



Supplementary Report by Simon Sheaf FIA, Independent Expert, 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

15 January 2021



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1 Introduction

- 1.1 The Britannia Steam Ship Insurance Association Limited (“BSIAL”) and The Britannia Steam Ship Insurance Association Europe (“BSIAE”) have jointly nominated Simon Sheaf (“I” or “me”) of Grant Thornton UK LLP (“Grant Thornton”, “we” or “us”) to act as the Independent Expert for the proposed insurance business transfer of a portfolio of insurance business from BSIAL to BSIAE (“the Scheme”). This nomination has been approved by the PRA in consultation with the FCA. The Scheme is intended to be effected on 20 February 2021 (“the Initial Effective Date”).

Scope of this report

- 1.2 I prepared a report for the High Court of Justice, England and Wales (“the Court”) dated 16 September 2020 and entitled “Report by Simon Sheaf FIA, Independent Expert, 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”. The Report sets out my considerations as to the likely effects of the proposed Scheme on the affected policyholders. This included my assessment as to whether the Scheme will result in material detriment to any policyholders affected by the Scheme relative to their current situation.
- 1.3 The conclusions within the Report were based on financial information as at 20 February 2020 and other information available to me when I prepared the Report. Since submitting the Report to the Court, I have been provided with more recent information. A list of the additional information that I have been provided with is contained within Appendix A.
- 1.4 This report (“the Supplementary Report”) provides an update to the conclusions I set out in the Report in light of this additional information. It also considers any other changes that have occurred since the Report was submitted and provides an update to the conclusions set out in the Report in light of those changes. In addition, this report also provides my opinion on the communications received in respect of the Scheme from policyholders and other interested parties of BSIAL and BSIAE.
- 1.5 I am not aware of any further matters not discussed in this report that have the potential to change the conclusions in the Report.

Layout of this report

- 1.6 This report is structured as follows:
- This section sets out an introduction to the Scheme and to this report
 - Section 2 is an executive summary, which summarises the Scheme and the various analyses conducted and describes my conclusion
 - Section 3 sets out significant changes to each of BSIAL and BSIAE since the Report, along with any relevant developments external to BSIAL and BSIAE
 - Section 4 describes the work that I have carried out to review my conclusions in respect of the claims reserves for BSIAL and BSIAE
 - Section 5 describes the work that I have carried out to review my conclusions in respect of the capital requirements of BSIAL and BSIAE
 - Section 6 describes the work that I have carried out to review my conclusions in respect of policyholder security, including under insolvency
 - Section 7 describes the work that I have carried out to review my conclusions in respect of my assessment of other financial considerations

- Section 8 describes the work that I have carried out to review my conclusions in respect of my assessment of other non-financial considerations
- Section 9 describes the work I have done to consider the communications process
- Section 10 sets out my conclusions on the Scheme.

Independence

- 1.7 I have no financial interest in, nor have I previously advised in a professional capacity, BSIAL, BSIAE or the group of companies to which BSIAL and BSIAE belong (“the Britannia Group”).
- 1.8 I do not believe that any of my previous professional assignments impair my independence to act as the Independent Expert in relation to the Scheme.

Use of this report

- 1.9 This Supplementary Report should be read in conjunction with the Report as reading this report in isolation may be misleading. In particular, this report has an analogous scope and is subject to the same reliances and limitations and restrictions on distribution and use as the Report. All abbreviations and technical terms used in this Supplementary Report have the same meaning as in the Report.
- 1.10 This report is provided for the use of the Court, the BSIAL Board, the BSIAE Board, BSIAL’s policyholders, the PRA, the FCA, the CAA and any other relevant regulator for the sole purpose of considering the impact of the Scheme on the affected policyholders.
- 1.11 Copies of the final version of this report may be made available for inspection by policyholders and copies may be provided to any person requesting the same in accordance with legal requirements. The final version of this report may also be made available on websites hosted by or on behalf of BSIAE and BSIAL in connection with the Scheme.
- 1.12 However, notwithstanding the above, Grant Thornton does not accept any liability to any party other than BSIAL, BSIAE, or the Court, who chooses to act on the basis of any of the reports we have issued in connection with the Scheme.
- 1.13 Judgments about the conclusions drawn in this report should only be made after considering the report in its entirety as any part or parts read in isolation may be misleading.
- 1.14 The underlying figures in this report are calculated to many decimal places. In the presentation of the figures in the various tables, there may be reconciliation differences due to the effect of rounding.
- 1.15 The figures used throughout this report are shown in United States Dollars (“USD”). All of the information provided to me in respect of both BSIAL and BSIAE has been presented in USD.

Professional Guidance

- 1.16 As an Independent Expert reporting to the Court, I am required to act in accordance with Part 35 of the Civil Procedure Rules, Practice Direction 35 and the Guidance for the Instruction of Experts in Civil Claims. Accordingly, this report is prepared for the assistance of the Court and I confirm that I understand my duty to the Court and have complied with that duty.

- 1.17 This report has been prepared under the terms of the Statement of Policy produced by the PRA in April 2015, namely "The Prudential Regulation Authority's approach to insurance business transfers" and the guidance set out in Chapter 18 of the Supervision Manual ("SUP18") contained in the FCA Handbook of Rules and Guidance to cover scheme reports on the transfer of insurance business. In addition, this report has been prepared in accordance with the FCA's guidance paper, entitled "The FCA's approach to the review of Part VII insurance business transfers".
- 1.18 In my opinion, this report has been produced in line with the requirements of the Technical Actuarial Standards ("TASs") issued by the Financial Reporting Council ("FRC"). In particular, this report has been prepared in accordance with TAS 100: Principles of Technical Actuarial Work and TAS 200: Insurance.
- 1.19 This report has also been produced in line with the requirements of APS X3: The Actuary as an Expert in Legal Proceedings, issued by the IFoA.
- 1.20 In addition, this report has been internally peer reviewed in line with the requirements of APS X2: Review of Actuarial Work, issued by the IFoA.
- 1.21 I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions that I have expressed and conclusions that I have drawn represent my true and complete professional opinions on the matters to which they refer. I understand that proceedings for contempt of court may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief in its truth.

2 Executive Summary

My approach

- 2.1 In preparing this report, I have considered relevant events and experience since completing the Report and their impact on the conclusions set out in the Report. In particular, I have sought to:
- Understand changes to BSIAL and BSIAE since the Report, both financial and non-financial
 - Understand the impact of changes in the external environment on BSIAL and BSIAE
 - Consider the implications of these changes on the level of security provided to the affected policyholders
 - Consider the potential impact of changes since the Report on levels of customer service
 - Consider the changes in other factors that might affect policyholders since the Report
 - Consider the implication of changes since the Report on the proprietary rights of existing members of BSIAL
 - Consider the implication of changes since the Report on any reinsurers transferring as a result of the Scheme.
- 2.2 Since the Report was issued, I have been provided with high-level financial information as at 20 August 2020 for the Britannia Group, as well as an update on claims arising in relation to COVID 19 as at 20 November 2020. In addition, I have held discussions with BSIAL and BSIAE and been provided with confirmation from them of the changes in respect of financial and non-financial factors relating to BSIAL and BSIAE.
- 2.3 I have also considered the correspondence with policyholders and third parties that has taken place in connection with the Scheme and the responses received up to 15 January 2021.

Findings

- 2.4 The findings set out in this report are summarised in this section. The detailed explanation behind these conclusions follows in the body of this report and within the Report.
- 2.5 As a result of developments since completing the Report, I have identified an additional group of policyholders within the Transferring Portfolio which may be impacted by the Scheme. This group is a subset of the Non-Branch Business, comprised of all non-UK EEA-flagged risks. This group of policyholders, as well as the corresponding subset of BSIAL's business, are referred to interchangeably as "the EEA Business" in this report. The remainder of the Non-Branch Business is referred to as "the Remaining Non-Branch Business" in this report.

Policyholder security

Remaining Non-Branch Business

- 2.6 With respect to the Remaining Non-Branch policyholders, I do not expect any material adverse impact on policyholder security, including under insolvency, as a result of the Scheme. These policyholders would be moving to a company that I consider to have a sufficient level of capital in order to meet policyholder obligations.

- 2.7 Note that this conclusion extends to the scenario in which one or more of BSIAE's Branches are not approved before the Initial Effective Date, and therefore a subset of the Branch Business remains in BSIAL temporarily. It also extends to the scenario in which one or more of BSIAE's Branches are not approved before the Longstop Date, and therefore a subset of the Branch Business does not transfer under the Scheme.

EEA Business

- 2.8 With respect to the EEA Business policyholders, I do not expect any material adverse impact on policyholder security, including under insolvency, as a result of the Scheme. These policyholders would be moving to a company that I consider to have a sufficient level of capital in order to meet policyholder obligations.
- 2.9 Note that this conclusion extends to the scenario in which one or more of BSIAE's Branches are not approved before the Initial Effective Date, and therefore a subset of the Branch Business remains in BSIAL temporarily. It also extends to the scenario in which one or more of BSIAE's Branches are not approved before the Longstop Date, and therefore a subset of the Branch Business does not transfer under the Scheme.

