

**BOOKLET OF INFORMATION RELATING TO A PROPOSED TRANSFER OF
INSURANCE BUSINESS UNDERWRITTEN OR ASSUMED BY THE IRISH, DUTCH,
FRENCH AND GERMAN BRANCHES**

of

TRAVELERS INSURANCE COMPANY LIMITED (TICL)

to

TRAVELERS INSURANCE DAC

(the Transferee)

UNDER PART VII OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

1. Introduction – What is proposed?

Travelers Insurance Company Limited¹ (**TICL**) is proposing to transfer its insurance business underwritten or assumed (in whole or in part) by its **Irish, Dutch, French and German branches** (the **Transferring Business**) to Travelers Insurance DAC (the **Transferee**). This is an insurance business transfer scheme known as Part VII insurance business transfer. The Transferee is a wholly owned subsidiary of TICL and therefore the transfer is to another member of the Travelers insurance group.

TICL is a UK insurance company, authorised by the UK Prudential Regulation Authority (the **PRA**) and regulated by both the PRA and the UK Financial Conduct Authority (the **FCA**). The Transferee was incorporated in the Republic of Ireland on 6 February 2018. The Transferee is to be authorised by the Central Bank of Ireland as a non-life insurance company under the European Union (Insurance and Reinsurance) Regulations 2015.

The transfer will be effected by means of an insurance business transfer scheme (**Scheme**) under Part VII of the UK Financial Services and Markets Act 2000.

1.1 Reason for the transfer

The rationale for the transfer is to ensure that transferring policies can continue to be administered following the UK's withdrawal from the EU. In a national referendum held in June 2016, the UK voted to leave the EU (otherwise known as "**Brexit**"). Although the terms of Brexit, including any transitional arrangements, are still being negotiated by the UK and the EU members who will remain, there is a risk that those UK insurers (including TICL), who have hitherto been able to provide services to their policyholders elsewhere in the EEA through the UK's membership of the EU, being unable to provide continuity of service to those policyholders post-Brexit. To mitigate this risk, the Travelers group has decided to restructure its operations in Europe as follows:

- (a) Renewal of the business written by TICL's Freedom of Establishment branch in Ireland with the Transferee (from the Effective Date as defined below), and
- (b) Transfer to the Transferee the business written up until the Effective Date (as defined below) by:
 - (i) TICL's Freedom of Establishment branch in Ireland, and
 - (ii) the business written up until 2001 (and subsequently in run-off) by TICL's Freedom of Establishment branches in France, Germany and the Netherlands,pursuant to the Scheme (the **Transfer**).

1.2 Reason for this communication

In order for the Transfer to take place, a rigorous legal and regulatory approval process must be followed.

¹ Formerly named St. Paul International Insurance Company Limited, St Paul Travelers Insurance Company Limited and St. Katherine Insurance Company Limited

Policyholder protection is paramount and, as part of the legal process, notification to policyholders, claimants and other key stakeholders is required. The manner in which notification of the Transfer is being carried out has been discussed with the FCA and the PRA.

2. What this transfer means for policyholders

2.1 Business to be transferred

The Transferring Business comprises all the insurance business underwritten or assumed (in whole or in part) by the **Irish, Dutch, French and German branches** of TICL to the Transferee.

If you are unsure whether your policy is included in the Transfer, you can contact us for assistance. Contact details are given in section 7 of this booklet.

2.2 Policy terms and administration – summary of scheme

If the proposals are approved then there will be no changes to the terms and conditions of any transferring policy. In broad terms, TICL's rights and obligations under policies comprising the Transferring Business will be transferred, without alteration, to the Transferee.

Any rights you have under such policies will remain unchanged, but following the Transfer will be exercisable against or owed to the Transferee alone. Valid claims will continue to be paid although the party liable to make payment will be the Transferee, rather than TICL.

We are not making any changes to how your policy is administered as part of the proposed Transfer to the Transferee. Your policy will continue to be serviced by your insurance broker.

We have included a summary of the Scheme at Appendix 1 of this booklet – please read and consider this information carefully.

Further details of the impact of the Transfer are detailed in the summary of the Independent Expert's report included in this booklet – please read and consider this information carefully.

2.3 Impact of the proposals

The Scheme has been reviewed by an Independent Expert and by the FCA and the PRA, and it will not take place unless approved by the Court. The Independent Expert's assessment has considered the security of all policyholders and his report is summarised in this booklet. A full copy of the Independent Expert's report can be downloaded from our website - being www.travelers.co.uk/brexit - or we can send a copy to you.

The Independent Expert's report concludes in summary that (taking account certain reinsurance arrangements to be entered into between TICL and the Transferee):

- (a) the security of benefits of the transferring and the non-transferring policyholders of TICL will not be materially adversely affected by the implementation of the Scheme on the Effective Date; and
- (b) the Scheme will not materially adversely impact on the service standards experienced by the transferring and the non-transferring policyholders of TICL.

As with all insurance business transfer schemes, the Court needs to give its approval to the

transfer before it can go ahead. The Court will consider the Independent Expert's report, reports prepared by the FCA and the PRA, and any representations made by affected parties.

