the FCA and the PRA have been notified in advance and have indicated that they do not object to any such modification.

13. **Governing Law**

The terms of the Scheme are governed by and construed in accordance with English law.

14. **Glossary of defined terms**

Capitalised terms used and not defined above have the meanings attributed to them in the Scheme Document.

PART THREE

SUMMARY OF THE REPORT OF THE INDEPENDENT EXPERT



Grant Thornton

An instinct for growth™

Summary of the Independent Expert's Report on the Proposed Transfer of a Portfolio of Policies from QBE UK Limited to East West Insurance Company Limited

About the independent expert

My name is Simon Sheaf and I am a Partner at Grant Thornton UK LLP. My current job title is Head of General Insurance Actuarial and Risk. 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 report ("my Report") that has been prepared following my nomination by QBE UK Limited ("QBEUK") and East West Insurance Company Limited ("EWICL") 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 QBEUK to EWICL ("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.

Copies of my Report can be obtained at <https://qbeeurope.com/qbeuk-ewicl-part-vii-information/> or www.armorholdings.com/regulatory-and-statutory or by writing to QBEUK at 30 Fenchurch Street, London EC3M 3BD or EWICL at 20 Old Broad Street, London, EC2N 1DP, with the reference "Project Fall PVII Transfer".

Introduction

The proposed Scheme relates to the transfer to EWICL of two portfolios.

The first of these portfolios consists of all UK and Ireland employers' liability and public liability business written by predecessor companies of QBEUK which had incepted on or prior to 31 December 2007, and subject to some specific policies remaining in QBEUK ("the Autumn Portfolio"). Approximately 1.6m policies were written within the Autumn Portfolio and there are approximately 720,000 policyholders. This includes risks located in the Netherlands and Italy.

The substantial majority of the claims remaining in the Autumn Portfolio relate to mesothelioma, other asbestos related diseases and other diseases. The policies remaining

in QBEUK also include claims relating to mesothelioma, other asbestos related diseases and other diseases.

The second of these portfolios (“the Chestnut Portfolio”) consists of the following (subject to specific liabilities remaining in QBEUK as set out in my Report):

- UK employers’ liability policies issued by predecessor companies of QBEUK for Tata Steel Europe Limited (“TSEL”) from 1 January 1990 and expiring on or before 31 March 2016
- Global public and products liability, UK motor and UK personal accident issued by predecessor companies of QBEUK for TSEL expiring on or before 31 March 2016

TSEL is the sole policyholder within the Chestnut Portfolio.

I refer to the combination of the Autumn Portfolio and the Chestnut Portfolio as the “Transferring Portfolio”.

As part of the agreement to transfer the Autumn Portfolio to EWICL, QBEUK entered into a reinsurance agreement (the “Autumn LPTA”) with Tokio Millennium Re AG, Bermuda Branch (“TMR”). This agreement provides 100% quota share reinsurance to QBEUK in respect of the Autumn Portfolio. TMR subsequently entered into a reinsurance agreement with the parent company to EWICL, ILS Property & Casualty Re Limited (“ILS”). This agreement provides 100% quota share reinsurance to TMR in respect of the Autumn Portfolio (the “Retrocession Agreement”).

As part of the agreement to transfer the Chestnut Portfolio to EWICL, QBEUK entered into a reinsurance agreement with ILS. This agreement provides 100% quota share reinsurance to QBEUK in respect of the Chestnut Portfolio (the “Chestnut LPTA”).

I refer to the combination of the Autumn LPTA, the Retrocession Agreement and the Chestnut LPTA as “the LPTAs”.

ILS is a segregated accounts insurance company based in Bermuda. Under this structure it operates a number of cells, where the assets of a cell can only be used to meet the liabilities of that cell. The LPTAs have been put in place between QBEUK and Cell G of ILS.

Purpose of the Scheme

The purpose of the Scheme is to transfer the legal obligations relating to the Transferring Portfolio from QBEUK to EWICL.

The purpose of the LPTAs and the resulting Scheme from QBEUK’s perspective is to dispose of a non-core legacy portfolio. I understand from EWICL that it intends to fulfil its contractual obligations in an orderly run-off and, in the process, hopes to make a saving on the current reserves.

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 EWICL and the policyholders remaining within QBEUK 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 QBEUK or EWICL.

