

*Scheme Report of the Independent Expert  
on the proposed transfer of insurance  
business from EC Insurance Company  
Limited to Markel International Insurance  
Company Limited in accordance with  
Part VII of the Financial Services and  
Markets Act 2000*

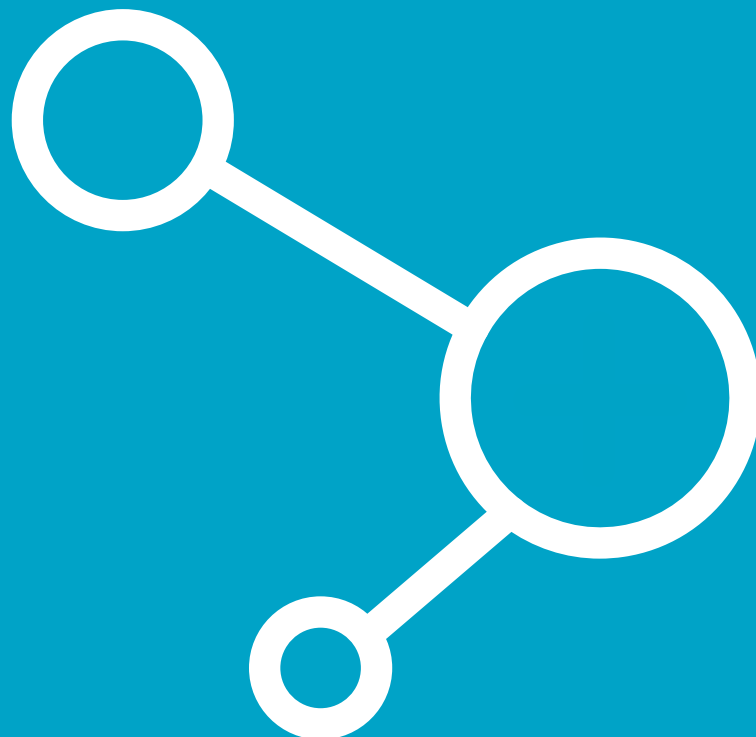
For the High Court of Justice of England and Wales

20 February 2020

Prepared by:

Charl Cronje FIA

LCP







**3618527**      **1.2. My role as Independent Expert**

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MIICL has appointed me to act as the Independent Expert (IE) for the Proposed Transfer. The Prudential Regulation Authority (PRA), in consultation with the Financial Conduct Authority (FCA), has approved my appointment.

As IE, my overall role is to assess whether:

- The security provided to policyholders of ECICL or MIICL will be materially adversely affected by the Proposed Transfer.
- The Proposed Transfer will have any adverse impact on service standards to policyholders.
- Any reinsurer of ECICL covering the transferring business will be materially adversely affected.

I provided my Scheme Report for the Proposed Transfer dated 21 October 2019 ahead of the Directions Hearing, which was held in the UK on 30 October 2019 and in Jersey on 31 October 2019.

The purpose of this Supplementary Report is to confirm and/or update the conclusions of my Scheme Report, based on any material new developments in the intervening period, ahead of the Sanctions Hearing. This Supplementary Report should be read in conjunction with my Scheme Report.

**1.3. Summary of developments since the Scheme Report**

**Activities since the Scheme Report**

The main activities in relation to the Proposed Transfer since the Scheme Report was issued on 21 October 2019 have been as follows:

- The Scheme Report and other associated scheme documents were presented to the Court at the Directions Hearing on 30 October 2019, where approval was received to start notifications in line with the communications plan.
- The PRA has approved MIICL's major model change application. The major model change application is mainly in relation to changes to the modelling of catastrophe risk within MIICL's internal model. My scheme report was written on the assumption that the PRA would approve MIICL's major model change. Therefore, the PRA's decision to approve the change has not altered my view of the Proposal Transfer.
- Since the Scheme Report the ECICL transferring provisions, net of external reinsurance, have decreased from \$26.7m to \$23.1m.
- ECICL has written directly to Transferring Policyholders and other relevant parties, as set out in the Scheme Report.