Japan Branch Business

- 2.10 With respect to the Japan Branch policyholders, I do not expect any material adverse impact on policyholder security, including under insolvency, as a result of the Scheme. These policyholders would be moving to, or remaining in, a company that I consider to have a sufficient level of capital in order to meet policyholder obligations.
- 2.11 Note that this conclusion extends to the scenario in which one or more of BSIAE's Branches are not approved before the Initial Effective Date, and therefore a subset of the Branch Business remains in BSIAL temporarily. It also extends to the scenario in which one or more of BSIAE's Branches are not approved before the Longstop Date, and therefore a subset of the Branch Business does not transfer under the Scheme.

Hong Kong Branch Business

- 2.12 With respect to the Hong Kong Branch policyholders, I do not expect any material adverse impact on policyholder security, including under insolvency, as a result of the Scheme. These policyholders would be moving to, or remaining in, a company that I consider to have a sufficient level of capital in order to meet policyholder obligations.
- 2.13 Note that this conclusion extends to the scenario in which one or more of BSIAE's Branches are not approved before the Initial Effective Date, and therefore a subset of the Branch Business remains in BSIAL temporarily. It also extends to the scenario in which one or more of BSIAE's Branches are not approved before the Longstop Date, and therefore a subset of the Branch Business does not transfer under the Scheme.

Singapore Branch Business

- 2.14 With respect to the Singapore Branch policyholders, I do not expect any material adverse impact on policyholder security, including under insolvency, as a result of the Scheme. These policyholders would be moving to, or remaining in, a company that I consider to have a sufficient level of capital in order to meet policyholder obligations.

- 2.15 Note that this conclusion extends to the scenario in which one or more of BSIAE's Branches are not approved before the Initial Effective Date, and therefore a subset of the Branch Business remains in BSIAL temporarily. It also extends to the scenario in which one or more of BSIAE's Branches are not approved before the Longstop Date, and therefore a subset of the Branch Business does not transfer under the Scheme.

Levels of service

- 2.16 I do not anticipate any material changes to the level of service provided to any of the groups of policyholders following the Scheme.
- 2.17 Note that this conclusion extends to the scenario in which one or more of BSIAE's Branches are not approved before the Initial Effective Date, and therefore a subset of the Branch Business remains in BSIAL temporarily. It also extends to the scenario in which one or more of BSIAE's Branches are not approved before the Longstop Date, and therefore a subset of the Branch Business does not transfer under the Scheme.

Other financial and non-financial considerations

- 2.18 I do not expect any material adverse impact to any group of policyholders following the Scheme as a result of the other financial and non-financial factors considered.
- 2.19 The other financial factors that I have considered are:
- Investment strategy
 - Liquidity position
 - Implications of the Scheme on ongoing expense levels
 - Pension arrangements
 - Tax implications
 - Impact of new business strategy
 - Impact of other transfers
 - Financial impact of COVID 19
- 2.20 The other non-financial factors that I have considered are:
- Regulatory jurisdiction
 - Claims handling
 - Policy administration
 - Complaints
 - Impact of EU referendum ("Brexit")
 - Employers' Liability Tracing Office ("ELTO")
 - Recognition of the Scheme in other jurisdictions
 - Governance and management framework
 - Ruling of Mr Justice Snowden on the proposed Part VII transfer of a book of in-payment annuities from The Prudential Assurance Company Limited to Rothesay Life Plc and the appeal against that ruling
 - Non-financial impact of COVID 19

- The impact of the Scheme on members' proprietary rights
- The impact on policyholders should the Scheme not become effective
- The impact on policyholders should BSIAE's application to convert its UK Branch into a third country branch following the Scheme not be successful
- The impact on policyholders 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.

Impact on transferring reinsurers

- 2.21 I have not identified any reinsurers transferring from BSIAL to BSIAE that would be materially adversely affected by the Scheme.

Conclusion

- 2.22 I conclude that 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.

3 Business developments

BSIAL

- 3.1 At the time of writing the Report, BSIAL was in the process of establishing new reinsurance agreements with Hydra, Boudicca and USMIA, to come into effect at the Initial Effective Date. I understand from BSIAL that, at the time of this report, the reinsurance agreements with Boudicca and USMIA have been agreed “in principle”, with minor amendments to the wording still to be made, but that BSIAL does not anticipate any problems with finalising these agreements ahead of the Initial Effective Date. I also understand that a new Hydra reinsurance agreement with the members of the IG, which will include BSIAE, will take effect from the Initial Effective Date.
- 3.2 As discussed in paragraph 3.7 of the Report, BSIAL was also seeking approval of two Branch Schemes. These are insurance business transfer schemes, independent of the Scheme, which are required by the local regulators in Singapore and Hong Kong to ensure that BSIAL is able to transfer the Branch Business into the respective BSIAE Branches within these territories. I understand from BSIAL that it is still expecting both Schemes to be approved ahead of the Initial Effective Date. As such, I am not aware of any developments in relation to the Branch Schemes that impact on my conclusions in the Report.

Other developments

- 3.3 I understand from BSIAL that there have been no other material changes in its business since the Report was issued.

BSIAE

- 3.4 As discussed in paragraph 5.6 of the Report, BSIAE’s UK Branch was initially established under EEA passporting rights, and BSIAE’s intention is for this to become a third country branch following the Transition Period. At the time of this report, we have only recently exited the Transition Period and, as a result, BSIAE has not yet applied for BSIAE’s UK Branch to become a third country branch. Consequently, there have been no developments with respect to BSIAE’s UK Branch that give me reason to change my conclusions in the Report.
- 3.5 At the time of writing the Report, BSIAE was also in the process of seeking approval to establish BSIAE’s Branches in Japan, Hong Kong and Singapore and, at the time of writing the Report, it was considered unlikely that BSIAE’s Japan Branch would be approved ahead of the Initial Effective Date. At the time of this report, I understand from BSIAE that all three branch applications have now been submitted to the respective regulators, and that receipt of the required information has been acknowledged. I further understand that the expectations around the approval of BSIAE’s Branches remain consistent with those set out in the Report, in that BSIAE expects to receive approval for the Hong Kong and Singapore Branches ahead of the Initial Effective Date, but that it expects BSIAE’s Japan Branch to be approved at a later date, between the Initial Effective Date and the Longstop Date. In particular, the Hong Kong Branch and Singapore Branch have now received “in-principle” approval, and the Japanese regulator has communicated that it expects to grant approval by the end of 2021. As such, I am comfortable that the latest developments with respect to BSIAE’s branch applications do not give me any reason to change my conclusions in the Report.
- 3.6 In response to discussions with the CAA, I understand from BSIAE that it intends to change the transfer structure set out in paragraph 5.28 of the Report. In particular, the Non-Branch Business will now be subdivided into two tranches, and transferred to BSIAE as follows:
- The EEA Business, which will transfer to BSIAE and be allocated directly to BSIAE on the Initial Effective Date
 - The Remaining Non-Branch Business, which will transfer to BSIAE and be allocated to BSIAE’s UK Branch on the Initial Effective Date.

- 3.7 Note that the treatment of the Remaining Non-Branch Business remains in line with the arrangement described in the Report and, as such, my conclusions with respect to the impact of the Scheme on this subset of the Transferring Portfolio remain consistent with the conclusions I set out in the Report, unless otherwise indicated in this report.
- 3.8 As a result of the change in the Scheme described above, the EEA Business is being treated differently in some respects on transfer to any of the four groups of policyholders that I described in paragraph 2.25 of the Report, and considered throughout, the Report. As such, I have considered it necessary to treat the EEA Business as a fifth, distinct, group of policyholders within this report, and to revisit the conclusions in the Report in order to explain where these do, or do not, hold for the EEA Business. I have revisited these conclusions in paragraphs 6.9, 7.6 to 7.7, 8.21 to 8.27 and 10.4 to 10.5.

Other developments

- 3.9 I understand from BSIAE that there have been no other material changes in its business since the Report was issued.

Brexit

- 3.10 At the time of writing the Report, the UK was no longer a member of the EU and had entered into a Transition Period during which EU rules and permissions will continue to apply in the UK. The Transition Period ended on 31 December 2020. At the time of this report, the Transition Period has ended and a trade deal has been agreed between the UK and the EU. However, it is not yet clear how this trade deal will impact the insurance industry. Discussions between the UK and the EU regarding the specifics of the deal and the impact on the financial services sector, including the insurance sector, are still ongoing and the outcome of these discussions continues to remain highly uncertain.
- 3.11 As discussed in paragraph 5.4 of the Report, BSIAL has communicated with regulators in the EEA countries in which it has policyholders to establish the position as to any transition provisions which could be relevant to the servicing of policies between the end of the Transition Period and the Initial Effective Date. I understand from BSIAL that it has not yet been able to confirm the existence of any transition provisions which would be in effect during this period, but that it continues to review and monitor the position regarding transition provisions following 31 December 2020.
- 3.12 I further understand from BSIAL that it will continue to utilise its passporting rights until it can no longer do so. If a situation were to arise which required the servicing of an EEA policy prior to the Initial Effective Date and BSIAL's passporting rights were no longer valid, I understand from BSIAL that it would look to explore appropriate options at that point, including liaising with the relevant local regulator. I understand from BSIAL that it expects there to be relatively few scenarios in which this requirement would arise, and that it would expect there to be workarounds available in any such scenarios. I believe that BSIAL's plans to deal with the possible loss of passporting rights between the end of the Transition Period and the Initial Effective Date are appropriate and proportionate.
- 3.13 I am not aware of any developments in relation to Brexit that give me reason to change the conclusions in the Report.