2.4 Is there an opportunity to vote on these proposals?

No. There is no legal requirement for a vote. However, if you consider you may be adversely affected by the proposals or if you object to the proposals, then you have a right to raise your concerns to, and for your objection to be heard by, the Court. See Section 6 for further information.

3. The Scheme

3.1 What is the Scheme?

The Scheme is the legal document which sets out the terms on which the transfer of business from TICL to the Transferee will take effect.

We have included a summary of the Scheme at Appendix 1 to this booklet. A full copy of the Scheme can be downloaded from our website, or we can send a copy to you. See Section 7 for our contact details.

3.2 When would the proposed transfer happen?

If the proposals are approved by the Court, then we expect that the Transfer will take place at 23:59 on **31 March 2019** (the **Effective Date**). If there are any changes to this date (as the companies can, under the Scheme, choose for the Scheme to take effect on a later date – provided this later date is on or before 1 July 2019) then the details will be made available on the website address mentioned above.

3.3 Where can I find out more information?

Electronic copies of this pack, along with a full copy of the Scheme and the Independent Expert's report, are available on our website, or can be posted out to you on request.

You can also write, email or call us if you have any further questions.

See Section 7 for our contact details.

Section 4. The Independent Expert

4.1 Who is the Independent Expert?

The Independent Expert is Mr Gary Wells of Milliman LLP, one of the world's largest providers of actuarial and related products and services. Mr Wells has extensive experience of general insurance actuarial work and has acted as independent expert on numerous transfers of insurance business.

4.2 What is he there to do?

The Independent Expert has been appointed to report on the effect of the proposals on policyholders. He is not an adviser to anyone involved in the Part VII transfer, but an independent party whom the FCA and the PRA consider has the necessary skills to assess the effect of the Transfer. The PRA, after consulting with the FCA, has approved his

appointment.

Mr Wells' overriding duty of responsibility is to the court, and not to the companies involved in the proposed Transfer. His report must be impartial, based on a thorough scrutiny of the proposals and the businesses of TICL and the Transferee. Both companies have provided Mr Wells with access to key staff and any information he has requested, both private and public.

4.3 Summary of report – impact of transfer on you – are there any other changes I should be aware of?

We have included a summary of Mr Wells' report at Appendix 2 to this booklet – please read and consider the information carefully.

This summary includes an analysis of any impact on your access to the Financial Services Compensation Scheme (**FSCS**) and the Financial Ombudsman Service (**FOS**). A full copy of his report can be downloaded from our website, or we can send a copy to you on request. In addition to the summary below, a chart explaining the position of policyholders in relation to FSCS and FOS is included in Appendix 2.

4.4 How will the transfer impact a policyholder's access to FSCS?

The FSCS is a statutory “fund of last resort” which compensates customers in the event of the insolvency (or other defined default) of a financial services firm authorised by the PRA or FCA, subject to certain eligibility rules. Insurance protection exists for private policyholders and small businesses. Mr Wells notes that in the event that FSCS protection is currently available to you it is not expected to change as a result of the Scheme (this is due to the way that the operations of the Transferee are expected to be structured after the Scheme). If for any reason a policyholder is no longer eligible for FSCS protection, Mr Wells notes that as the Transferee is forecast to be a more than sufficiently capitalised company, and likely recourse to FSCS is therefore low. Overall he has concluded that any loss of FSCS protection currently available to a transferring policyholder will not have a material adverse impact.

4.5 How will the transfer impact a policyholder's access to FOS?

The FOS provides private individuals (and small companies) with a free, independent service for resolving disputes with financial companies. Mr Wells notes that due to the way that the operations of the Transferee are expected to be structured after the Scheme, there is expected to be no change to eligibility for FOS for a transferring policyholder as a result of the Scheme. If however, for any reason, transferring policyholders lose access to the FOS, then the policyholders may be able to have their complaints heard by local dispute resolution schemes such as the Ireland ombudsman service (known as the Financial Services and Pensions Ombudsman). Overall, Mr Wells has considered this issue and notes that any potential loss of access to the FOS will not materially adversely affect transferring policyholders.

Section 5. The Court and its role

5.1 Where and when will the Court hearing take place?

The Court hearing is scheduled to take place on **28 March 2019** at the High Court, 7 Rolls Building, Fetter Lane, London EC4A 1NL. Formal notice of the hearing is at Appendix 3 to this booklet.

5.2 Who can attend?

The Court hearing will be attended by representatives of TICL and the Transferee and the Independent Expert. The FCA and the PRA may also be represented at this hearing. TICL will be represented at the Court hearing by a barrister.

The Court hearing is open for members of the public to attend.

It is possible that the hearing date may change. Anyone wishing to attend the hearing should check our website which will be updated should the hearing date change.

5.3 What will happen at the Court hearing?

The Judge will review whether all of the legal procedures for completing a Part VII transfer have been followed correctly.

The Judge will also review the witness statements and evidence presented by the companies, and consider the reports of the Independent Expert, the FCA and the PRA.

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

The Judge must decide whether or not it is appropriate to approve the Scheme, taking all of the evidence into account. If approved by the Judge, the Scheme will come into effect on the Effective Date.