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- There have been no objections to the Proposed Transfer, as at 20 February 2020.
- MCH acquired Counce O'Hara and Company Limited and Counce O'Hara Limited. This acquisition does not affect the Transfer as the operation of the newly acquired entities will not affect the continued operation of the transferring business. The customer journey for the Transferring Policyholders will be unchanged post-Transfer. In addition, Counce O'Hara and Company Limited is an authorised intermediary rather than insurance company, and, as such, there will be no capital impact affecting the Transfer.
- The UK formally left the EU on 31 January 2020 following the Withdrawal Agreement between the UK and the EU. The UK has now entered a transition period until 31 December 2020. Given that the transferring policies will remain in the UK, the UK leaving the EU has no impact on my conclusions regarding the Proposed Transfer.

#### 1.4. Additional considerations for the Supplementary Report

In reaching my conclusions in this Supplementary Report, I have considered the following new information that has become available since the Scheme Report was issued on 21 October 2019:

- Updated booked provisions as at 30 September 2019;
- Recent claims experience and claim reserve movements; and
- Any communications and/or objections related to the Proposed Transfer raised by stakeholders.

#### 1.5. Summary of my conclusions

I set out below my summary conclusions, considering the effect of the Proposed Transfer from the perspective of the following three parties:

- A: "Transferring Policyholders", who will transfer from ECICL to MIICL as a result of the Proposed Transfer.
- B: "MIICL Policyholders", ie existing policyholders of MIICL who will remain with MIICL after the Proposed Transfer.
- C: Reinsurers whose contracts with ECICL will transfer to MIICL.

My overall conclusions are unchanged from those set out in the Scheme Report.

#### A: Transferring Policyholders

**In my opinion, the security provided to Transferring Policyholders will not be materially adversely affected by the Proposed Transfer.**

Summary of rationale:

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- ECICL policyholders are currently protected by 100% reinsurance from MIICL, net of ECICL's external reinsurance. MIICL's financial strength provides the ultimate security for the Transferring Policyholders both before the Proposed Transfer (through the 100% reinsurance) and afterwards (directly to the Transferring Policyholders).
- MIICL is well-capitalised relative to statutory requirements, meaning that it has a very low probability of insolvency.
- MIICL's capital base is also significantly larger than that of ECICL.
- The expected capital coverage ratio of MIICL just after the Proposed Transfer (258% of the Solvency Capital Requirement (SCR)) is higher than the expected capital coverage ratio of ECICL just before the Proposed Transfer of (254% of the Minimum Capital Requirement (MCR)).
- After the Proposed Transfer, in the unlikely event of MIICL's insolvency and winding-up, the Transferring Policyholders would rank alongside other policyholders of MIICL. Before the Proposed Transfer, in the event of MIICL's insolvency and winding-up, ECICL policyholders would rank below MIICL Policyholders, because ECICL is reinsured by MIICL.
- Transferring Policyholders, who have access to the Financial Services Compensation Scheme (FSCS) and Financial Ombudsman Service (FOS), prior to the Proposed Transfer, will retain their current access. ECICL expect that most of their customers will be able to access FOS, as they accept consumers, micro-enterprises and small businesses. Eligibility for FSCS is more restricted. It is mainly private individuals who can claim, so ECICL would expect First Senior customers to have access to both, but the companies buying cover for contractors may only be able to access FOS and not FSCS.

**In my opinion, there will be no material impact on service standards to Transferring Policyholders following the Proposed Transfer.**

Summary of rationale:

- Transferring Policyholders will continue to be administered by the same team within Markel as before the Proposed Transfer.
- The Transferring Policyholders will remain within the Markel group. MIICL is subject to the same group-wide policies as ECICL.
- Customer communication channels are already hosted on Markel systems and any communication through ECICL's previous phone numbers and address are routed to the current ones.