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 Portfolio

The policyholders in the Transferring Portfolio currently benefit from an excess of loss reinsurance programme. Following the Scheme, these policyholders would continue to benefit from this protection, although both QBEUK and EWICL have informed me that they do not expect any recoveries from this reinsurance.

The transferring policyholders currently benefit from the security of QBEUK as the insurer and TMR and Cell G of ILS as the reinsurers.

Should the Scheme become effective, the transferring policyholders would lose the protection of QBEUK, TMR and Cell G. As a result, the amount of funds that the transferring policyholders have access to would reduce in monetary terms following the Scheme.

However, they would gain the security associated with EWICL. As described in my Report, I am of the opinion that EWICL 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 EWICL. Note that this conclusion is predicated on the fact that the parent of EWICL will provide support to EWICL, should additional funds be required. Parental support is discussed further in my Report. However, even if EWICL was not able to receive additional funds from its parent, my view is that the likelihood of EWICL being unable to pay claims as they fall due is remote.

The transferring policyholders would benefit from the same legal protections in the event of wind-up of EWICL post-Scheme compared to the event of wind-up of QBEUK 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, even though the monetary value of the funds that the Transferring Policyholders will have access to will reduce, 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. As above please note that this conclusion is

predicated on the fact that the parent of EWICL will provide support to EWICL, should additional funds be required. However, even if EWICL was not able to receive additional funds from its parent, my view is that the likelihood of EWICL being unable to pay claims as they fall due is remote.

Policyholders remaining in QBEUK

With respect to the policyholders remaining in QBEUK, I do not expect any material adverse impact on policyholder security as a result of the Scheme (including under insolvency) as the Transferring Portfolio is immaterial in the context of QBEUK's overall business. These policyholders are remaining in a company that I believe has a sufficient level of capital in order to meet policyholder obligations.

Existing policyholders of EWICL

EWICL's coverage of its SCR is expected to reduce as a result of the Scheme. However, EWICL will continue to have Own Funds in excess of the SCR and will continue to have enough capital to meet its capital target.

As discussed in my Report, I am of the opinion that EWICL 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 EWICL.

Therefore, my opinion is that the existing policyholders of EWICL 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; ongoing expenses; pension arrangements; tax; liquidity; 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 on the level of service, specifically claims handling and policy servicing as a result of the Scheme. 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 regulatory regime; complaints; 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?

The Transferring Portfolio does benefit from an excess of loss reinsurance programme that covers multiple areas of QBEUK's business. I understand from QBEUK that no recoveries in respect of the Transferring Portfolio have been made to date from that reinsurance. This reinsurance, which is set out in multiple contracts, is expected to transfer as part of the

Scheme, being shared between EWICL and QBEUK and will cover exactly the same risks as prior to the Scheme. Consequently, I do not expect that these reinsurers will be materially disadvantaged by the Scheme.

The reinsurance provided by TMR in respect of the Autumn Portfolio will not transfer along with the gross liabilities. TMR has been aware of the intention to transfer the liabilities to EWICL under the Scheme since the point at which it entered into this agreement. Consequently, I do not believe that there is a material risk that TMR will raise any valid objection to the Scheme.

The reinsurance provided to the Autumn Portfolio and the Chestnut Portfolio by Cell G of ILS will not transfer as part of the Scheme. When the LPTAs were put in place, it was always expected that these arrangements would be superseded by the Scheme and ILS was fully aware of this. Consequently, I do not believe that there is a material risk that Cell G will raise any objection to the Scheme.

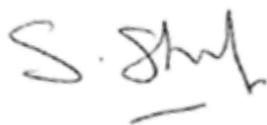
The coverage provided by the existing reinsurers of QBEUK will not change as a result of the Scheme.

There are no existing reinsurers of EWICL.

As a result, my opinion is that the Scheme will have no material adverse impact on the current reinsurers of the Transferring Portfolio. In addition, my opinion is that the Scheme will have no material adverse impact on the other existing reinsurers of QBEUK.

Overall conclusion

I have considered the Scheme and its likely effect on transferring policyholders, policyholders remaining within QBEUK, policyholders currently within EWICL and reinsurers. I do not expect any of these three groups of policyholders 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.