Section 6. Next steps

6.1 What should I do now?

Please read and consider the information we have provided. If you do not think you are adversely affected and have no objections to the proposal you do not have to do anything.

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

We hope this document provides you with the information to allow you to understand what is proposed, and answer any questions that you may have. However, if you consider you may be adversely affected by the proposal or object to the proposal or if you need any further information, then please let us know. You can call us between **9am and 5pm Monday to Friday** (excluding UK public holidays), email us or write to us – the contact details are provided at section 7 of this booklet.

If you have an objection to the transfer or if you believe you will be adversely affected as a result of the Scheme, you can attend (in person or by a legal representative with advocacy rights), and make representations at the Court hearing. If you intend to do so, you are requested to notify Clyde & Co LLP, the solicitors acting for TICL and the Transferee, of your intention and the reasons why you consider you will be adversely affected by the Scheme. You should contact them by writing to Clyde & Co LLP (Reference Ivor Edwards/R. Masaon/Fiona Cassidy/10096756), the St Botolph Building, 138 Houndsditch, London, EC3A 7AR as soon as possible and ideally before 20 March 2019.

If you would rather make representations in writing, these will be drawn to the attention of

the PRA and the FCA prior to the hearing, and will be submitted to the Court at the hearing. You are requested to send any written representations to Clyde & Co LLP at the address and contact details given in the preceding paragraph before the hearing, and ideally by 20 March 2019.

We will keep a careful record of all the objections received (be it for any representation received by email, call or in writing to us) and will provide this as evidence at the Court hearing. You also have a right to attend the Court hearing and to make your objection known to the Court.

6.3 How will I know if the Scheme has been approved?

We will announce the outcome of the Court application on our website, following the Court hearing, which is due to take place on **28 March 2019**.

Section 7. Contact details

7.1 How do I find further information?

You can find further information on the following website: www.travelers.co.uk/brexit

Electronic copies of this booklet, along with a full copy of the Scheme and the Independent Expert's report are available on the website. We can post copies to you free of charge upon request. Any supplemental reports of the Independent Expert will be made available on the website.

Should the date of the Court hearing change we will provide an update on the website.

If the Transfer is approved, it will be announced on the website.

7.2 How do I contact you?

If you have any queries or concerns you can also call us, email us or write to us:

TICL

a. **By phone:** +44 20 3207 6000

Our phone lines will be open Monday to Friday (excluding public holidays) from 9am to 5pm.

b. **By email:** jabramso@travelers.com

(Please mark in the subject header: The Travelers EEA Branch Portfolio Transfer)

c. **By post:** Travelers Insurance Company Limited, John Abramson, Travelers Legal Department, One Creechurch Place, London EC3A 5AF.

Appendix 1: Summary of the Scheme

This summary sets out the principal provisions of the Scheme. Unless otherwise defined in this summary, capitalised terms used in this summary have the meanings given to them in the main body of this booklet of which this summary forms part.

It is anticipated that the Scheme will take effect on the Effective Date.

What happens on the Effective Date?

On the Effective Date:

1. The Transferee will assume TICL's rights and obligations arising out of the insurance policies comprising the Transferring Business;
2. The liabilities of TICL so far as they relate to the Transferring Business will be transferred to and become liabilities of the Transferee and will cease to be liabilities of TICL; and
3. TICL's interest in outwards reinsurance contracts insofar as they protect the Transferring Business will be transferred to the Transferee.

Will there be any changes to the terms and conditions of my insurance policy?

There will be no change in the terms and conditions of the insurance policies that comprise the Transferring Business.

What is the impact of the Scheme on matters such as premium payments or any claims/proceedings?

Following the Effective Date:

1. TICL must account to the Transferee for all sums or benefits received after the Effective Date in respect of the Transferring Business and/or any outwards contracts of reinsurance attributable to it;
2. All premiums attributable to the Transferring Business will from the Effective Date be payable to the Transferee;
3. Any judicial, quasi-judicial, administrative or other proceedings for the resolution of a dispute or claim (whether pending, current or future - including any not yet in contemplation) by, against or in relation to TICL and concerning the Transferring Business or any outwards reinsurance contracts attributable to it will be commenced and/or continued by, against or in relation to the Transferee;
4. The Scheme provides that any proceedings commenced after the Effective Date in relation to the Transferring Business will be deemed to have been commenced against the Transferee; and that any judgments or awards obtained against TICL, (including any unsatisfied as at the Effective Date) are enforceable against the Transferee. The Transferee is also obliged to indemnify TICL against such liabilities.

Can any changes be made to the Scheme in the future?

The Transferee may, with the consent of TICL, agree on behalf of all persons concerned to any modification of or addition to the Scheme or any further condition or provision in the Scheme that the Court may approve or impose. In the case of an amendment affecting the substance of the Scheme, the prior notification and/or consent of the PRA and/or FCA (as applicable) will also be required.

The Scheme will be governed by and construed in accordance with English law.