**3618527**      **B: MIICL Policyholders**

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**In my opinion the security provided to MIICL Policyholders will not be materially adversely affected by the Proposed Transfer.**

Summary of rationale:

- MIICL Policyholders will remain with MIICL, ie there will be no change in their policies as a result of the Proposed Transfer.
- MIICL has no plans to change the approaches for providing policyholder security including how insurance provisions and capital requirements are set.
- MIICL already 100% reinsures the liabilities of ECICL. MIICL will remain responsible for these liabilities following the Proposed Transfer. Therefore, the MIICL Policyholders' exposure to ECICL's risks are materially the same before and after the Proposed Transfer.
- The Proposed Transfer is small in relation to MIICL and will not materially affect MIICL's capital coverage ratio. MIICL will remain very well-capitalised following the Proposed Transfer.
- After the Proposed Transfer, in the unlikely event of MIICL's insolvency and winding-up, the ECICL Transferring Policyholders would rank alongside other policyholders of MIICL. Given how small the number of ECICL policyholders is relative to MIICL policyholders (ECICL represents 2.7% of MIICL's reserves), my view is that MIICL Policyholders will not be materially adversely impacted by this change. In addition, MIICL is very well-capitalised, with an SCR coverage ratio of over 200%, so the likelihood of MIICL becoming insolvent is very low.

**In my opinion, there will be no material impact on service standards for MIICL Policyholders following the Proposed Transfer.**

Summary of rationale: MIICL has informed me that there are no plans to change how MIICL Policyholders are serviced. Resources are already in place to service ECICL policyholders both before and after the Proposed Transfer and, therefore, no impact on the servicing of existing MIICL Policyholders is expected.

**C: Reinsurers whose contracts with ECICL are transferring to MIICL**

**In my opinion, reinsurers of ECICL who provide cover for the transferring business will not be materially affected by the Proposed Transfer.**

Summary of rationale:

- The reinsurers' exposure to ECICL claims will not change following the Proposed Transfer. Reinsurers will continue to be required to pay out the same claim amounts in respect of the same events as before the Proposed Transfer.

- 3618527**
- Reinsurers will still have the same visibility of the liabilities as before, and there are no planned changes to the reporting provided to them.
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- As at 1 November 2017, MIICL provided a loss portfolio transfer (LPT) and quota share reinsurance which reinsured all ECICL remaining liabilities, net of the external reinsurance described above, including any bad debt from the external reinsurance. This reinsurance will cease upon the Proposed Transfer.
  - ECICL has directly notified all reinsurers with whom ECICL either (i) has a live reinsurance contract i.e. the reinsurance period has not expired (ii) has a reinsurance contract under which ECICL has made a claim and such claim remains unpaid or outstanding (iii) has a reinsurance contract in respect of which ECICL holds 'Incurred But Not Reported' reserves ("IBNR Reserves") (as it expects to make a future claim) or (iv) participates in any reinsurance scheme. ECICL has notified all reinsurers with whom ECICL has placed reinsurance from 31 December 2010 onwards.

#### **Confirmation of factual correctness**

This report has been reviewed by ECICL and MIICL and each has agreed the report is correct in terms of all factual elements of the transfer.



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## 2. Introduction

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### 2.1. Background

Part VII - Section 109 of the Financial Services and Markets Act 2000 (FSMA) requires that a scheme report (the Scheme Report) must accompany an application to the High Court of Justice of England and Wales (the Court) to approve an insurance business transfer scheme (Part VII transfer).

The Scheme Report should be produced by a suitably qualified independent person, known as the Independent Expert (IE), who has been nominated or approved by the Prudential Regulation Authority (PRA) having consulted with the Financial Conduct Authority (FCA).

The Scheme Report should address the question of whether any policyholders or reinsurers impacted by the insurance business transfer are adversely affected to a material extent.

MIICL nominated Charl Cronje (“I”, “me”) of Lane Clark & Peacock LLP (“LCP”, “we”, “us”) to act as the Independent Expert for the proposed insurance business transfer scheme (the Proposed Transfer) of the insurance business of ECICL to MIICL under Section 105 of the FSMA. The Proposed Transfer is expected to be effected on 20 March 2020 (the Effective Date).

The Scheme Report was issued on 21 October 2019 and was presented to the Court on 30 October 2019 (Jersey on 31 October 2019). In the Scheme Report I stated that, before the date of the Sanctions Hearing, I would prepare a Supplementary Report (this report), covering any relevant matters which have arisen since the date of the Scheme Report.

