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Summary of the Independent Expert's Report on the Proposed Transfer of a Portfolio of Policies from The Britannia Steam Ship Insurance Association Limited to The Britannia Steam Ship Insurance Association Europe

About the independent expert

My name is Simon Sheaf and I am a Partner and Head of General Insurance Actuarial and Risk at Grant Thornton UK LLP. I am a Fellow of the Institute and Faculty of Actuaries. I have nearly 30 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 The Britannia Steam Ship Insurance Association Limited ("BSIAL") and The Britannia Steam Ship Insurance Association Europe ("BSIAE") to be the Independent Expert reporting on the proposed insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 ("the Act") to transfer a portfolio of policies from BSIAL to BSIAE ("the Scheme") on 20 February 2021 ("the Initial Effective Date" of 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://britanniapandi.com/part-vii-transfer/>.
- By emailing BritanniaPartVII@tindallriley.com
- By writing to Tindall Riley (Britannia) Limited, Regis House, 45 King William Street, London EC4R 9AN (fao James Young – Company Secretary).

Purpose of the Scheme

BSIAL is a UK-regulated mutual P&I club which writes business worldwide, including through BSIAL's three branches in Japan, Hong Kong and Singapore (collectively "BSIAL's Branches"), and has a significant portion of its tonnage in the EEA. Under its current authorisations, BSIAL is permitted to sell and administer general insurance contracts to EEA policyholders through its EEA Passporting Rights. However, BSIAL's EEA Passporting Rights may no longer exist following the current transition period in respect of the UK's withdrawal from the European Union ("Brexit Transition Period"). BSIAL is therefore seeking to transfer its insurance business to another entity within the same corporate group ("the Britannia Group") that will have the appropriate permissions to transact this business after the end of the Brexit Transition Period.

The proposed Scheme relates to the complete transfer to BSIAE of all existing policyholders of BSIAL (“the Transferring Portfolio”). As a result, BSIAL will have no policyholders remaining after the Scheme.

BSIAE is a recently established insurer domiciled in Luxembourg and is not expected to have any policyholders prior to the Scheme. It has already established a UK branch (“BSIAE’s UK Branch”) and is currently in the process of seeking approval to establish branches in Japan, Hong Kong and Singapore (collectively “BSIAE’s Branches”).

I understand from BSIAL that it is required by local regulators in Singapore and Hong Kong to carry out separate insurance business transfer schemes, collectively “the Branch Schemes”, in respect of the business written by BSIAL in these territories, as the Scheme is not recognised in those jurisdictions.

I further understand from BSIAL that the intention is that BSIAE’s Branches will be approved ahead of the Initial Effective Date and that business currently underwritten by BSIAL’s Branches will transfer to BSIAE, to be allocated to and serviced by BSIAE’s Branches, on this date. However, there is a possibility that one or more of BSIAE’s Branches will not be approved or that one or more of the Branch Schemes have not been sanctioned by the Initial Effective Date. If this is the case, the business in the affected branch or branches will still form part of the Scheme but will be transferred at a later date. I therefore refer to the dates on which the respective subsets of the Branch Business will be transferred to BSIAE as “the Japan Branch Transfer Date”, “the Hong Kong Branch Transfer Date” and “the Singapore Branch Transfer Date”, respectively.

The business written by BSIAL’s Branches will form part of the Scheme provided that the Japan Branch Transfer Date, the Hong Kong Branch Transfer Date and the Singapore Branch Transfer Date all fall prior to 20 February 2022, “the Longstop Date”.

The purpose of the Scheme is to transfer the legal obligations relating to the Transferring Portfolio from BSIAL to BSIAE, while retaining the transferring business within the Britannia Group. Following the Scheme, BSIAL will seek to have its permissions removed. As a result, all insurance business will continue to be carried out by one entity.

Who will be affected by the Scheme?

The policyholders affected by the Scheme are those within the Transferring Portfolio, as BSIAL will have no policyholders following the Scheme and BSIAE is not expected to have any policyholders prior to the Scheme, although I understand from BSIAL that, on the Initial Effective Date of the Scheme, BSIAE will write a large number of policies, as this will be the renewal date for BSIAL’s current membership.

I am not required to consider the impact of the Scheme on any policyholder that subsequently takes out a policy with either BSIAL or BSIAE.

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.

Scope of the Scheme

The Transferring Portfolio consists of the following subsets of business:

- Business underwritten by BSIAL’s Japan branch on or before the Japan Branch Transfer Date, referred to as “the Japan Branch Business”
- Business underwritten by BSIAL’s Hong Kong branch on or before the Hong Kong Branch Transfer Date, referred to as “the Hong Kong Branch Business”
- Business underwritten by BSIAL’s Singapore branch on or before the Singapore Branch Transfer Date, referred to as the “Singapore Branch Business”
- All other business underwritten by BSIAL on or before the Initial Effective Date, referred to as the “Non-Branch Business”

The Transferring Portfolio will be transferred to BSIAE as follows:

- the Japan Branch Business will transfer to BSIAE and be allocated to BSIAE’s Japan branch on the Japan Branch Transfer Date
- the Hong Kong Branch Business will transfer to BSIAE and be allocated to BSIAE’s Hong Kong branch on the Hong Kong Branch Transfer Date

- the Singapore Branch Business will transfer to BSIAE and be allocated to BSIAE's Singapore branch on the Singapore Branch Transfer Date
- The Non-Branch Business will transfer to BSIAE and be allocated to BSIAE's UK Branch on the Initial Effective Date.