Appendix 2

SUMMARY OF REPORT OF THE INDEPENDENT EXPERT

RELATING TO

THE PROPOSED TRANSFER OF THE IRISH, FRENCH, GERMAN AND DUTCH
BRANCHES OF TRAVELERS INSURANCE COMPANY LIMITED TO TRAVELERS
INSURANCE DAC

SUMMARY OF THE INDEPENDENT EXPERT REPORT ON THE PART VII TRANSFER

1. About the Independent Expert's Report and this Summary

I, Gary Wells, am a principal of Milliman LLP and a Fellow of the Institute and Faculty of Actuaries. I have been appointed as the Independent Expert to provide, in accordance with Part VII of the FSMA, a report on the potential impact of the proposed transfer on the policyholders of TICL (I note that TIDAC presently carries on no trading activities, and therefore has no policyholders). My report is intended to assist the Court in properly assessing the effect of the proposed transfers on all affected policyholders, in particular in respect of the security of their policies and the levels of service that they could expect to receive after the transfers.

This appendix contains a summary (**Summary**) of my report, dated 10 December 2018 (the **Report**). The Summary is subject to the same limitations on its use as those set out in the Report. The Report contains the reasoning behind my conclusions, some of the detail of which I have omitted from this Summary. The Report also includes further information regarding TICL and TIDAC that I have also not included within this Summary. While I am satisfied that this Summary provides an appropriate synopsis of the Report, reliance on this Summary alone could be misleading. Copies of the Report and any subsequent update can be obtained from <https://www.travelers.co.uk/brexit> or may be obtained by written request to Clyde & Co LLP (the solicitors acting for TICL and TIDAC), The St Botolph Building, 138 Houndsditch, London, EC3A 7AR, quoting reference (Ref: 10096756 Ivor Edwards/Ravi Masaon/Fiona Cassidy).

The document to which this Summary is an appendix contains a description of the proposed Scheme. Therefore, I have not included further description of the proposed Scheme within this Summary. Further, by way of background, my Report includes material regarding the insurance regulatory environments in the UK and in Ireland. Again, I have not included that material within this Summary, which instead focuses on what I perceive to be the security and service levels provided to policyholders and the likely effect of the proposed Scheme on policyholders of TICL (noting that TIDAC will have no policyholders prior to the implementation of the proposed Scheme). Items not expressly defined in this Appendix have been defined elsewhere in the document to which this Summary is an Appendix.

In the event of any conflict of interpretation between this Summary and my Report, the interpretation contained in my Report will prevail.

2. Purpose of the Scheme

The vote by the UK to leave the EU (i.e. Brexit) puts TICL at risk of being unable to provide continuity of service to those of its customers with insurable interests in the EEA. As a result, Travelers has started the process of establishing a new insurance company in Ireland (i.e. TIDAC) in order to continue to provide admitted insurance services to those customers on or after the Effective Date.

In order that the remaining EEA (excluding UK) insurance business of TICL is moved to TIDAC, the Scheme needs to be implemented, subject to the Court's consent, on the Effective Date.

The proposed Scheme is therefore part of an internal reorganisation of the Travelers Group, that enables Travelers to continue to provide policy servicing, administration,

claims management and handling, and underwrite EEA (excluding UK) business and UK and non-EEA business, as well as to ensure compliance with EEA laws and regulations following the departure of the UK from the EU.

I note that, in conjunction with the Scheme, two reinsurance arrangements (the **Reinsurance Contracts**) will be purchased (pre-Scheme) by TIDAC from TICL, each expressed to come into force on the Effective Date, as follows:

- an 80% whole account quota share reinsurance arrangement in respect of the Transferring Business (and the prospective underwriting of TIDAC). Further, in order to protect the position of the Transferring Policyholders (and prospective business written by TIDAC) from the risk of default by TICL, the assets associated with the 80% whole account quota share reinsurance of TIDAC by TICL will be held in a designated collateral account (whereby TIDAC will hold all premium assets net of claims and expenses paid on a funds withheld² basis); and
- a stop loss reinsurance arrangement to protect TIDAC's compliance with its regulatory capital requirement (i.e. SCR). Specifically, the stop loss cover will trigger if the 'Negative Change' in TIDAC's Own Funds available to meet the solvency requirements under Solvency II is greater than €10.9 million, with a limit of recovery up to €10.0 million

3. Who will be affected by the Scheme?

I have determined that the following policyholder groups might be affected by the proposed Scheme:

- those holders of policies issued by TICL through its branches in Ireland, France, Germany and the Netherlands – the **Transferring Policyholders**; and
- the current policyholders of TICL who have policies that are not being transferred – the **Non-Transferring Policyholders**.

I have assessed the circumstances, security³ and levels of service of each of these groups of policyholders separately and have then similarly considered the changes that the Scheme is likely to cause to those circumstances, security and levels of service. I consider that policyholders of no other insurance companies would be affected by the proposed Scheme.

In my opinion, the Scheme (in conjunction with the Reinsurance Contracts) will not materially adversely impact on the security of benefits or the service standards experienced by the policyholders of TICL and TIDAC.

4. Will there be any impact on the security of the Transferring Policyholders?

² Funds withheld are assets that would normally be paid over to a reinsurer, but withheld by the ceding company in a collateral account to reduce the potential credit risk (and retain control over investments).