In particular, I have considered whether any developments since the Scheme Report cause my conclusions in the Scheme Report to change.

### 2.2. Scope of this Supplementary Report

This Supplementary Report must be read in conjunction with the Scheme Report as the Supplementary Report does not contain the full details of the work I have performed in considering the Proposed Transfer. Reading the Supplementary Report in isolation may be misleading.

All terms used in the Supplementary Report are as defined in the Scheme Report. In combination with the Scheme Report, it complies with the professional actuarial guidance and standards set out in section 2.5 of this report.

**3618527** The use of “I”, “me” and “my” in this report generally refers to work carried out by me or by the team operating under my direct supervision. However, when it is used in reference to an opinion it is mine and mine alone.

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### 2.3. Use of this Supplementary Report

This Supplementary Report has been produced by Charl Cronje FIA of LCP under the terms of our written agreement with MIICL. It is subject to any stated limitations (eg regarding accuracy or completeness).

This Supplementary Report has been prepared for the purpose of accompanying the application to the Court in respect of the proposed insurance business transfer scheme described in this report, in accordance with Section 109 of the FSMA. The Supplementary Report is not suitable for any other purpose. The Supplementary Report must be read in conjunction with the Scheme Report of 21 October 2019.

A copy of the Supplementary Report will be sent to the PRA and the FCA and will accompany the evidence filed in Court at the Sanctions Hearing.

This report is only appropriate for the purpose described above and should not be used for anything else. No liability is accepted or assumed for any use of the Supplementary Report for any other purpose other than that set out above.

### 2.4. Reliances

I have based my work on the data and other information made available to me by ECICL and MIICL. Appendix 1 contains a list of key data and other information that I have considered when producing this Supplementary Report. I have also held discussions with the relevant staff of ECICL, MIICL and their advisors.

I have considered MIICL’s and ECICL’s most up-to-date view of forecast capital ratios. MIICL has confirmed that it has made me aware of all material developments that would affect my conclusions.

I have received all of the information that I have requested for the purposes of the production of my report. In this respect:

- ECICL and MIICL will submit witness statements to the Court stating that all information provided to me by ECICL and MIICL is correct and complete in all material aspects, and that there have been no material adverse changes to the financial position of ECICL or MIICL since that information was provided to me.
- I have conducted checks on the data provided to me for general consistency and reasonableness.
- My checks of the data have not revealed any cause for me to doubt that it is materially appropriate for me to rely upon for the purpose of this report.

**3618527** The conclusions in my report take no account of any information that I have not received, or of any inaccuracies in the information provided to me.

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I have not needed to take any third party legal advice on any aspects of the Proposed Transfer. ECICL and MIICL have confirmed that they have received no other specific legal advice relevant to my role as IE for the Proposed Transfer.

ECICL and MIICL have provided a Data Accuracy Statement confirming that the data provided to me regarding the Proposed Transfer are accurate and complete.

Figures in this report may be subject to small rounding differences and so totals within the tables may not equal the sum of the rounded components.

## **2.5. Professional standards**

This report complies with the applicable rules on expert evidence and with the guidance for Supplementary Reports set out by the PRA in their Statement of Policy, the FCA guidance to their approach to review of Part VII transfers issued in May 2018 and by the PRA Rulebook and the FCA Handbook.

This report, in combination with the Scheme Report complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100) and Technical Actuarial Standard 200: Insurance (TAS 200) issued by the Financial Reporting Council (FRC). The FRC is responsible for setting technical actuarial standards in the UK.

In producing this report, I have also considered The Actuaries' Code as issued by the IFoA.

This report has been subject to peer review prior to its publication, in line with Actuarial Professional Standard X2: Review of Actuarial Work (APS X2) as issued by the IFoA. This peer review has been undertaken by Stewart Mitchell. Stewart is a Partner at LCP. He has appropriate experience and expertise to act as peer reviewer of this report. He has been the IE on several other Part VII transfers.

**3618527**      **2.6. Materiality**

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The FRC considers that matters are material if they could, individually or collectively, influence the decisions to be taken by users of the actuarial information. It accepts that an assessment of the materiality is a matter of reasonable judgement that requires consideration of the users and the context.