COVID 19

- 3.14 At the time of the Report, COVID 19 had already had a considerable impact on the day-to-day operations and risk profiles of many businesses, and the possible financial and non-financial impacts of COVID 19 on the Scheme were considered throughout the Report. I discussed the capital implications of COVID 19 in paragraphs 8.41 to 8.44 and 8.66 to 8.70 of the Report.
- 3.15 I understand from the Britannia Group that it has allowed for its most up to date view of COVID 19 in its revised capital projections, which are shown in tables 5.4 and 5.6 of this report. I have also provided an updated view of BSIAL's claims experience in relation to COVID 19, in paragraph 4.16 of this report, and of the non-financial impact of COVID 19 on the Scheme, in paragraphs 8.17 to 8.20 of this report.
- 3.16 At the time of this report, a number of countries in Europe, including the UK, have entered a second wave of the pandemic. However, I have reviewed my analysis in the Report and I am not aware of any developments that would materially change my conclusions in the Report.

Other developments

BSIAE guarantee

- 3.17 I understand from the Britannia Group that BSIAL and BSIAE are in the process of establishing an agreement under which BSIAE will guarantee BSIAL's payment obligations to policyholders in respect of any policies which do not transfer to BSIAE on the Initial Effective Date, which will operate in perpetuity or until such a time as all policies have transferred to BSIAE. The Britannia Group has provided me with a draft deed of guarantee for this agreement.
- 3.18 Given my analysis in the Report of the financial strength of BSIAL and BSIAE following the Initial Effective Date, I consider it unlikely that this guarantee will need to be relied upon to ensure payment of any of BSIAL's policyholders. However, this guarantee serves to afford greater security to those policyholders which remain in BSIAL temporarily following the Initial Effective Date.
- 3.19 I am also comfortable that BSIAE would be in a position to fulfil its obligations under this guarantee, if necessary, without introducing a threat to the financial security of its own policyholders. This conclusion is based on the projected SCR coverage ratios and absolute levels of Eligible Own Funds of BSIAL and BSIAE following the Scheme in each permutation of the scenarios in which one or more of BSIAE's Branches are not approved by the Initial Effective Date, as set out in paragraph 8.103 of the Report, and further discussed in paragraphs 5.32 to 5.35 of this report.
- 3.20 For example, based on Table 8.5(a) of the Report, in the scenario in which the Japan Branch, which is the largest of BSIAE's Branches, is not approved by the Initial Effective Date, BSIAL would have Eligible Own Funds of \$16.6m compared to an SCR of \$8.1m, meaning that BSIAL would need to have exhausted funds of \$16.6m before requiring support from BSIAE. Given that BSIAL's SCR of \$8.1m represents a 1-in-200-year risk event, a loss of \$16.6m would represent a very low likelihood event. If this support were required, BSIAE would have \$231.4m of Eligible Own Funds in excess of its own SCR with which to meet the needs of BSIAL's policyholders. Given the absolute value of BSIAE's excess Own Funds compared to BSIAL's SCR, I am comfortable that BSIAE would be able to fulfil its obligations under the guarantee in this scenario without any material detriment to its own policyholders.
- 3.21 The other permutations of BSIAE's Branches not being approved result in BSIAL having a higher SCR coverage ratio following the Scheme than the scenario discussed in paragraph 3.20, and therefore I consider them to pose a lesser threat to the security of BSIAE's policyholders.

What if the CAA does not approve the recognition of unbudgeted supplementary calls on members as Eligible Own Funds?

- 3.22 As discussed in paragraphs 8.12 and 8.13 of the Report, the Britannia Group currently has regulatory approval to recognise unbudgeted supplementary calls on members as Tier 2 AOF under Solvency II. I understand from the Britannia Group that it has applied for approval from the CAA to recognise unbudgeted supplementary calls as Tier 2 capital following the Scheme but has not yet received a response from the regulator.
- 3.23 Should the CAA not approve the unbudgeted supplementary calls as Tier 2 capital, the projected SCR coverage ratios and absolute levels of Eligible Own Funds of BSIAE in each of the scenarios in which one or more of BSIAE's Branches are not approved by the Initial Effective Date would be reduced. However, in each of these scenarios BSIAE would still have an SCR coverage ratio of at least 199%, and Eligible Own Funds in excess of its SCR of at least \$141.0m.
- 3.24 Taking the example scenario discussed in paragraph 3.20, above, if the Japan Branch were not approved by the Initial Effective Date, BSIAE would have excess Eligible Own Funds of \$166.1m compared to BSIAL's SCR of \$8.1m. Given the absolute value of BSIAE's excess Own Funds compared to BSIAL's SCR, I am comfortable that BSIAE would still be able to fulfil its obligations under the guarantee in the scenario that the CAA does not approve the recognition of unbudgeted supplementary calls on members as Eligible Own Funds without any material detriment to its own policyholders.
- 3.25 As explained in paragraph 3.21, the other permutations of BSIAE's Branches not being approved result in BSIAL having a higher SCR coverage ratio following the Scheme than the scenario discussed in paragraph 3.24, and therefore I consider them to pose a lesser threat to the security of BSIAE's policyholders.
- 3.26 Therefore, I am comfortable that this agreement does not materially impact any of the conclusions I made in the Report.

Potential additional Independent Expert report

- 3.27 I understand from the Britannia Group that, following discussions held with the PRA and the FCA subsequent to the publication of the Report, there has been a change to the proposed process for the transfer of the Japan Branch Business to BSIAE. In particular if, as expected, the Japan Branch Business does not transfer on the Initial Effective Date, I understand from the Britannia Group that it will transfer the Japan Branch Business to BSIAE on the Longstop Date, and that it will apply to the Court for an order approving the transfer. This application will be accompanied by a report which I will provide, which will set out my considerations as to the likely effects of the proposed transfer of the Japan Branch Business on the affected policyholders. This report will be based on financial data as at a date no more than three months prior to the Longstop Date. I am comfortable that this development does not have any impact on the conclusions I made in the Report.

Other

- 3.28 I am not aware of any other market or financial developments since the date of the Report that would have an impact on my conclusions.

4 Claims reserves

Reserve strength of the Transferring Portfolio

Governance process

- 4.1 I understand from BSIAL that there have been no changes to the governance process surrounding the calculation and setting of reserves. In addition, I understand from BSIAL that the governance process that currently applies to BSIAL will apply to BSIAE following the Initial Effective Date. Further, in the event that one or more of the Japan Branch Transfer Date, the Hong Kong Branch Transfer Date and the Singapore Branch Transfer Date fall after the Initial Effective Date, I understand from BSIAL that the governance process that currently applies to BSIAL will continue to apply to BSIAL until the entirety of the Transferring Portfolio has transferred to BSIAE.

Process for setting reserves

- 4.2 I have been informed by BSIAL that there have not been any material changes to its processes for calculating its GAAP reserves and Solvency II technical provisions since the Report. In addition, as stated in paragraphs 7.46 and 7.68 of the Report, I understand from BSIAL and BSIAE that the processes used to calculate the GAAP reserves and Solvency II technical provisions for the Transferring Portfolio will not change following the Scheme, with the exception of the reclassification of Hydra as a third party reinsurer, which will no longer be required.

GAAP reserves

- 4.3 I have repeated below Table 7.1 of the Report, which showed the total GAAP claims reserves for the Transferring Portfolio as at 20 February 2020, both gross and net of reinsurance. The reserves ceded to each of Boudicca, the Britannia Group's Hydra cell and USMIA are shown separately.

Table 4.1: GAAP reserves for the Transferring Portfolio as at 20 February 2020

\$m	Gross of reinsurance	Ceded reserves				Net of reinsurance
		Boudicca	Hydra	USMIA	Other	
Total GAAP booked reserves	1,198.7	68.9	58.0	558.5	450.9	62.5

- 4.4 Tables 4.2 below is a repeat of Table 7.2 of the Report, and shows BSIAL's actuarial best estimate claims reserves, both gross and net of reinsurance, at 20 February 2020. The reserves ceded to each of Boudicca, the Britannia Group's Hydra cell and USMIA are shown separately.

Table 4.2: Actuarial best estimate claims reserves by reserving group for the Transferring Portfolio at 20 February 2020

\$m	Gross of reinsurance	Ceded reserves				Net of reinsurance
		Boudicca	Hydra	USMIA	Other	
P&I retention claims	655.8	50.4	5.4	243.2	329.8	27.0
Pool P&I claims	115.1	0.0	45.1	62.3	0.0	7.7
FD&D claims	9.0	0.0	0.0	7.8	0.3	0.9
Asbestos-related claims	48.1	0.0	0.0	43.3	0.0	4.8
Total best estimate claims reserve	828.0	50.4	50.5	356.6	330.1	40.4

- 4.5 As discussed in paragraph 7.4 of the Report, although BSIAL only produces a formalised set of GAAP accounts at each year end, BSIAL carries out an actual versus expected (“AvE”) reserve review at each quarter end, to assess the appropriateness of the GAAP reserves and make any necessary adjustments. This analysis is carried out separately for pool and retained claims, and separately by policy year.
- 4.6 The most recent AvE reserve review was carried out by BSIAL using claims data as at 20 August 2020. BSIAL has provided us with the calculations and internal documentation in respect of this reserving exercise and I have held discussions with BSIAL to understand the drivers behind the more significant movements observed.