³ I use four qualitative terms (based on capital cover ratios or "CCRs") to describe the financial status of TICL and TIDAC, assigning increasing levels of financial strength:

- "sufficiently capitalised" means that the company's financial resources ("Own Funds") lie between 100% and 119% of regulatory capital requirements;
- "more than sufficiently capitalised" means that the company's financial resources (Own Funds) lie between 120% and 149% of regulatory capital requirements;
- "well-capitalised" means that the company's financial resources (Own Funds) lie between 150% and 199% of regulatory capital requirements, and
- "very well-capitalised" means that the company's financial resources (Own Funds) are in excess of 200% of regulatory capital requirements

I have reviewed the key components of the calculation of the solvency requirements relative to the Own Funds available to meet such solvency requirements, for each of TICL and TIDAC, using both current and forward looking measures of those requirements. I have noted that:

- TICL is forecast to be a well-capitalised company on the Effective Date following the implementation of the Scheme, and is projected to remain a well-capitalised company over the forward looking (projection) period 2019 – 2021; and
- TIDAC is forecast to be a more than sufficiently capitalised company (close to the boundary of well-capitalised) on the Effective Date, assuming a capital injection of €35 million is paid in to the company prior to the commencement of underwriting, scheduled to be the Effective Date. TIDAC is also forecast to remain a more than sufficiently capitalised company (close to the boundary of well-capitalised) over the forward looking (projection) period 2019 – 2021.

While the CCR for Transferring Policyholders (based on the regulatory capital requirement) would appear to deteriorate (albeit not significantly) as a result of the Scheme, it is projected to remain materially above 100%, and, as such, is sufficient to meet TIDAC's policyholder obligations under a variety of stress scenarios that I have considered.

I have also considered the risk profiles of TICL and TIDAC, including what the risk profile(s) of TIDAC (and TICL) would look like after the Scheme is implemented.

I note that post-Scheme the Transferring Policyholders will enjoy indirectly the additional security afforded under the SPFMG⁴ (provided by St. Paul Fire & Marine Insurance Company (**SPF&M**)⁵ to TICL) via the Reinsurance Contracts, because all (re)insurance arrangements entered in to by TICL are within the scope of the SPFMG. As such, 80% of the Transferring Business ceded back to TICL by TIDAC (via the whole account quota share reinsurance arrangement between TIDAC and TICL) will indirectly enjoy the additional security afforded under the SPFMG.

Further, I note that TIDAC (and hence the Transferring Business) will also be protected by the stop-loss reinsurance arrangement with TICL, structured to augment the company's own funds in stressed situations and thereby to help TIDAC comply (at least in part) with its regulatory obligations, and as stated above, this reinsurance arrangement will enjoy the additional security afforded under the SPFMG.

I also note that, as mentioned above, the Transferring Policyholders are projected to be in a more than sufficiently capitalised company (close to the boundary of well-capitalised) following the implementation of the Scheme. This means that I consider the risk of insolvency of TIDAC post-Scheme to be low. I am therefore satisfied that the potential change in the wind-up priorities of the Transferring Policyholders that would be caused by the Scheme will have no material impact on the security of benefits of the Transferring Policyholders.

These different aspects are not wholly quantifiable and hence are not directly comparable with one another. Taking all of these aspects into account, I have concluded that, on an on-going basis, the security of the Transferring

⁴ The SPFMG is a guarantee provided by SPF&M to TICL that essentially removes the risk that the policies issued by TICL (including the Reinsurance Contracts) will have any shortfall.

⁵ The net assets of SPF&M are substantial (\$5.4 billion as at 31 December 2017) and, while they cannot be assumed to provide absolute security, provide very significant financial resources to support the SPFMG.

Policyholders will not be materially adversely affected by differences in the financial strength between TICL and TIDAC.

5. Will there be any impact on the security of the remaining policyholders of TICL?

The net effect of moving the Transferring Business into TIDAC in conjunction with the whole account quota share arrangement (whereby TIDAC cedes 80% of the business back to TICL) is projected to result in a small reduction in TICL's portfolio at the Effective Date (i.e. less than 4% of the projected net technical provisions as at 31 December 2018). The proposed Scheme will therefore result in a small decrease to the liabilities of TICL and a small net effect on the capital (and regulatory capital position) of TICL.

I also note that the Non-Transferring Policyholders will continue to enjoy the additional security (over and above the capital resources held within TICL) under the SPFMG.

I note above that, post-Scheme, the Non-Transferring Policyholders are in a well-capitalised company (and projected to remain so over the forward looking (projection) period 2019 – 2021). This means that I consider the risk of insolvency of TICL post-Scheme to be low. I am therefore satisfied that any potential change in the wind-up priorities of the Non-Transferring Policyholders that would be caused by the Scheme will have no material impact on the security of benefits of the Non-Transferring Policyholders.

I have concluded that the impact of the proposed Scheme on the security of the Non-Transferring policyholders will be negligible and not adverse.

6. Will the proposed Scheme affect levels of service?

The Scheme is primarily a legal and financial reorganisation of the EEA businesses operating under the Travelers brand. As such, it will not result in any significant changes to the administration of the TICL or TIDAC businesses.