I have applied this concept of materiality in planning, performing and reporting the work described in this Supplementary Report. In particular, I have applied this concept of materiality when using my professional judgement to determine the risks of material misstatement or omission and to determine the nature and extent of my work.

In complying with the reporting requirements of TAS 100, I have made judgements on the level of information to include in this Supplementary Report. For example, to make the report easier to read, I have not included all the details that would normally be included in a formal actuarial report, such as details of the methodologies and assumptions underlying the reserve and capital assessments.

**2.7. Definition of “materially adverse”**

In order to determine whether the Proposed Transfer will have a “materially adverse” impact on any group of policyholders or on any reinsurers covering transferring business, it has been necessary for me to exercise my judgement in the light of the information that I have reviewed.

The Proposed Transfer will affect different policyholders in different ways and, for any one group of policyholders, there may be some effects of the Proposed Transfer that are positive, and others that are adverse. When assessing whether the Proposed Transfer will have a “materially adverse” impact, I have considered the aggregate impact of these different effects on each group of policyholders and on reinsurers.

In this report, I have provided the rationale for my judgements and conclusions. These explain why, in each case, I have concluded whether or not policyholders and reinsurers are materially adversely affected.

**3618527 3. My approach as IE and conclusions**

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My approach to assessing the Proposed Transfer, as set out in the Scheme Report, has been to perform five steps analysing evidence provided by ECICL and MIICL to support the Proposed Transfer.

My approach for the Supplementary Report has been to revisit each of these five steps and to consider whether any of the updated analysis or information available now would cause me to change my conclusions in that report. The five steps and my considerations are detailed in the sections that follow.

A list of additional information considered is included in Appendix 1. Further details on my approach as IE are set out in section 4 of the Scheme Report.

**3.1. Step 1 – Assessing the provisions of ECICL and MIICL**

As IE, my overall assessments related to reserving are:

- whether an appropriate level of provisions is maintained for both MIICL Policyholders and Transferring Policyholders; and
- whether any aspects of the reserving may lead to policyholders being materially adversely affected by the Proposed Transfer.

These assessments were considered in section 5 of the Scheme Report, based on data and provisions as at 31 December 2018. I have been provided with updated data and provisions as at 30 September 2019 and an update of any material changes to provisions since 31 December 2018.

**Summary of GAAP booked provisions at 30 September 2019**

\$m	Gross of reinsurance	Net of external ECICL reinsurance	Net of all reinsurance
ECICL	48.1	23.1	0.0
MIICL	1,328.3	793.1	793.1

Source: ECICL, MIICL, figures include ULAE, UPR and bad debt  
Corresponding table in the Scheme Report is within section 5.5

The ECICL provisions have reduced by \$10.6m gross of reinsurance and \$3.6m net of external reinsurance compared to those in my Scheme Report as at 31 December 2018. The majority of the reduction is due to the payment of claims. Movements in exchange rates have also had a small impact.

The MIICL provisions have reduced by \$282.8m gross of reinsurance and \$212.4m net of reinsurance compared to those in my Scheme Report as at 31 December 2018. The majority of the reduction (\$203.4m) is due to the Part VII transfer of MIICL’s legacy EEA

**3618527** exposures to Markel Insurance Societas Europaea (MISE). The balance of the movement in provisions (\$9.0m) is less than 1% of the 31 December 2018 provisions Page 14 of 22 (\$1,006m), net of reinsurance and, in line with what Markel deem as normal variance.

Although there has been a large reduction in MIICL provisions, the movement is small relative to the overall provisions. ECICL reserves have gone from representing 2.7% to 2.9% of MIICL's reserves (net of reinsurance). ECICL will still be a very small proportion of MIICL's provisions. Therefore, this change does not impact my conclusions in relation to the Proposal Transfer.

MIICL has also confirmed that catastrophe losses in Q4 2019 remain in line with their expectations.