19/20 policy year and prior

- 4.7 For the 19/20 policy year (i.e. the policy year ending 20 February 2020) and prior policy years, the AvE analysis showed deviations on policy years of varying sizes. As expected, the differences were more substantial on the more recent policy years, which are less developed and hence less stable.
- 4.8 Overall the aggregate AvE deviation arising across all policy years was less than 1% of the overall incurred claims as at 20 August 2020, with respect to both pool and retained claims, and therefore I do not consider the AvE analysis to demonstrate an atypical level of deviation from BSIAL’s expected incurred balance as at 20 February 2020.
- 4.9 I understand from BSIAL that it considers its best estimate view of ultimate claims for these policy years, as at 20 February 2020, to remain appropriate, and that no changes have been made to the best estimate ultimate claims in light of the AvE exercise. Based on the information provided to me, I am satisfied that the AvE analysis does not provide sufficient evidence to alter the best estimate view of ultimate claims for these policy years.
- 4.10 BSIAL recognised a small deterioration in its half year management accounts for the retained claims, which has been broadly offset by a small improvement in the pool claims. As a result, the aggregate movement in GAAP ultimate cost of claims between 20 February 2020 and 20 August 2020 on these policy years was immaterial in the context of the overall reserve position.
- 4.11 Overall, given my understanding of the claims movements since 20 February 2020, and the adjustments made to the GAAP reserves in light of these movements, I am comfortable that the GAAP reserves for these policy years continue to lie within a range of reasonable estimates.

20/21 policy year

- 4.12 The policy year ending 20 February 2021 is currently at a very early stage of development and emerging experience is therefore considerably less stable than on prior policy years.
- 4.13 I understand from BSIAL that an initial expectation of the ultimate claims for the 20/21 policy year was estimated in October 2019 using BSIAL’s premium risk model.
- 4.14 In respect of retained claims, I understand from BSIAL that several discretionary claims have arisen on the 20/21 policy year and that discussions are ongoing as to how these claims will settle. In the scenario in which no claims payments are made, I understand that the 20/21 policy year will have had slightly lighter claims experience to date than expected. On the other hand, if the discretionary claims were to be paid in full then the incurred position for the 20/21 policy year would be broadly in line with prior expectations.

- 4.15 In respect of pool claims, I understand from BSIAL that it is aware of two claims which could, in future, lead to a deterioration in its currently held GAAP reserve for the 20/21 policy year, but that any deterioration is expected to be offset by releases in respect of pool claims reserves held for prior policy years. Given the early stage of development for this cohort, and the uncertainty in respect of the recent pool claims, BSIAL has maintained its original view of the best estimate ultimate claims and GAAP reserves for this policy year.

COVID 19 claims

- 4.16 In addition to discussing BSIAL's half year AvE analysis, I have also held discussions with BSIAL to understand its latest view of claims arising from COVID 19. I have summarised the latest position in respect of each of the four reserving groups, as at 20 November 2020, below:
- P&I retention claims – BSIAL had incurred \$5.1m of COVID 19 claims as at 20 November 2020. The two largest of these claims were for \$1.25m and \$0.8m, respectively, and excluding these two claims the average COVID 19 claim size was less than \$30k. I understand from BSIAL that it does not consider the COVID 19 claims to be significant in the context of the total P&I retained book. In addition, I understand from BSIAL that the majority of these claims had already been allowed for in the AvE exercise as at 20 August 2020, and that it does not consider the latest information to provide any evidence for revising its view of the best estimate ultimate claims for the 20/21 policy year or for prior years.
 - Pool P&I claims – I understand from BSIAL that it is not aware of any new pool claims in respect of COVID 19 for which BSIAL would expect to be liable, as all COVID 19 claims notified to the IG since the Report was published have been below the individual club retention of \$10m.
 - FD&D claims – Although COVID 19 claims have caused an increase in claims frequency against prior expectations, there have been no large COVID 19 claims notified and the claims incurred amounts are still broadly in line with prior expectations. In addition, I would expect the frequency of COVID 19 claims to reduce in future, as the policy wording has now been updated to exclude cover for issues arising in relation to COVID 19.
 - Asbestos-related claims – I would not expect this reserving group to be impacted by COVID 19.
- 4.17 In conclusion, I understand from BSIAL that, based on its latest view of claims arising from COVID 19, it does not consider these claims to be significant in the context of the overall Transferring Portfolio, and it has not considered it necessary to revisit its view of the best estimate ultimate claims for the 20/21 policy year or for prior years.

Conclusion

- 4.18 Given the explanations provided by BSIAL for the updates made to the internal view of the GAAP reserves between 20 February 2020 and 20 August 2020 and BSIAL's latest view of COVID 19 claims, and since the process for setting GAAP reserves within BSIAL has not changed materially since the Report, I have no reason to change the conclusions contained within the Report with respect to the reasonableness of BSIAL's GAAP reserves.

Solvency II technical provisions

Solvency II Group basis

- 4.19 I have repeated below Table 7.3 of the Report, which showed the Solvency II technical provisions for the Britannia Group as at 20 February 2020. As explained in paragraph 5.89 of the Report, the Britannia Group's Hydra cell is treated as a third party reinsurer on a Solvency II basis, and therefore the ceded reserves figure below includes recoveries from Boudicca, the IG and the Britannia Group's Hydra cell, along with BSIAL's various other reinsurance arrangements.

Table 4.3: Actuarial best estimate claims reserves by reserving group for the Transferring Portfolio at 20 February 2020

\$m	Gross of reinsurance	Ceded reserves	Net of reinsurance
Solvency II best estimate reserves	919.7	454.4	465.2
Risk margin	94.3	0.0	94.3
Total technical provisions	1014.0	454.4	559.6

- 4.20 BSIAL does not produce a formal calculation of its Solvency II technical provisions at half year. As discussed above, given the claims experience over the six month period from 20 February 2020 to 20 August 2020, I am comfortable that there has been no material deviation from anticipated experience which would invalidate BSIAL's estimates of the ultimate claims position as at 20 February 2020. On this basis, I am comfortable that BSIAL's view of the best estimate ultimate claims position continues to lie within a reasonable range of estimates.
- 4.21 Further, as stated in paragraph 4.2, I understand that there have been no material changes to the internal processes or methodologies used to calculate BSIAL's Solvency II technical provisions since the Report. As such, I have no reason to change the conclusions contained within the Report with respect to the reasonableness of BSIAL's Solvency II technical provisions.

5 Capital Requirements

Capital strategy and fungibility of capital

- 5.1 I understand from the Britannia Group that, since the Report, there has been no change in its capital strategy or approach to fungibility of capital, as set out in paragraphs 8.9 to 8.19 of the Report.
- 5.2 As described in the Report, the Britannia Group aims to maintain capital resources in line with the ECB, although there is considered to be an acceptable corridor around the ECB capital requirement.
- 5.3 The three main reinsurers considered to be in the Britannia Group are USMIA, the Britannia Group's Hydra Cell and Boudicca, which are all set up for the sole purpose of providing reinsurance to BSIAL at present and BSIAE following the Scheme. Subject to these reinsurers meeting their respective capital requirements, it is possible for them to provide short term funding to either BSIAL or BSIAE, where necessary. It is also possible for USMIA to transfer capital to BSIAL or BSIAE via the payment of dividends to Britannia Holdings, should a capital injection be required.
- 5.4 At the time of writing the Report, BSIAE planned to apply for approval from the CAA to recognise unbudgeted supplementary calls as Tier 2 capital following the Scheme. As discussed in paragraph 3.22, I understand from the Britannia Group that it has now applied for this approval but has not yet received a response from the regulator.

Impact of the Scheme on the balance sheet

Impact on a GAAP basis

- 5.5 I have repeated below Table 8.1 of the Report, which showed the GAAP balance sheets for BSIAL and BSIAE before the Scheme and after the Scheme on the basis that the Scheme had become effective as at 20 February 2020 and that the whole Transferring Portfolio had transferred to BSIAE on this date.

Table 5.1: GAAP balance sheets at 20 February 2020, before and after the Scheme (\$m)

	BSIAL before Scheme	BSIAE before Scheme	BSIAL after Scheme	BSIAE after Scheme
Assets:				
Financial investments	193.0	0.1	0.0	193.1
Cash	70.2	26.7	0.0	96.9
Reinsurers' share of reserves	1,136.3	0.0	0.0	1,136.3
Insurance and other receivables	149.3	0.0	0.0	149.3
Other assets	10.8	0.0	0.0	4.5
Total assets	1,559.5	26.7	0.0	1,580.0
Liabilities:				
Insurance reserves	1,198.7	0.0	0.0	1,198.7
Intra-group loans	204.7	6.2	0.0	204.7
Other liabilities	13.6	0.0	0.0	13.6
Total liabilities	1417.0	6.2	0.0	1417.0
Net assets	142.5	20.5	0.0	163.0

- 5.6 As mentioned in paragraph 4.5, BSIAL does not produce GAAP accounts at interim quarters. However, I understand from BSIAL that BSIAL's net asset balance, as well as the amount of capital held in BSIAE, are broadly unchanged from the position as at 20 February 2020.
- 5.7 I understand from the Britannia Group that the CAA has recently clarified the appropriate accounting treatment of financial investment assets under LUX GAAP. For its year-end accounts as at 20 February 2021, BSIAE will be required to measure financial investments on a cost accounting basis, as opposed to the fair value basis used by BSIAL under UK GAAP. I understand that this change in accounting treatment will cause a reduction in the value assigned to BSIAL's financial investment assets when they are transferred from BSIAL to BSIAE under the Scheme. As such, it is possible that the net asset position of BSIAE post-Scheme (on a LUX GAAP basis) could be lower than the net asset position of BSIAL pre-Scheme (on a UK GAAP basis).
- 5.8 To understand the anticipated impact of this accounting change, the Britannia Group has estimated, at my request, the impact of using a cost accounting basis to re-produce the post-Scheme balance sheet of BSIAE as at 20 February 2020, shown in Table 5.1, above. The Britannia Group estimated that the impact of this alternative valuation approach on the valuation of the financial investment assets would be less than \$0.5m, i.e. the update would lead to a reduction of less than \$0.5m in BSIAE's post-Scheme net asset position.
- 5.9 Given that the change in accounting treatment of financial investments does not have a material impact on the post-Scheme net asset position of BSIAE as at 20 February 2020, and will not have any impact on the post-Scheme strength of BSIAE or the Britannia Group on a Solvency II or ECB basis, I am comfortable that the change in accounting treatment of financial investments under LUX GAAP does not invalidate any of the conclusions in the Report.