I note that TIDAC will seek to operate through a UK branch, which will be established initially by the exercise of passport rights. TIDAC will also apply to the PRA/FCA for direct authorisation of the UK branch so that (even assuming that passport rights will cease to apply after the UK leaves the EU) the PRA and FCA will directly regulate TIDAC's UK branch. As such, policies that involve exposures across both the UK and the rest of the EU (and possibly the EEA) can continue to be serviced in the territory giving rise to a claim or other policy maintenance.

If, for whatever reason, the UK (third country) branch for TIDAC is not authorised by the PRA/FCA on or before the UK leaves the EU single market or the expiry of any temporary permissions regime, any regulated activities will be undertaken by TIDAC's offices outside the UK (as there is no legal requirement for UK risks to be serviced in the UK) in accordance with TIDAC's administration standards that apply to all of its business across the EEA.

I have therefore concluded that no group of policyholders will suffer any significant changes in service standards as a result of the proposed Scheme.

7. Will the proposed Scheme affect dispute resolution and/or compensation levels?

FSCS

The UK's Financial Services Compensation Scheme (the **FSCS**) is a policyholder protection scheme intended to pay the claims of eligible claimants⁶ in the event of an insolvency of their insurer.

After the implementation of the Scheme, as with all other insurance companies with an establishment in the UK, TICL will continue to be required to participate in the FSCS. Therefore, to the extent that FSCS protection is currently available to eligible holders of the Non-Transferring Policies, they will continue to be protected by the FSCS if the Scheme is sanctioned.

FSCS protection currently available to eligible Transferring Policyholders is not expected to change as a result of the Scheme. As noted above, TIDAC will operate a UK branch established initially by the exercise of passport rights, and will also apply to the PRA/FCA for direct authorisation of the UK branch, so that (even assuming that passport rights will cease to apply after the UK leaves the EU) the PRA and FCA will directly regulate TIDAC's UK branch. As a result of this, TIDAC will be a "firm" for the purposes of the FSCS and so Transferring Policyholders will have the same access to the FSCS that they may have had before. FSCS protection will continue to apply to claims under Transferring Policies arising before or after the Effective Date, because TIDAC is a participant firm within the scope of the FSCS regime (initially, as an incoming EEA firm exercising passport rights and in future as an authorised UK branch).

If, however, passport rights cease to apply after the UK leaves the EU, and TIDAC has not established a UK (third country) branch directly regulated by the PRA/FCA, then the eligible Transferring Policyholders will cease to enjoy the FSCS protection currently available to them. Nonetheless, as I have identified above, post-Scheme the TIDAC Policyholders will be in a more than sufficiently capitalised company. This means that I consider the risk of insolvency of TIDAC post-Scheme, and hence any related recourse to the FSCS, to be low.

I have therefore concluded that any loss of FSCS protection currently available to eligible Transferring Policyholders will not have a materially adverse effect on the security of the Transferring Policyholders.

FOS

The UK's Financial Ombudsman Service (the **FOS**) is a free, independent service for resolving disputes for policyholders. The FOS has eligibility criteria which limit access to individuals or small firms (who are below defined turnover and employee number thresholds).

Since TICL is subject to the compulsory jurisdiction of the FOS, the Scheme will have no effect on the eligibility of the holders of Non-Transferring Policies to bring complaints to the FOS. If they are currently able to bring complaints to the FOS, this will remain the case after the implementation of the Scheme. If they are currently not eligible to complain to the FOS this will also remain the case after the implementation of the Scheme.

⁶ The FSCS has eligibility criteria which limit access to individuals or small firms (who are below defined turnover threshold).

Further, the FOS compulsory jurisdiction covers complaints about the activities of a firm in the UK, which includes the UK branch activities of a pass-ported EEA insurer, such as TIDAC, so there should be no change for the Transferring Policyholders as a result of the Scheme. In particular, activities carried on by an establishment in the UK (whether through a head office or branch of a firm) are covered by the FOS both before and after the Scheme.

If, however, passport rights cease to apply after the UK leaves the EU, and TIDAC has not established a UK (third country) branch directly regulated by the PRA/FCA, the Transferring Policyholders currently eligible to complain to the FOS will cease to have access to the services provided by the FOS. Nonetheless, I note that the number of policyholder complaints raised with TICL over the past three years has been small and that, post-Scheme, the Transferring Policyholders may be able to bring complaints to the FSPO in Ireland.

I have therefore concluded that any loss of access to the FOS currently available to eligible Transferring Policyholders will not have a materially adverse effect on such policyholders.

I provide a table in the Appendix to this Summary that outlines, by policyholder category, policyholders' access to the FSCS and/or the FOS pre- and post-Scheme.

8. Will the proposed Scheme affect regulatory standards?

For the Non-Transferring Policyholders there will be no change to the lead prudential supervisory authority of TICL; this will remain as the PRA. Likewise there will be no change to the conduct supervisory authority of TICL; this will remain as the FCA.

Pre-Brexit, I anticipate that the PRA will act as the lead prudential supervisor for TICL and TIDAC together, working closely with the CBI under the Solvency II regulatory arrangements. Post-Brexit, the supervisory position will depend upon the exit terms negotiated between the UK and the EU. Nonetheless, I would expect that the CBI will assume responsibility as the sole prudential supervisor for TIDAC and as prudential supervisor for its proposed UK branch. Further, in either scenario (pre- or post-Brexit) I would expect that the PRA and the CBI will seek to co-operate with one another.