### Conclusion

I am satisfied that my conclusions remain unchanged from the Scheme Report. In summary:

**I have concluded that an appropriate level of provisions will be maintained for both the MIICL Policyholders and Transferring Policyholders and that they will not be materially adversely affected by the reserving aspects of the Proposed Transfer.**

### 3.2. Step 2: Assessing the capital positions of ECICL and MIICL

As IE, my overall assessments related to capital are:

- whether the projected capital requirements have been calculated appropriately for both MIICL and the Transferring Policyholders;
- whether there are expected to be any material adverse changes in the strength of capital protection for either group of policyholders. I have assessed this by comparing the projected SCR coverage ratios pre- and post- the Proposed Transfer; and
- whether any other aspects of the capital considerations may lead to policyholders being materially adversely affected by the Proposed Transfer.

**3618527** These assessments were considered in section 6 of the Scheme Report.

Page 15 of 22 **Projected SCR coverage ratios**

The following tables set out the projected SCR and coverage ratios, prepared by ECICL and MIICL, for ECICL and MIICL pre- and post- the Proposed Transfer.

**ECICL – coverage ratio pre- the Proposed Transfer**

\$m	Pre-Transfer
	Day 0
Total own funds eligible to meet SCR	10.7
SCR	3.1
<b>SCR coverage ratio</b>	<b>350%</b>
MCR	4.2
<b>MCR coverage ratio (this is the most relevant measure for ECICL)</b>	<b>254%</b>

Source: ECICL

Corresponding table in the Scheme Report is within section 6.10

**MIICL – SCR and coverage ratio pre- and post- the Proposed Transfer**

\$m	Pre-Transfer	Post-Transfer
	Day 0	Day 1
Total own funds eligible to meet SCR	611.4	617.5
SCR	238.9	238.9
<b>SCR coverage ratio</b>	<b>256%</b>	<b>258%</b>

Source: MIICL

Corresponding table in the Scheme Report is within section 6.10

The projected SCR and coverage ratios are unchanged from those in the Scheme Report. MIICL has confirmed there is no update or material change expected to the previously projected SCR coverage ratios for ECICL and MIICL. The Day 0 figures are based on the expected position at 31 December 2019. MIICL has confirmed to me that it is not aware of any planned material changes between 31 December 2019 and Day 0.

The capital coverage ratio for MIICL Policyholders is projected to increase slightly on Day 1, post-transfer, as a result of a portion of ECICL's Own Funds (\$6.0m) transferring to MIICL. The balance of ECICL's net assets (\$4.7m at Day 1) comprising mainly bank accounts and non-technical liabilities, will be paid as a dividend to MCH at some point in the future.

**3618527** MIICL's projected Solvency II Own Funds as at 31 December 2019 are based on the ratio of Solvency II Own funds to GAAP Total Equity as at 30 June 2019 (118%). The equivalent figure as at 30 September 2019 is materially unchanged.

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As planned, MIICL declared a dividend in December 2019. The level of dividend was set so as to target a certain capital buffer and reduces own funds to the amount expected at year-end.

### Conclusion

There have been no changes to the SCR and coverage ratios. Therefore, I am satisfied that my conclusions remain unchanged from the Scheme Report. In summary:

- **The projected capital requirements for ECICL and MIICL have been calculated appropriately for both MIICL and Transferring Policyholders.**
- **Following the Proposed Transfer, I do not expect there to be any materially adverse changes in the strength of capital protection for either group of policyholders.**

### 3.3. Step 3: Assessing overall policyholder security

As IE, my overall assessments related to policyholder security are:

- whether the likelihood of valid policyholder claims being paid is maintained following the Proposed Transfer for both the MIICL and Transferring Policyholders.
- whether any change in policyholder security results in policyholders being materially adversely affected by the Proposed Transfer.

These assessments were considered in section 7 of the Scheme Report.



**3618527 GAAP balance sheet projections**

The table below shows simplified balance sheets for MIICL pre- and post- the Proposed Transfer and the simplified balance sheet for ECICL before the Proposed Transfer.