Impact on a Solvency II basis

- 5.10 I have repeated below Table 8.2 of the Report, which showed the simplified indicative Solvency II balance sheets and SCR coverage ratios for BSIAL, BSIAE and the Britannia Group as at 20 February 2020, both before and after the Scheme.
- 5.11 These balance sheets and capital requirements had been prepared by BSIAL and BSIAE on the basis that the Scheme had become effective on 20 February 2020 and that the whole Transferring Portfolio transferred to BSIAE on this date.
- 5.12 Note that the BSIAE and Britannia Group positions after the Scheme assume that the CAA has granted BSIAE approval to recognise supplementary calls as Tier 2 Own Funds.

Table 5.2: Solvency II balance sheets and SCR coverage ratios at 20 February 2020, before and after the Scheme (\$m)

	BSIAL before Scheme	BSIAE before Scheme	Britannia Group before Scheme	BSIAL after Scheme	BSIAE after Scheme	Britannia Group after Scheme
Assets:						
Investments	452.4	0.1	782.9	0.0	452.5	847.2
Cash	70.2	26.7	89.5	0.0	96.9	116.2
Reinsurers' share of technical provisions	849.0	0.0	454.4	0.0	849.0	415.4
Insurance and other receivables	90.7	0.0	90.9	0.0	84.5	77.2
Other assets	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	1462.3	26.7	1417.7	0.0	1,482.9	1,456.1
Liabilities:						
Gross best estimate technical provisions	919.7	0.0	919.7	0.0	919.7	919.7
Risk margin	38.4	0.0	94.3	0.0	38.4	95.5
Other liabilities	169.6	6.2	7.2	0.0	169.6	8.3
Total liabilities	1127.6	6.2	1021.2	0.0	1,127.6	1,023.4
Own Funds:						
Net assets	334.7	20.5	396.5	0.0	355.2	432.7
Ancillary Own Funds	74.4	0.0	129.5	0.0	74.4	129.5
Total Eligible Own Funds	409.1	20.5	526.0	0.0	429.6	562.2
SCR Coverage Ratio:						
Solvency Capital Requirement (SCR)	148.8	4.0	261.2	0.0	149.0	264.4
Eligible Own Funds	409.1	20.5	526.0	0.0	429.6	562.2
SCR coverage ratio	274.9%	513.3%	201.4%	0.0%	288.3%	212.6%

- 5.13 As explained in the Report, the pre-Scheme group results are net of the Britannia Group's Hydra cell, whereas the post-Scheme group results are gross of the Britannia Group's Hydra cell, since the CAA will allow the Britannia Group to fully consolidate the Britannia Group's Hydra cell.
- 5.14 As mentioned in paragraph 4.20, BSIAL does not recalculate its Solvency II position at interim quarters. However, I requested that BSIAL carry out an updated projection of the SCR and level of solvency coverage as at the Initial Effective Date, using data available as at 20 August 2020.

- 5.15 Tables 5.3 and 5.4, below, show the projected SCR coverage ratios of the Britannia Group, both before and after the Scheme, as at the Initial Effective Date, using data as at 20 February 2020 and 20 August 2020, respectively.

Table 5.3: SCR coverage ratio projected to the Initial Effective Date, before and after the Scheme (\$m), projected from 20 February 2020

	Britannia Group before Scheme	Impact of Scheme	Britannia Group after Scheme
Solvency Capital Requirement (SCR)	266.0	3.3	269.3
Eligible Own Funds	481.5	36.2	517.7
SCR coverage ratio	181.0%	11.2%	192.2%

Table 5.4: SCR coverage ratio projected to the Initial Effective Date, before and after the Scheme (\$m), projected from 20 August 2020

	Britannia Group before Scheme	Impact of Scheme	Britannia Group after Scheme
Solvency Capital Requirement (SCR)	269.3	7.1	276.4
Eligible Own Funds	488.1	36.4	524.5
SCR coverage ratio	181.2%	8.5%	189.8%

- 5.16 I understand from BSIAL that the increase in the Britannia Group's projected Eligible Own Funds between 20 February 2020 and 20 August 2020 is primarily driven by two opposing factors. Firstly, BSIAL's projected investments have decreased by \$5.8m, as a result of increased market volatility and falling asset values in the wake of COVID 19. However, offsetting this, BSIAL's updated projection of claims experience ahead of the Initial Effective Date is \$14.9m more favourable on a net basis than the initial projection suggested. I understand that this is largely due to claims activity in respect of the 20/21 policy year, which has been more favourable than anticipated in the initial projection. In particular, at the time of the initial projection there had been some adverse claims activity which suggested that the 20/21 policy year may underperform against prior expectations. However, and as discussed in paragraphs 4.12 to 4.16, the latest experience suggests that the policy year is performing broadly in line with expectations.
- 5.17 I understand from BSIAL that the marginal increase in the projected Group SCR between 20 February 2020 and 20 August 2020 reflects updates to the projected Solvency II balance sheet at the Initial Effective Date.
- 5.18 As described in paragraph 8.86 of the Report, the Britannia Group's Hydra cell is consolidated into the post-Scheme position and contributes its positive net asset position to the Britannia Group's Own Funds. This is the cause of the apparent increase in Eligible Own Funds of the Britannia Group following the Scheme and is purely a result of the different treatment of the Britannia Group's Hydra cell by the PRA and CAA. There has been a marginal increase in the adjustment for Hydra since the Report following an error which BSIAL has since corrected in its calculations.
- 5.19 Should the CAA not approve unbudgeted supplementary calls as Tier 2 capital, the Britannia Group's SCR coverage ratio following the Scheme would fall to approximately 143%, as at 20 February 2021, which would still leave the Britannia Group with a comfortable level of coverage above its SCR. In addition, and as described in paragraph 5.47 of the Report, Boudicca is contractually obliged to provide funding to the Britannia Group should there be issues regarding SCR coverage.

- 5.20 Note that the revision of the transfer arrangements described in paragraph 3.6 has no impact on the conclusions in the Report in respect of the regulatory capital positions of BSIAL, BSIAE or the Britannia Group, as both subsets of the Non-Branch Business will still be transferring from BSIAL to BSIAE on the Initial Effective Date.
- 5.21 Overall, the updated projections have produced only a small movement in the anticipated SCR coverage ratio of the Britannia Group at the Initial Effective Date. Although the anticipated coverage ratio following the Scheme has decreased slightly since the Report, I remain comfortable that the latest projection demonstrates that the Britannia Group is expected to be very well capitalised on a regulatory basis, both before and after the Scheme, as both SCR coverage ratios remain over 180%. In addition, I remain comfortable that the Britannia Group would be sufficiently capitalised on a regulatory basis in the event that the CAA does not approve the inclusion of unbudgeted supplementary calls as Tier 2 capital, with a projected post-Scheme SCR coverage ratio of over 140%.

Impact of the Scheme on the economic capital position

- 5.22 I have repeated below Table 8.4 of the Report which showed the impact of the Scheme on the Britannia Group's ECB coverage ratio at the Initial Effective Date, projected based on information available as at 20 February 2020. Note that the 'after Scheme' position assumed that the whole Transferring Portfolio transferred to BSIAE on the Initial Effective Date. I have also provided the same information projected based on information available as at 20 August 2020.

Table 5.5: ECB coverage ratio projected to the Initial Effective Date, before and after the Scheme (\$m), projected from 20 February 2020

	Britannia Group before Scheme	Impact of Scheme	Britannia Group after Scheme
ECB coverage ratio	109.5%	-0.4%	109.1%

Table 5.6: ECB coverage ratio projected to the Initial Effective Date, before and after the Scheme (\$m), projected from 20 August 2020

	Britannia Group before Scheme	Impact of Scheme	Britannia Group after Scheme
ECB coverage ratio	117.0%	-0.3%	116.6%

- 5.23 I understand from BSIAL that the projected increase in ECB coverage ratio at the Initial Effective Date between 20 February 2020 and 20 August 2020 is due to two main factors. Firstly, BSIAL has projected an increase in the resources available to meet the ECB at the Initial Effective Date. This is the result of using an updated investment return assumption to project the net assets of Boudicca at the Initial Effective Date. Secondly, BSIAL has projected a decrease in the ECB capital requirement at the Initial Effective Date. This is primarily due to an updated view of the 'worst-case' impact of COVID 19, which is now considered less extreme than initially anticipated. As discussed in paragraph 4.16, claims arising from COVID 19 have not been significant. In particular, the average severity of retained claims related to COVID 19 has been significantly lower than the cost assumed to generate the 'worst-case' estimate, which was \$400,000 per claim. As a result, the TR(B) Board has challenged the appropriateness of the 'worst-case' impact and it has been revised down by approximately \$20m. In light of BSIAL's latest view of claims in respect of COVID 19, as well as my understanding of BSIAL's approach to calculating a 'worst-case' impact of COVID 19, I consider the updated estimate to be reasonable.