Solvency II has essentially harmonised prudential supervision across the EU. As such, I consider the prudential regulatory regime in Ireland to be substantively similar to that operating in the UK.

Thus, I have concluded that while Transferring Policyholders may experience a change in the prudential supervisor (of their insurer) as a result of the Scheme, I do not believe the effects of any of these changes are likely to impact adversely the Transferring Policyholders to a materially degree.

For the Transferring Policyholders with policies written on a Freedom of Establishment ("FoE") basis since neither the location of the risk nor the location of the regulated activities is changing, because they all remain policyholders of a branch operation located in the same EEA-state pre- and post-Scheme, the applicable conduct regime will remain unchanged by the Scheme. Thus, I have concluded that the Transferring Policyholders with policies written on a FoE basis are unlikely to be adversely affected to a material degree by the change in conduct regulatory regime.

In the case of Transferring Policyholders with policies written on a Freedom of Services (“FoS”) basis although the location of the risk is not changing, the location in which the regulated activities are carried out might change from the UK to Ireland (although I note that TICL’s preference, subject to applicable regulatory consents, is to service claims in respect of such Transferring Policyholders from the UK branch of TIDAC, which would mean that the UK conduct regulatory regime would continue to apply in respect of activities carried out from the UK branch).

While I anticipate that there will be differences in the manner in which the FCA and the CBI discharge their respective conduct responsibilities, I do not have any reason to believe that there will be a fundamental difference in their aims (i.e. the need to ensure the honest and equitable treatment of financial consumers and the integrity of the financial markets) and therefore in the outcomes arising for such policyholders. Therefore, should the Irish conduct regime, rather than the UK conduct regime, apply post-Scheme to Transferring Policyholders with policies written on a FoS basis, I do not expect there to be any material difference in the regulatory conduct standards applying to their business.

As such, I do not consider that the Transferring Policyholders are likely to be adversely affected to a material degree by any change in conduct regime as a result of the Scheme.

9. Is there an impact upon the indemnitors and reinsurers of TICL?

The SPFMG provided (by SPF&M) to TICL (pre-Scheme) will continue to operate with no change to the terms and conditions post-Scheme. There will be a small reduction in the amount of business covered by the SPFMG post-Scheme as only 80% of the business comprising the Transferring Business (and that written post-Scheme by TIDAC) will be reinsured into TICL and therefore indirectly covered under the SPFMG. Accordingly, SPF&M will experience no material change to its guarantee of the business written by TICL.

Travelers intends to modify certain of the outwards reinsurance contracts that currently provide reinsurance protection to the business written by TICL by adding TIDAC as a named reinsured. This means that Travelers intends to reach agreement with each reinsurer that the reinsurance that they provide will continue to apply to the Transferring Business moving to TIDAC. Therefore, after the modification of reinsurance is completed there would be no material change to the reinsurance protecting the business written by TICL.

I am informed by Travelers that all necessary modifications of both internal and external reinsurance treaties of TICL are expected to be completed by 1 March 2019, i.e. prior to the Effective Date. I am also informed that it is intended that the outwards reinsurance contracts will transfer under the Scheme.

10. Conclusion

I confirm that I have been provided with access to all material facts of which I am aware and which I consider relevant in order to assess the proposals under the proposed Scheme and I further confirm that all information that I have requested in relation to my review has been provided. I have had discussions with senior members of staff at TICL that have helped me to evaluate the potential impact of the proposals on all policyholders under the proposed Scheme. In carrying out my review and in producing my Report, I have relied, without detailed verification, upon the accuracy and completeness of the data and information provided to me by TICL and

TIDAC. My conclusions depend on the substantial accuracy of this data, information and the underlying calculations. At the time of preparing my Report, I was unaware of any issue that might cause me to doubt the accuracy of the data and other information provided to me by TICL and TIDAC. As far as I am aware, there are no matters which I have not taken into account in undertaking my assessment of the proposed Scheme and in preparing my Report, but which nonetheless should be drawn to the attention of policyholders in their consideration of the proposed Scheme.

In my opinion, the Scheme (in conjunction with the Reinsurance Contracts) will not materially adversely impact on the security of benefits or the service standards experienced by the policyholders of TICL and TIDAC.

11. Update Report

My analysis has been based upon the material supplied to me, including balance sheets and other information, based on accounting positions as at 31 December 2017, and projected over the four year period (2018 – 2021).

Shortly before the date of the Court hearing at which an order sanctioning the Scheme will be sought, I will prepare a Supplemental Report covering any relevant matters that might have arisen since the date of the Report. It is intended that the Supplemental Report will be published on the website dedicated to the proposed Scheme at least one week before the date of the final Court hearing.