**GAAP balance sheets of ECICL and MIICL**

	ECICL \$m Day 0 Pre-Transfer	MIICL \$m Day 0 Pre-Transfer	MIICL \$m Day 1 Post-Transfer
Reinsurers' share of Technical Provisions	39.4	748.3	770.0
Deferred acquisition costs	0	33.5	33.5
Insurance debtors	7.0	31.2	38.2
Investments	0.0	864.7	864.7
Other assets	5.1	301.1	301.1
<b>Total Assets</b>	<b>51.5</b>	<b>1,978.8</b>	<b>2,007.5</b>
Technical provisions	39.4	1,386.0	1,407.7
Insurance creditors	0.6	61.3	61.9
Other liabilities	0.5	11.4	11.4
<b>Total Liabilities</b>	<b>40.5</b>	<b>1,458.7</b>	<b>1,481.0</b>
<b>Total Equity</b>	<b>11.0</b>	<b>520.1</b>	<b>526.5</b>

Source: ECICL, MIICL

Corresponding table in the Scheme Report is within section 7.2

The projected GAAP balance sheets are unchanged from those in the Scheme Report.

**Conclusion**

There have been no changes to the Proposed Transfer that affect the likelihood of policyholders receiving payments due on their claims or reduce the security provided to the policyholders since the Scheme Report. I am, therefore, satisfied that my conclusions remain unchanged from the Scheme Report. In summary:

**I have concluded that the security provided to the Transferring Policyholders and MIICL Policyholders will not be materially adversely affected by the Proposed Transfer.**

**3618527**      **3.4. Step 4: Assessing policyholder communications**

Page 18 of 22      The assessments related to the communication plan were considered in section 8 of the Scheme Report.

**Communications plan**

ECICL has written directly to Transferring Policyholders and other relevant parties, as set out in the Scheme Report, in line with ECICL's original communications plan.

A total of 31,828 notice letters were sent out to policyholders. Details of customer responses, as at 31 January 2020, are set out below:

- 5 complaints were received. Markel has confirmed that 4 complaints have been dealt with and 1 remains open, with discussions ongoing. None of these complaints were in relation to the Proposed Transfer;
- 1,250 of the letters / emails were returned. 1,165 of these were re-sent to alternative addresses. Of the letters / emails which were resent, 226 of these were successfully received. Of the 85 returned letters which were not re-sent, there were 78 cases where the addressee was deceased and 7 where the person at the address refused to accept the letter; and
- 2,364 general enquiries were made. These included queries relating to what policy the Transfer related to or what action the Transferring Policyholder needed to take in respect of the Notice Letter received. Other calls, and the majority of letters received, were notifications by solicitors or executors to state that the Policyholder was deceased.

I have reviewed a sample of policyholder responses which MIICL received.

In accordance with the regulations, ECICL and MIICL placed a notice of the Proposed Transfer in:

- the London Gazette, the Edinburgh Gazette, the Belfast Gazette; and
- once in each of two national newspapers in the UK, Isle of Man, Jersey and Guernsey.

ECICL and MIICL confirmed that there were no requirements to publish notices in any non-UK EEA states.

**Objections**

The key aspect of the update on policyholder communications is for me to consider any objections to the Proposed Transfer. As of 20 February 2020, no objections to the Proposed Transfer had been received.

**3618527** ECICL has notified reinsurers, brokers, agents and other third parties, as described in section 8.2 of my Scheme Report, to inform them of the Proposed Transfer. No objections have been raised by any of these parties.

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### Conclusion

The communications plan has been executed as set out in the Scheme Report and no objections to the Proposed Transfer have been received. I am, therefore, satisfied that my conclusions remain unchanged from the Scheme Report. In summary:

**Based on my review of the communication strategy, I have concluded the planned communications strategy will ensure adequate coverage of affected parties. ECICL/MIICL are applying for a number of dispensations from communicating to some affected parties. I have concluded that these are appropriate.**

**I have also concluded that the planned communication is sufficiently clear for policyholders to understand the effects of the Proposed Transfer.**

### 3.5. Step 5: Assessing potential impact on customer service and other considerations that might affect policyholders

The assessments related to the customer service and other considerations were considered in section 9 of the Scheme Report.