Simon Sheaf FIA, FSAI
Partner, Head of General Insurance Actuarial & Risk
Grant Thornton UK LLP

9 August 2019

APPENDIX

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

CR-2019-004895

IN THE MATTER OF

QBE UK LIMITED

AND

IN THE MATTER OF

EAST WEST INSURANCE COMPANY LIMITED

AND

IN THE MATTER OF

THE FINANCIAL SERVICES AND MARKETS ACT 2000

NOTICE IS HEREBY GIVEN that on 15 August 2019, QBE UK Limited (**QBEUK**) and East West Insurance Company Limited (**EWICL**, and QBEUK and EWICL together the **Applicants**) made an application (the **Application**) to the High Court of Justice (the **Court**) pursuant to section 107(1) of the Financial Services and Markets Act 2000 (**FSMA**) for an order:

- 1) under section 111 of FSMA sanctioning an insurance business transfer scheme for the transfer of certain insurance business of QBEUK (the **Scheme**), as outlined below, to EWICL; and
- 2) making ancillary provisions in connection with the Scheme pursuant to section 112 of FSMA.

The Scheme provides for the transfer to EWICL of the following general insurance business of QBEUK (the **Transferring Business**):

- (a) certain United Kingdom and Republic of Ireland employers' liability, public liability and general liability business, written or assumed by QBEUK and which incepted on or prior to 31 December 2007, subject to certain policies that are specifically excluded under the terms of the Scheme (the **Autumn Portfolio**);

- (b) UK employers' liability, motor and personal accident policies and global public and products liability policies written or assumed by QBEUK and issued to Tata Steel Europe Limited, which incepted on or after 1 January 1990 and expired on or prior to 31 March 2016 (the **Chestnut Portfolio**), subject to certain liabilities under policies comprised in the Chestnut Portfolio that are specifically excluded under the terms of the Scheme; and
- (c) outwards reinsurance agreements entered into by QBEUK relating to the Autumn Portfolio.

Copies of a report on the terms of the Scheme prepared pursuant to section 109 of FSMA (the **Independent Expert Report**), a statement setting out the terms of the Scheme and a summary of the Independent Expert Report are available free of charge to download at the QBEUK website (<https://qbeeurope.com/qbeuk-ewicl-part-vii-information/>) and EWICL website (www.armorholdings.com/regulatory-and-statutory) Supporting documents and any further news about the Scheme will be posted on the webpage so you may wish to check for updates. You can also request free copies of any of these documents from QBEUK by writing to QBE, Plantation Place, 30 Fenchurch Street, London, EC3M 3BD clearly marking on the front reference 'Project Fall Part VII Transfer', calling the QBEUK contact centre on 0800 022 4027 (if calling from the UK), 1800800817 (if calling from the Republic of Ireland) or +44 203 465 3337 (if calling from elsewhere) which is open on Monday to Friday during usual business hours (09:00-17:00 (UK)), or emailing qbeuk-ewicl-pvii@uk.qbe.com, or from EWICL by writing to East West Insurance Company Limited, 20 Old Broad Street, London, EC2N 1DP clearly marking on the front reference 'Project Fall Part VII Transfer', calling the EWICL contact centre on 0800 470 0437 which is open on Monday to Friday during usual business hours (09:00-17:00 (UK)), or emailing ewicl-transfer@armourrisk.com.

The Application is directed to be heard before a judge on 29 November 2019 at The Rolls Building, Fetter Lane, London, EC4A 1NL, United Kingdom. If approved by the Court, it is proposed that the transfer will take effect at 00:01 (GMT) on 4 December 2019.

Any person who believes that he or she would be adversely affected by the carrying out of the Scheme is entitled to make written representations to the Court and/ or have their concerns heard in person (or by a legal representative) at the hearing of the Application on 29 November 2019. Any such person may also raise their concerns with QBEUK or EWICL in writing or over the telephone and QBEUK or EWICL as applicable will make a record of these concerns and communicate them to the Prudential Regulation Authority, the Financial Conduct Authority, the Independent Expert and the Court.

Any person who intends to make representations (whether by telephone or in writing) or to appear at Court is requested (but not obliged) to provide details of their representations or notice of their intention to appear at Court and details of their concerns as soon as possible and ideally at least 15 days before the hearing of the Application on 29 November 2019 using the contact details set out above.

Dated: 22 August 2019

Reynolds Porter Chamberlain LLP

Tower Bridge House, St Katharine's Way, London E1W 1AA, United Kingdom

Ref: QBE4.59/AP02/MG02

Solicitors for the Applicants