Gary Wells

Fellow of the Institute and Faculty of Actuaries

Appendix to Summary of IE Report

A simplified summary of the key differences between access to the FSCS and/or FOS pre- and post-Scheme by policyholder category is set out in the table below:

FSCS		FOS	
Policyholder category and access to FSCS pre-Scheme	Policyholder category and access to FSCS post-Scheme	Policyholder category and access to FOS pre-Scheme	Policyholder category and access to FOS post-Scheme
Non-Transferring Policyholder (i.e. a policyholder remaining with TICL) who does have access to FSCS currently	No change in position (access to FSCS remains)	Non-Transferring Policyholder (i.e. a policyholder remaining with TICL) who does have access to FOS currently	No change in position (access to FOS remains)
Non-Transferring Policyholder who does not have access to FSCS currently	No change in position (no access to FSCS)	Non-Transferring Policyholder who does not have access to FOS currently	No change in position (no access to FOS)
Transferring Policyholder who does have access to FSCS currently (broadly, a policyholder will only have access to FSCS if they are a private individual or a small business)	No change anticipated in position (access to FSCS expected to remain) This is essentially due to the way that TIDAC is intending to operate after the Scheme (i.e. with a UK branch)	Transferring Policyholder who does have access to FOS currently (broadly, a policyholder will only have access to FOS if they are a private individual or "micro-enterprise")	No change anticipated in position (access to FOS expected to remain) This is essentially due to the way that TIDAC is intending to operate after the Scheme (i.e. with a UK branch)
Transferring Policyholder who does not have access to FSCS currently	No change in position (no access to FSCS)	Transferring Policyholder who does not have access to FOS currently	No change in position (no access to FOS)

It should be noted that the table above is a simplified summary of the key differences between access to the FSCS and/or the FOS pre- and post-Scheme, by policyholder category. The Report contains the reasoning behind my conclusions on this matter, the detail of which is largely omitted from this table. The Report also includes further information regarding TICL and TIDAC that I have also not included within this table. While I am satisfied that this table provides a synopsis of key differences between access to the FSCS and/or the FOS pre- and post-Scheme by policyholder category, reliance on this table alone could be misleading.

**IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INSOLVENCY AND COMPANY LIST (ChD)**

**IN THE MATTER OF
TRAVELERS INSURANCE COMPANY LIMITED
AND
TRAVELERS INSURANCE DAC**

AND

**IN THE MATTER OF PART VII OF THE FINANCIAL SERVICES AND MARKETS ACT 2000
TRANSFER OF INSURANCE BUSINESS**

NOTICE IS HEREBY GIVEN that, by application dated 5 December 2018, Travelers Insurance Company Limited (formerly named St. Paul International Insurance Company Limited, St. Paul Travelers Insurance Company Limited and St. Katherine Insurance Company Limited) (the "**Transferor**"), applied to the High Court of Justice of England and Wales, for amongst other things, an order under Section 111(1) of the Financial Services & Markets Act 2000 (the "**Act**") sanctioning an insurance business transfer scheme (the "**Scheme**") providing for the transfer of insurance business (comprising policies, assets and liabilities) of certain of its EEA branches to Travelers Insurance DAC (the "**Transferee**") and for an order making provision under Section 112 of the Act.

The Transferee has applied to the Central Bank of Ireland for authorisation as a non-life insurance company, such authorisation must be given at a time prior to the Scheme taking effect.

The business included in the proposed transfer (the "**Transferring Business**") comprises all of the Transferor's insurance business underwritten or assumed (in whole or in part) by the **Irish, Dutch, French and German branches of the Transferor**.

If you are in any doubt as to whether your insurance policy is included in the proposed transfer, please contact the transfer helpdesk, details of which are set out below.

Copies of a report on the terms of the Scheme prepared by an independent expert in accordance with section 109 of the Act (the "**Scheme Report**") and copies of a statement setting out the terms of the Scheme and containing a summary of the Scheme Report may be obtained, free of charge, by contacting Travelers Insurance Company Limited, John Abramson, Travelers Legal Department, One Creechurch Place, London EC3A 5AF. Documents regarding the proposed Scheme are included on the website www.travelers.co.uk/brexit

Anyone who has questions regarding the proposed transfer or who requires any further information regarding the transfer may also contact the transfer helpdesk by contacting the following phone number: +44 203 207 6000 or by emailing us at jabramso@travelers.com

The application will be heard on **28 March 2019** before a Judge of the Chancery Division of the High Court at 7 Rolls Building, Fetter Lane, London, EC4A 1NL, United Kingdom. Any person (including an employee of the Transferor or the Transferee) who alleges that he or she would be adversely affected by the carrying out of the Scheme a) can make a representation by contacting the Transferor or Transferee through calling, emailing or writing to them via the contact details above; b) is entitled to:

- (i) appear at the hearing and make representations in person; or
- (ii) instruct a barrister or solicitor advocate to appear at the hearing and make representations on his/her behalf; or

(iii) make representations in writing.

If you intend to appear at the hearing in person, or to instruct someone to appear on your behalf, you are requested to give notice of your intention to do so in writing, setting out the reasons why you believe you may be adversely affected.

You are requested to send such notice, or if you are not intending to appear in person or by your legal representative, any written representations that you may have, to Travelers Insurance Company Limited, John Abramson, Travelers Legal Department, One Creechurch Place, London EC3A 5AF or to Clyde & Co LLP, The St Botolph Building, 138 Houndsditch, London, EC3A 7AR (ref: I Edwards/R Masaon/F Cassidy/10096756). If possible, please provide such notice or such written representations by close of business on 20 March 2019.

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