Any new business underwritten by the Britannia Group following the Scheme will be underwritten by BSIAE in accordance with the approach described above for the Transferring Portfolio. For example, any business which would historically have been written by BSIAL's Japan branch will instead be written by BSIAE's Japan branch following the Japan Branch Transfer Date.

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.

Impact of COVID-19

My analysis has included allowing for the impact of COVID-19. While I have relied on estimates calculated by BSIAL I have reviewed these estimates and I have carried out my own calculations where I have deemed this appropriate for my own analysis. The Britannia Group has allowed for the impact of COVID-19 on both a best estimate basis and under a 'worst case' scenario and I consider its approach to this to be reasonable. I have also considered the impact of a more pessimistic modelling of the 'worst case' impact of COVID 19 on the Britannia Group.

My opinion is that I consider that BSIAL, BSIAE and the Britannia Group will have access to sufficient assets to meet their liabilities, following a pessimistic 'worst case' impact of the COVID-19 global pandemic.

Will the Scheme impact the security of the policyholders?

Transferring Portfolio – Non-Branch Business

My opinion is that I do not expect the security of the transferring policyholders in the Non-Branch Business to be materially adversely affected by the Scheme, including under insolvency, for the following reasons:

- The overall solvency position of the Britannia Group will remain materially unchanged by the Scheme. As the Non-Branch Business is remaining within the Britannia Group, it will continue to benefit from the security and considerable capital resources of the Britannia Group as a whole. This is evidenced by my analysis and testing in my Report.
- Regardless of when BSIAE's Branches are approved, I am of the opinion that BSIAE will be sufficiently capitalised to meet policyholder obligations over the course of the run-off of the Non-Branch Business. Any reduction in solvency experienced as a result of delays in the approval of BSIAE's Branches is only expected to be in place for a temporary period of up to 12 months, ahead of the Longstop Date, and is not expected to materially impact the likelihood of BSIAE being unable to meet its obligations. This opinion is based on my analysis of the solvency position of BSIAE before and after the Scheme in my Report.
- The Non-Branch Business will maintain the same reinsurance protections as it currently does prior to the Scheme
- I do not expect the Scheme to have a material impact on transferring policyholders in the event of the insolvency of BSIAE post-Scheme for the reasons discussed in my Report
- I do not expect the Scheme to have a material impact on transferring policyholders in respect of access to the FSCS for the reasons discussed in my Report

Transferring Portfolio – Branch Business

If the Japan Branch Business, Hong Kong Branch Business or Singapore Branch Business transfers on the Initial Effective Date

In any of these scenarios, these policyholders will be subject to the same level of security as the Non-Branch Business. Therefore, I am of the opinion that the Scheme would not have a material adverse impact on the security of these policyholders, for the reasons given in the 'Non-Branch Business' subsection above.

If the Japan Branch Transfer Date falls after the Initial Effective Date

In these circumstances, my opinion is that the Scheme will not have a material adverse impact on the security of the policyholders in the Japan Branch Business who would remain in BSIAL temporarily, including under insolvency, for the following reasons:

- BSIAL's solvency position is expected to remain high at the Initial Effective Date
- BSIAL's Japan Branch holds assets locally to support the business within the branch, as is required by local regulation
- The Japan Branch Business will maintain the same reinsurance protection as it currently does prior to the Initial Effective Date and will do so following the Scheme
- BSIAL is a long-established reputable P&I club and the Britannia Group's intention is to transfer the entirety of the business to BSIAE. It has confirmed to me that its intention is not to leave any group of policyholders in BSIAL. As a result, my expectation is that it will continue to support these policyholders should funds be required.
- In the event that BSIAL experiences issues in respect of its regulatory capital requirement and this also has an impact on the Britannia Group's regulatory capital requirement, the Britannia Group will be provided with top-up funds from one of its dedicated reinsurers, to ensure it is able to meet its regulatory capital requirement. I understand from the Britannia Group that, in this scenario, it would provide funds to BSIAL, to ensure that the regulatory requirements of BSIAL could also be met.
- In the event that BSIAL experiences issues in respect of its regulatory capital requirement and this does not have a corresponding impact on the Britannia Group's regulatory capital requirement, I understand from the Britannia Group that, in this scenario, the reinsurance subsidiary of BSIAE would redistribute funds to BSIAL, via Britannia Holdings, to ensure that the regulatory requirements of BSIAL could be met.
- These policyholders will remain subject to the same regulations in the event of BSIAL being wound-up during the temporary period as they would have been pre-Scheme
- Policyholder rights in respect of the FSCS in the event of the insolvency of BSIAL during the temporary period will be identical to their rights in the event of the insolvency of BSIAL pre-Scheme
- Once the Japan Branch Business has transferred to BSIAE, these policyholders will be subject to the same level of security as the Non-Branch Business, at which point I am of the opinion that the Scheme would not have a material adverse impact on the security of these policyholders, for the reasons given in the 'Non-Branch Business' subsection above.