- 5.24 Note that the revision of the transfer arrangements described in paragraph 3.6 has no impact on the conclusions in the Report in respect of the economic capital position of the Britannia Group, as both subsets of the Non-Branch Business will still remain within the Britannia Group following the Scheme.
- 5.25 In line with my observation in paragraph 8.99 of the Report, the Scheme continues to have a negligible impact on the Britannia Group's ECB coverage ratio.

Testing of the ECB

Internal validation of premium risk

- 5.26 As discussed in paragraphs 8.45 to 8.47 of the Report, I understand from the Britannia Group that it carries out annual validation of the model used to calculate its premium risk, as a component of the ECB. At the time of writing the Report, the validation report produced by BSIAL in respect of the premium risk model as at 20 February 2020 was not yet available.
- 5.27 At the time of writing this report, BSIAL has been able to provide me with a draft copy of the premium risk validation report as at 20 February 2020, which I have now reviewed. As is to be expected, there are a number of limitations that have been highlighted in the validation report. However, there is nothing in the validation report that leads me to believe that the premium risk within the ECB is materially misstated.
- 5.28 Given that the ECB coverage ratio has increased slightly since the Report, I have not sought to revisit the testing of the ECB that I conducted in the Report as I do not expect that reperforming this testing will alter my conclusions.

ORSA

- 5.29 I have been provided with a copy of the Britannia Group's most recent ORSA report. The document is dated October 2020 and has been approved by the Britannia Board. The ORSA report provides the Britannia Group's forward-looking assessment of its risk profile and regulatory and economic capital requirements.

Stress tests within the ORSA report

- 5.30 The Britannia Group has considered various stress and scenario tests within the ORSA to test the robustness of its regulatory and economic capital positions. The stress and scenario testing covers a wide range of risks that the Britannia Group is exposed to, such as continued instability from the COVID 19 pandemic, reserve deteriorations and market risks. I have reviewed the variety of tests undertaken and the approach adopted to undertaking them and I consider the variety, approach and key assumptions to be reasonable.
- 5.31 In paragraph 8.73 of the Report I noted that, in the Britannia Group's previous ORSA report, none of the stress tests undertaken had a capital impact greater than the Britannia Group's ECB capital held for the relevant risk category, and only a small number had an impact greater than the SCR capital held for the relevant risk category. This remains the case in the Britannia Group's latest ORSA report, with only one of the stress tests having a capital impact greater than the SCR capital requirement for the relevant risk category, in this case market risk. The capital impact for this particular stress test was less than half of the capital held for market risk under the ECB measure. As such, I have no reason to change my conclusions set out in paragraph 8.73 of the Report.

What if BSIAE's Branches aren't approved before the Initial Effective Date?

- 5.32 I understand from BSIAL that emerging claims experience with respect to the Branch Business has been broadly in line with its expectations as at February 2020. As a result, BSIAL has informed me that it would expect the SCR coverage ratios of BSIAL and BSIAE following the Initial Effective Date, in each permutation of the scenario in which one or more of BSIAE's Branches are not approved by the Initial Effective Date, to remain broadly in line with the ratios shown in Tables 8.5 (a) to 8.5 (g) of the Report.
- 5.33 In particular, I understand from BSIAL that it expects the SCR coverage ratios of each solo entity to be greater than 200% following the Initial Effective Date, regardless of which subsets of the Branch Business transfer to BSIAE on this date. As such, I have not considered it necessary to request updated versions of Tables 8.5 (a) to 8.5 (g) of the Report, as I would not expect a detailed breakdown of these figures to change the conclusions set out in paragraphs 8.105 and 8.106 of the Report.
- 5.34 Note that the revision of the transfer arrangements described in paragraph 3.6 has no impact on the conclusions in the Report in respect of the regulatory capital positions of BSIAL or BSIAE in the scenario in which one or more of BSIAE's Branches are not approved by the Initial Effective Date, as both subsets of the Non-Branch Business will still be transferring from BSIAL to BSIAE on the Initial Effective Date.
- 5.35 It follows that there are no changes since the Report which give me reason to change my conclusions contained in paragraph 8.108 of the Report.

6 Policyholder security

Impact of the Scheme on the security of policyholders

Impact of the Scheme on the Britannia Group's solvency position at the Initial Effective Date

ECB solvency position

- 6.1 As discussed in Section 5, Table 5.5 demonstrates that the anticipated impact of the Scheme on the Britannia Group's ECB coverage ratio at the Initial Effective Date is still considered to be immaterial.

SCR solvency position

- 6.2 As shown in Section 5, the Britannia Group had an SCR coverage ratio of 201.4% at 20 February 2020, prior to the Scheme, and an estimated SCR coverage ratio of 212.6% following the Scheme, in the hypothetical scenario in which the transfer was effected on 20 February 2020. As explained in the Report, this impact was purely as a result of the different accounting treatment of the Britannia Group's Hydra cell between the PRA and the CAA, rather than as a result of any change in the Britannia Group's risk profile. In particular, the pre-Scheme group position was calculated net of the Britannia Group's Hydra cell, whereas the post-Scheme group position was gross of the Britannia Group's Hydra cell.
- 6.3 I understand from BSIAL that, aside from any reclassification of the Britannia Group's Hydra cell, it expects the Britannia Group's pre-Scheme SCR coverage ratio to have fallen from 201.4% to 181.2%, and the Britannia Group's post-Scheme SCR coverage ratio to have fallen from 212.6% to 189.8%, between 20 February 2020 and the Initial Effective Date. I understand from BSIAL that these reductions in coverage ratios are due to the impact of falling asset values and the expected deterioration of several case reserves over this period, coupled with a small increase in the projected regulatory capital requirement. On a post-Scheme basis, this is a marginally higher fall than anticipated when the equivalent projection was performed using data as at 20 February 2020, and as discussed in the Report, but I am comfortable that this does not impact any of the conclusions in the Report.
- 6.4 Considering the above, as well as the analysis discussed in Section 8 of the Report, I am comfortable that the likelihood of the Britannia Group's Solvency II Own Funds falling below its liabilities over the course of the run-off of the liabilities within the Transferring Portfolio is remote.

Impact of the Scheme on the SCR solvency position of the solo entities at the Initial Effective Date

- 6.5 As discussed in paragraphs 5.32 to 5.35, I have no reason to change the conclusions set out in paragraphs 9.9 to 9.12 of the Report in respect of the capital strength of BSIAL and BSIAE in each of the scenarios in which one or more of BSIAE's Branches are not approved by the Initial Effective Date.

Impact of the Scheme on the insolvency arrangements

- 6.6 Based on the information I have seen since the Report was issued, I have no reason to change the conclusion set out in paragraph 9.19 of the Report in respect of the impact of the change in insolvency regulations on the transferring policyholders.

Impact of the Scheme on compensation schemes

- 6.7 I understand from BSIAL that it has revisited its analysis in respect of the FSCS, which I described in paragraph 9.22 of the Report. I further understand from BSIAL that it is still not aware of any policyholders which meet the eligibility criteria to have access to the FSCS.

- 6.8 Based on the information I have seen since the Report was issued, I have no reason to change the conclusions set out in paragraphs 9.22 to 9.23 of the Report in respect of the impact of the possible loss of access to compensation from the FSCS on a subset of the transferring policyholders.

Impact of the Scheme on the security of the EEA Business

- 6.9 In my opinion the Scheme will not have a material adverse impact on the security of the EEA Business, including under insolvency, for the following reasons:
- As concluded in Section 8 of the Report, and reaffirmed in paragraph 5.25 of this report, the overall solvency position of the Britannia Group will remain materially unchanged by the Scheme. As the EEA 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, as evidenced by my analysis and testing of the ECB solvency position in Section 8 of the 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 EEA Business. Any reduction in SCR coverage ratio 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 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 SCR solvency position of BSIAE before and after the Scheme in Section 8 of the Report and reaffirmed in paragraph 5.33 of this report.
 - I do not expect the Scheme to have a material impact on transferring policyholders in the event of the insolvency of BSIAE, as discussed in paragraphs 9.13 to 9.19 of the Report.
 - I do not expect the Scheme to have a material impact on the transferring policyholders' rights in respect of the FSCS, as discussed in paragraph 9.23 of the Report.

Conclusion

- 6.10 Based on the information I have seen since the Report was issued, I have no reason to change the conclusions set out in paragraphs 9.24 to 9.33 of the Report, in respect of the security of the Remaining Non-Branch Business or of the Branch Business. In reaching this conclusion, I have considered the following:
- The Britannia Group's coverage of its ECB is materially unchanged by the Scheme becoming effective
 - Although the Britannia Group's post-Scheme regulatory SCR coverage ratio is projected to reduce by 22.8% between 20 February 2020 and the Initial Effective Date, the Britannia Group is still expected to have substantial Own Funds in excess of its SCR following the Scheme, with a projected coverage ratio of over 180%, and it remains the case that the regulatory solvency position of the Britannia Group will be materially unchanged by the Scheme.
 - Since the publication of the Report, credit rating agency Standard & Poor's has re-affirmed the Britannia Group's A (stable) rating.
 - There has been no change in the information available, or the conclusions drawn, in respect of policyholder access to compensation schemes, or the impact of insolvency on the transferring policyholders, as a result of the Scheme.