### Conclusion

Since the Scheme Report, there have been no changes to the Proposed Transfer that affect my analysis on customer service and other aspects of the Proposed Transfer. I am, therefore, satisfied that my conclusions remain unchanged from the Scheme Report. In summary:

**I have concluded that no material impact on service standards (or any other considerations within this section of the report) is expected following the Proposed Transfer.**

**3618527**      **4. Conclusions and Statement of Truth**

Page 20 of 22      I have considered the Proposed Transfer and its likely effects on the MIICL Policyholders, the Transferring Policyholders of ECICL and the transferring reinsurers.

In reaching the conclusions set out below, I have applied the principles as set out in relevant professional guidance, being the Technical Actuarial Standards (TASs) TAS 100: Principles for Technical Actuarial Work and TAS 200: Insurance.

**I have concluded that:**

- **The security provided to MIICL Policyholders will not be materially adversely affected by the Proposed Transfer. No material impact on service standards is expected for MIICL Policyholders following the Proposed Transfer.**
- **The security provided to Transferring Policyholders will not be materially adversely affected by the Proposed Transfer. No material impact on service standards is expected for Transferring Policyholders following the Proposed Transfer.**
- **Reinsurers of ECICL who provide cover for the transferring business will not be materially affected by the Proposed Transfer.**

**3618527**      **4.1. IE duty and declaration**

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My duty to the Court overrides any obligation to those from whom I have received instructions or paid for this Report. I confirm that I understand my duty to the Court and I have complied with that duty.

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 I have expressed represent my true and complete professional opinions on the matters to which they refer.

I confirm that I am aware of the requirements of Part 35 of the Civil Procedure Rules, Practice Direction 35 and the Protocol for Instruction of Experts to give Evidence in Civil Claims.



*Charl Cronje* FIA  
Partner

20 February 2020

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**The use of our work**

This work has been produced by Lane Clark & Peacock LLP under the terms of our written agreement with Markel International Insurance Company Limited (MIICL). It is subject to any stated limitations (eg regarding accuracy or completeness).

This Scheme Report, which is our work, has been prepared for the purpose of accompanying the application to the Court in respect of the insurance business transfer scheme described in this report, in accordance with Section 109 of the Financial Services and Markets Act 2000. The Scheme Report is not suitable for any other purpose.

A copy of the Scheme Report will be sent to the Prudential Regulatory Authority, the Financial Conduct Authority and will accompany the Scheme application to the Court.

This work is only appropriate for the purpose described above and should not be used for anything else. No liability is accepted or assumed for any use of the Scheme Report for any other purpose other than that set out above.

**Professional Standards**

Our work in preparing this document complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work, together with Technical Actuarial Standard 200: Insurance.

The following is a list of the key data items I have requested and received, or accessed directly, in assessing the Proposed Transfer. I continue to also rely on all data items received that are listed in Appendix 4 of the Scheme Report. All data I have requested has been provided to me. ECICL/MIICL have provided a Data Accuracy Statement confirming that the data and information provided to me regarding the Proposed Transfer are accurate and complete.

**1. Draft Court and regulatory documents prepared by ECICL/MIICL for the Proposed Transfer, including:**

- Draft witness statement for ECICL (January 2020)
- Draft witness statement for MIICL (January 2020)
- FCA court report (February 2020)

**2. Responses and objections from stakeholders to the Proposed Transfer**

- Various summary updates (latest dated 27 January 2020)
- Details of complaints received (2 January 2020)
- Sample of policyholder emails received (February 2020)

**3. Documents relating to provisions and reserving processes, including:**

- Summary of provisions as at 30 September 2019
- Update on claims experience and reserve movements to 30 September 2019 (6 December 2019)
- Bridging analysis between provisions at 31 December 2018 and 30 September 2019 (8 January 2020)

**4. Documents relating to capital and related processes, including:**

- Bridging analysis between GAAP net assets and Solvency II net asset as at 30 September 2019

**5. Other evidence prepared by ECICL/MIICL to support the Proposed Transfer, including:**

- Approval letter for major model change application (dated 19 December 2019)
- Confirmation of no changes to the projected SCR coverage ratios and GAAP balance sheet at Day 0 and Day 1 and no planned changes between 31 December 2019 and the Effective Date (December 2019)

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