If the Hong Kong Branch Transfer Date falls after the Initial Effective Date

If the Hong Kong Branch Business were to remain in BSIAL temporarily, my analysis suggests that BSIAL's solvency position is expected to remain high at the Initial Effective Date.

In my opinion the Scheme will not have a material adverse impact on the security of the policyholders remaining in BSIAL temporarily, including under insolvency, for analogous reasons to those given in the 'If the Japan Branch Transfer Date falls after the Initial Effective Date' subsection above.

If the Singapore Branch Transfer Date falls after the Initial Effective Date

If the Singapore Branch Business were to remain in BSIAL temporarily, my analysis suggests that BSIAL's solvency position is expected to remain high at the Initial Effective Date.

In my opinion the Scheme will not have a material adverse impact on the security of the policyholders remaining in BSIAL temporarily, including under insolvency, for analogous reasons to those given in the 'If the Japan Branch Transfer Date falls after the Initial Effective Date' subsection above.

What are the other financial impacts of the Scheme?

In addition, in my Report I have considered the impact of the Scheme on each of investment strategy; liquidity position; ongoing expenses; pension arrangements; tax; 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 policyholders within the Transferring Portfolio.

What is the non-financial impact of the Scheme?

In my Report, I have considered the impact of any changes as a result of the Scheme to each of regulatory jurisdiction; claims handling and policy administration; complaints; 'Brexit'; the Employers' Liability Tracing Office, recognition of the Scheme in other jurisdictions; governance and management frameworks; a recent court ruling in respect of another proposed transfer; the

non-financial impact of COVID-19; the impact on policyholders should the scheme not become effective; the impact should BSIAE's application to convert its UK Branch into a third country branch following the Scheme not be successful; and the impact if one or more of BSIAE's Branches are not approved before the Longstop Date or if one or both of the Branch Schemes are not approved before the Initial Effective Date. I do not identify any changes as a result of the Scheme in any of these areas that would cause any material adverse impact on policyholders.

Will the Scheme impact members' proprietary rights?

BSIAL is a mutual association, and therefore is wholly owned by its members. BSIAL's membership is comprised of the following groups:

- External members:
 - every person whose application to enter a ship for insurance has been accepted
 - every person whose application for reinsurance has been accepted
- Internal members:
 - Current directors of BSIAL
 - Britannia Holdings

As part of the Scheme, all renewing external members of BSIAL will become external members of BSIAE.

BSIAE is not expected to have any external members prior to the Scheme, nor any internal members which differ from the current internal membership of BSIAL, and therefore I have not needed to consider the impact of the Scheme on the existing members of BSIAE.

I have reviewed the conditions for being accepted as a member in the respective Articles of Association of each of BSIAL and BSIAE and they are, in essence, the same, although I understand from the Britannia Group that there have been some minor changes to the Articles of Association in order to comply with Luxembourg law. I do not consider that these changes are expected to have a material adverse impact on the members' proprietary rights.

As a result, my opinion is that the Scheme will have no material adverse impact on the proprietary rights of the current members of BSIAL.

Will the Scheme impact reinsurers?

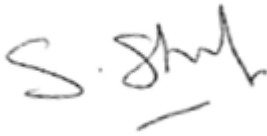
The reinsurance cover that currently exists for BSIAL will apply to BSIAE following the Scheme. Since that reinsurance will be covering the same set of policyholders before and after the Scheme, this will not create any additional exposure for any of the transferring reinsurers compared to the position if the Scheme does not proceed.

I understand from the Britannia Group that existing reinsurance contracts are going to be revised, with effect from the Initial Effective Date, such that covers will apply in aggregate to both BSIAL and BSIAE, to the extent that the wording of the reinsurance contracts does not already provide for this. This will ensure that business written by BSIAL's Branches which remains temporarily in BSIAL will benefit from the same reinsurance protection, during this period, as those policies which have already transferred. However, this will not create any additional exposure for any of the transferring reinsurers compared to the position if the Scheme does not proceed.

As a result, my opinion is that the Scheme will have no material adverse impact on the transferring reinsurers.

Overall conclusion

I have considered the Scheme and its likely effect on transferring policyholders and reinsurers. I do not expect any group of policyholders or reinsurers to be materially adversely affected by the Scheme and therefore I see no reason why the Scheme should not proceed.



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16 September 2020