7 Other financial considerations

7.1 I considered the following financial aspects in Section 10 of the Report:

- Investment strategy
- Liquidity position
- Implications of the Scheme on ongoing expense levels
- Pension arrangements
- Tax implications
- Impact on transferring reinsurers
- Impact of new business strategy
- Impact of other transfers
- Financial impact of COVID 19

7.2 I discuss the developments in respect of the implications of the Scheme on ongoing expense levels in paragraph 7.5 below.

7.3 In paragraph 4.16 of this report I have provided an updated view of BSIAL's claims experience in relation to COVID 19. Tables 5.4 and 5.6 of this report also allow for the latest available view of the financial impact of COVID 19 on the capital position of the Britannia Group. Based on my analysis, as discussed in paragraphs 5.16 to 5.25, I consider my conclusions in paragraph 10.29 of the Report to remain appropriate. I have also provided an updated view of the non-financial impact of COVID 19 on the Scheme in paragraphs 8.17 to 8.20 of this report.

7.4 Based on my discussions with BSIAL and BSIAE, I understand that there have been no developments since the Report with respect to any of the other financial aspects listed above that would give me reason to change the conclusions contained in the Report with respect to the Remaining Non-Branch Business or the Branch Business.

Implications of the Scheme on ongoing expense levels

7.5 In paragraph 10.12 of the Report I explained that BSIAL expected the initial costs of the Scheme to total approximately £0.9m. I understand from BSIAL that its latest estimate of this cost has increased to £1.25m. Considering this updated information, I am comfortable that the initial costs of the Scheme remain immaterial in the context of the Transferring Portfolio.

EEA Business

7.6 As discussed in paragraph 10.24 of the Report, following the Scheme all new general insurance business and renewals that would previously have been underwritten by BSIAL through BSIAL's Branches will instead be underwritten by BSIAE through BSIAE's Branches. For all other new business and renewals, I understand from BSIAE that it has delegated underwriting authority to BSIAE's UK Branch. This remains true following the revision of the transfer arrangements described in paragraph 3.6, although I understand from BSIAE that, following the Scheme, any non-UK EEA-flagged risks will be allocated directly to BSIAE (rather than to BSIAE's UK Branch).

7.7 Having considered my analysis and conclusions as set out in Section 10 of the Report, I am comfortable that these apply equally to the EEA Business.

8 Other non-financial considerations

- 8.1 I considered the following non-financial aspects in Section 11 of the Report:
- Regulatory jurisdiction
 - Claims handling
 - Policy administration
 - Complaints
 - Impact of Brexit
 - ELTO
 - Recognition of the Scheme in other jurisdictions
 - Governance and management framework
 - Ruling of Mr Justice Snowden on the proposed Part VII transfer of a book of in-payment annuities from The Prudential Assurance Company Limited to Rothesay Life Plc
 - Non-financial impact of COVID 19
 - The impact of the Scheme on members' proprietary rights
 - The impact on policyholders should the Scheme not become effective
 - The impact on policyholders should BSIAE's application to convert its UK Branch into a third country branch following the Scheme not be successful
 - The impact on policyholders 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.
- 8.2 I discuss the developments in respect of Brexit in paragraphs 8.8 to 8.10 below.
- 8.3 I provide an update on the recognition of the Scheme in other jurisdictions in paragraphs 8.11 to 8.13 below.
- 8.4 I discuss the appeal in respect of Mr Justice Snowden's ruling on the proposed Part VII transfer of a book of in-payment annuities from The Prudential Assurance Company Limited to Rothesay Life Plc in paragraphs 8.14 to 8.16 below.
- 8.5 I discuss the developments in respect of the non-financial impact of COVID 19 in paragraphs 8.17 to 8.20 below.
- 8.6 In Section 3 of this report, I have discussed the latest available information on the status of BSIAE's application to convert its UK Branch into a third country branch, the applications to establish BSIAE's Branches and the status of the Branch Schemes. Subject to these updates, and based on my discussions with BSIAL and BSIAE, I understand that there have been no other developments since the Report that would give me reason to change the conclusions contained in the Report with respect to these aspects.
- 8.7 Based on my discussions with BSIAL and BSIAE, I understand that there have been no developments since the Report with respect to any of the other non-financial aspects listed above that would give me reason to change the conclusions contained in the Report, except in relation to the EEA Business, which is discussed separately in paragraphs 8.21 to 8.26 below.

Brexit

- 8.8 I discussed the non-financial considerations in respect of Brexit in paragraphs 11.32 to 11.36 of the Report.
- 8.9 As discussed in paragraphs 3.10 to 3.13 of this report, at the time of writing this report, the Transition Period has ended and a trade deal has been agreed between the EU and the UK. However, it is not yet clear how this trade deal will impact the insurance industry. Discussions between the UK and the EU regarding the specifics of the deal and the impact on the financial services sector, including the insurance sector, are still ongoing and the outcome of these discussions continues to remain highly uncertain.
- 8.10 I am not aware of any developments in relation to Brexit that give me reason to change the conclusion in paragraph 11.36 of the Report.

Recognition of the Scheme in other jurisdictions

- 8.11 In paragraph 11.45 of the Report, I noted that BSIAL was in the process of seeking legal advice in a small number of territories to ascertain whether certain legal agreements held would be effectively transferred as a result of the Scheme.
- 8.12 In respect of this process, I understand from BSIAL that, since the publication of the Report, it has contacted 74 third parties to seek their consent to the transfer of these legal agreements, as well as to notify them of the Scheme. I understand from BSIAL that, as at 12 January 2021, none of these third parties had either given or refused consent.
- 8.13 As discussed in paragraph 11.46 of the Report, I understand from BSIAL that, from a practical perspective, there is not expected to be any material detriment as a result of not receiving consent. This is because of the protections in the Scheme. Based on this, I believe that BSIAL's approach to deal with the failure of a jurisdiction to recognise the Scheme is appropriate and proportionate.

Appeal in respect of Mr Justice Snowden's ruling on the proposed Part VII transfer of a book of in-payment annuities from The Prudential Assurance Company Limited to Rothesay Life Plc

- 8.14 I considered Mr Justice Snowden's ruling on the proposed Part VII transfer of a book of in-payment annuities from Prudential to Rothesay in paragraphs 11.51 to 11.53 of the Report.
- 8.15 Prudential and Rothesay have since appealed this judgment and the appeal hearing, which started on Tuesday 27 October, has since concluded. I understand from Prudential's website that, on 2 December, the Court of Appeal published its judgment on the appeal, concluding that Mr Justice Snowden had made errors in his approach to assessing the transfer, and that it had decided to overturn Mr Justice Snowden's ruling. This means that the original High Court ruling will not stand, and that there will need to be a new hearing at the High Court to decide if the transfer should proceed.
- 8.16 In paragraph 11.53 of the Report, I noted a number of significant differences between this Scheme and the proposed Part VII transfer from Prudential to Rothesay. These differences will continue to be true regardless of the outcome of the new hearing at the High Court. Based on this, I do not see any reason to change my comments in paragraph 11.53 of the Report.

Non-financial impact of COVID 19

- 8.17 I discussed the non-financial impact of COVID 19 on BSIAL and BSIAE in paragraphs 11.54 to 11.57 of the Report.
- 8.18 BSIAL has informed me that, since the Report, most employees have continued to work remotely and that their remote working arrangements have remained resilient. BSIAL has also informed me that there have been no material delays or failures in their operations. In addition, BSIAL has confirmed that there have not been any material adverse impacts, up to the time of the writing of this report, on its claims handling or policy administration processes. As a result, there has been no material adverse impact on the service standards experienced by its policyholders.
- 8.19 BSIAL and BSIAE have also informed me that it remains the case that they do not anticipate any future adverse effects from the remote working arrangements on their respective businesses.
- 8.20 Following from the above, I have no reason to change the conclusion set out in paragraph 11.57 of the Report in respect of the non-financial impacts of COVID 19 on the transferring policyholders following the Scheme.

EEA Business

Regulatory jurisdiction

- 8.21 Following the Scheme, non-UK EEA risks, which were previously administered from the UK, will be allocated directly to BSIAE, and therefore the location from which business is carried out will be changing for this group of policyholders. This is contrary to the summary provided in paragraph 11.6 of the Report. However, I understand from the Britannia Group that, following the Scheme, it will continue to apply conduct principles in the same way as it does currently for this group of policyholders.
- 8.22 Furthermore, the conclusions in respect of the application of prudential regulation following the Scheme are unchanged from the Report.
- 8.23 Therefore, my opinion is that I do not expect there to be a material adverse impact on policyholders within the EEA Business in relation to regulatory jurisdiction as a result of the Scheme.

Impact of Brexit

- 8.24 I understand from BSIAE that, following publication of the Report, BSIAE held discussions with the CAA which indicated that the Britannia Group may not be in a position to service its non-UK EEA policyholders following Brexit under the previously proposed arrangement of non-UK EEA risks being allocated to BSIAE's UK Branch following the Scheme. Therefore, contrary to paragraph 11.34 of the Report, the EEA Business will transfer to BSIAE and be allocated directly to BSIAE on the Initial Effective Date, to ensure that the Britannia Group can continue to service all of BSIAL's policyholders following the Scheme, regardless of any future relationship between the UK and the EU.
- 8.25 As discussed in paragraph 11.35 of the Report, I understand from the Britannia Group that it is still the case that BSIAE's UK Branch is expected to be authorised as a Third Country Branch following the Scheme, and that it will have the necessary permissions to act on behalf of BSIAE in respect of underwriting and claims handling.
- 8.26 As a result of the above I do not consider that there are any issues arising as a result of Brexit that will affect my conclusions in this report with respect to the EEA Business.

Other matters

- 8.27 Having considered my analysis and conclusions as set out in Section 11 of the Report, I am comfortable that, other than the areas discussed above, the conclusions in the Report in respect of the other non-financial aspects listed in paragraph 8.1 apply equally to the EEA Business.

9 Considerations of the communications process and objections received

Policyholder and reinsurer communications

- 9.1 I understand from BSIAL that the approach to policyholder and reinsurer notifications set out in the Report proceeded as planned. The advertisements were placed in accordance with the Directions Order and the policyholder and reinsurer communications were undertaken as planned.
- 9.2 As a result, I am satisfied that that the communications exercise was appropriate.

Policyholder notification

- 9.3 I understand from BSIAL that notifications have been sent to all policyholders who BSIAL intended to notify, which totalled 7,157 notifications. Of these notifications, which were sent by 16 October 2020, I understand from BSIAL that, as at 12 January 2021, 501 had been returned to BSIAL. I understand from BSIAL that it has sought to trace further contact details for these policyholders.
- 9.4 In respect of that tracing exercise, I understand from BSIAL that:
- 198 of the policyholders (approximately 40%) had already successfully received notification at an alternative address included in the mailing exercise
 - BSIAL was able to find an alternative address for and resend the mail to 251 of the policyholders, and a further 9 of the policyholders are to be sent notifications on 18 January 2021 (approximately 52%)
 - BSIAL was unable to find an alternative address for 43 of the policyholders (approximately 9%), which equates to approximately 0.6% of the policyholders in the original mailing exercise
- 9.5 BSIAL has provided me with information regarding the steps which were taken to arrive at the conclusion that addresses could not be located for some policyholders, including how any further tracing exercises were undertaken. Such steps included making direct enquiries of brokers and members, searching the websites of members and policyholders and conducting searches of internal records to identify an up to date address. Having considered this, I am comfortable that all reasonable and proportionate avenues have been explored.
- 9.6 Based on my experience of fulfilling the role of Independent Expert on other Part VII transfers, I do not consider the number of communications that have been returned and which BSIAL has been unable to resend to be unusual in the context of the total number of transferring policyholders that it attempted to notify.

Reinsurer notification

- 9.7 BSIAL has informed me that it has contacted all of the reinsurers and reinsurance brokers which it intended to notify and that, as of 15 January 2021, it has not received any returned mail in respect of this exercise.

Policyholder correspondence

- 9.8 At 15 January 2021, I understand from BSIAL that there were:
- no objections to the Scheme from policyholders
 - one enquiry arising from policyholders or their representatives. This enquiry was a request for more information and BSIAL has responded to it.

- 9.9 I have reviewed this enquiry and BSIAL's response to it and I consider this response to be appropriate. Furthermore, the enquiry gives me reason to change my conclusions on the Scheme as set out in the Report.

Reinsurer correspondence

- 9.10 At 15 January 2021, I understand from BSIAL that there were no objections or enquiries to the Scheme from reinsurers.

10 Conclusions

- 10.1 I have further considered the effect of the proposed Scheme on the transferring policyholders and reinsurers. I confirm that the substance of my overall opinion and conclusions as set out in paragraphs 14.3 to 14.11 of the Report are unchanged. I set out my conclusions in respect of each group of transferring policyholders in the following paragraphs.

Remaining Non-Branch Business

- 10.2 I have concluded that there will be no material adverse impact to the service provided to the Remaining Non-Branch Business and no material adverse impact on the security, including under insolvency, provided to them. Therefore, I do not consider that the Remaining Non-Branch Business would be materially adversely affected by the Scheme.
- 10.3 Note that this conclusion extends to the scenario in which one or more of BSIAE's Branches are not approved before the Initial Effective Date, and therefore a subset of the Branch Business remains in BSIAL temporarily. It also extends to the scenario in which one or more of BSIAE's Branches are not approved before the Longstop Date, and therefore a subset of the Branch Business does not transfer under the Scheme.

EEA Business

- 10.4 I have concluded that there will be no material adverse impact to the service provided to the EEA Business and no material adverse impact on the security, including under insolvency, provided to them. Therefore, I do not consider that the EEA Business would be materially adversely affected by the Scheme.
- 10.5 Note that this conclusion extends to the scenario in which one or more of BSIAE's Branches are not approved before the Initial Effective Date, and therefore a subset of the Branch Business remains in BSIAL temporarily. It also extends to the scenario in which one or more of BSIAE's Branches are not approved before the Longstop Date, and therefore a subset of the Branch Business does not transfer under the Scheme.

Japan Branch Business

- 10.6 I have concluded that there will be no material adverse impact to the service provided to the Japan Branch Business and no material adverse impact on the security, including under insolvency, provided to them. Therefore, I do not consider that the Japan Branch Business would be materially adversely affected by the Scheme.
- 10.7 Note that this conclusion extends to the scenario in which one or more of BSIAE's Branches are not approved before the Initial Effective Date, and therefore a subset of the Branch Business remains in BSIAL temporarily. It also extends to the scenario in which one or more of BSIAE's Branches are not approved before the Longstop Date, and therefore a subset of the Branch Business does not transfer under the Scheme.

Hong Kong Branch Business

- 10.8 I have concluded that there will be no material adverse impact to the service provided to the Hong Kong Branch Business and no material adverse impact on the security, including under insolvency, provided to them. Therefore, I do not consider that the Hong Kong Branch Business would be materially adversely affected by the Scheme.

- 10.9 Note that this conclusion extends to the scenario in which one or more of BSIAE's Branches are not approved before the Initial Effective Date, and therefore a subset of the Branch Business remains in BSIAL temporarily. It also extends to the scenario in which one or more of BSIAE's Branches are not approved before the Longstop Date, and therefore a subset of the Branch Business does not transfer under the Scheme.

Singapore Branch Business

- 10.10 I have concluded that there will be no material adverse impact to the service provided to the policyholders in the Singapore Branch Business and no material adverse impact on the security, including under insolvency, provided to them. Therefore, I do not consider that the Singapore Branch Business would be materially adversely affected by the Scheme.
- 10.11 Note that this conclusion extends to the scenario in which one or more of BSIAE's Branches are not approved before the Initial Effective Date, and therefore a subset of the Branch Business remains in BSIAL temporarily. It also extends to the scenario in which one or more of BSIAE's Branches are not approved before the Longstop Date, and therefore a subset of the Branch Business does not transfer under the Scheme

Reinsurers of the Transferring Portfolio

- 10.12 In addition, I have concluded that the reinsurers of the Transferring Portfolio would not be materially adversely affected by the Scheme.

Conclusion

- 10.13 Given the above, I conclude that the risk of any group of policyholders or transferring reinsurers being materially adversely affected by the Scheme is sufficiently remote that there is no reason why the Scheme should not proceed.

Simon Sheaf

Simon Sheaf FIA

Partner and Head of General Insurance Actuarial & Risk

Grant Thornton UK LLP

A Additional information received

Information provided by or on behalf of the Britannia Group

- The Britannia Group Own Risk and Solvency Assessment (ORSA) Report October 2020
- Draft Premium Risk Model Validation Report February 2020
- Projected Group Solvency II balances February 2021
- Projected Group SCR requirements February 2021
- Projected Group ECB requirement and resources February 2021
- Analysis of the change in projected Group Solvency II and ECB balances between February 2020 and August 2020
- 2020/21 Policy Year Statement as at 20 August 2020
- Actual versus expected reserve analysis August 2020
- Analysis of claims related to COVID 19 as at 20 November 2020
- Communications with the CAA in respect of the proposed Scheme
- Communications with the CAA in respect of the treatment of financial investments under LUX GAAP
- Estimated impact of LUX GAAP treatment of financial investments as at 20 February 2020
- Information on communications sent to, and received from, policyholders, third parties and reinsurers

Information provided by legal advisers

- Draft second witness statement on behalf of the transferor and the transferee
- Deed of guarantee in respect of BSIAE acting as guarantor for BSIAL

Other

I also relied on information arising from correspondence and discussions with BSIAL, BSIAE and their legal advisers.

I have checked that all of the above information has been supplied by persons appropriately qualified to provide such information and I am satisfied that it is reasonable for me to rely on this information.

A number of the items received are of a commercially sensitive or confidential nature. All relevant information received has been used to inform the conclusions given in this report while taking care to respect the confidentiality of the entities involved. It should be noted that there are no instances where I have omitted implications of this documentation from this report for the sake of respecting confidentiality. Therefore, in my opinion it is not necessary to produce a separate document exclusively for the Court providing further details of these data items although these items can be made available to the Court if required.



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