

CIRCULAR IN RELATION TO:

PROPOSED TRANSFERS OF INSURANCE BUSINESS

FROM

BOSWORTH RUN-OFF LIMITED

and

BRAMPTON INSURANCE COMPANY LIMITED

and

KNAPTON INSURANCE LIMITED

and

MARLON INSURANCE COMPANY LIMITED

and

MERCANTILE INDEMNITY COMPANY LIMITED

and

UNIONAMERICA INSURANCE COMPANY LIMITED

TO

RIVER THAMES INSURANCE COMPANY LIMITED

UNDER PART VII OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

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INTRODUCTION

This Circular relates to a number of proposed transfers of insurance business involving the following companies:

1. Bosworth Run-Off Limited (**Bosworth**);
2. Brampton Insurance Company Limited (**Brampton**);
3. Knapton Insurance Limited (**Knapton**);
4. Marlon Insurance Company Limited (**Marlon**);
5. Mercantile Indemnity Company Limited (**Mercantile**);
6. Unionamerica Insurance Company Limited (**Unionamerica**); and
7. River Thames Insurance Company Limited (**River Thames**);

(together, the **Companies**).

Each of Bosworth, Brampton, Knapton, Marlon, Mercantile and Unionamerica (together the **Transferors**) is proposing to transfer the entirety of the business underwritten by it (and where relevant assumed by it by way of a portfolio transfer) and all of its assets and liabilities to River Thames under Part VII of the Financial Services and Markets Act 2000 (the **Act**). The proposed transfers of insurance business are in substantially the same terms, and are referred to collectively in this document as the **Scheme**. The proposed transfers are interconditional, so that if the Scheme is not sanctioned for one or more of the Transferors, all of the Transferors will continue to run off their respective insurance business in the ordinary course of business.

PURPOSE OF THIS CIRCULAR

The purpose of this Circular is:

1. to provide background information in relation to each of the Companies and the decision to implement the Scheme;
2. to explain the nature of an insurance business transfer scheme and how it is implemented;
3. to explain who will be affected by the Scheme and summarise its main provisions and effect;

4. to summarise the report of the independent expert required to be appointed under the Act to consider the impact of the Scheme on policyholders; and
5. to explain what action policyholders and other interested parties may take if it is believed that they will be adversely affected by the Scheme.

Notice of the application to sanction the Scheme is set out at Appendix 2 to this document.

A summary of the principal provisions of the Scheme is set out in Appendix 3 to this document.

1. BACKGROUND TO THE COMPANIES

The Companies are United Kingdom domiciled insurance companies with permission under Part 4A of the Act to carry out (and in the case of Knapton, Marlon, Unionamerica and River Thames, to effect) contracts of general insurance. The Companies are regulated by both the Prudential Regulation Authority (**PRA**) and the Financial Conduct Authority (**FCA**).

All of the Companies are indirect wholly owned subsidiaries of Enstar Group Limited (**EGL**). EGL is a publicly traded company on the NASDAQ stock market (ticker symbol: ESGR), established to acquire and manage insurance and reinsurance companies in run-off and provide management, consulting and other services to the global insurance and reinsurance industry.

Background history in relation to each of the Companies is at Appendix 1 to this Circular.

2. WHY IS THE SCHEME BEING PROPOSED?

The Scheme is proposed in order to consolidate the run-off of the Transferors into a single regulated entity within the Enstar group in order to optimise the management of the Companies. In this way, duplication of effort (e.g. with regard to information technology, audit, regulatory compliance, financial accounting and management reporting) can be minimised.

3. WHAT IS AN INSURANCE BUSINESS TRANSFER SCHEME AND HOW DOES IT BECOME BINDING?

Under the Scheme, it is proposed that all of the respective general insurance and reinsurance business of the Transferors will be transferred, together with the benefit of all associated reinsurance contracts, to River Thames.

An insurance business transfer scheme is a mechanism provided for in Part VII of the Act which enables one insurer to transfer its insurance business to another insurer. The Scheme requires the sanction of the Court, which has wide powers to authorise the transfer not only

of inwards insurance business, but of outwards reinsurance protections protecting that business, and any other assets or liabilities of the Transferors.

4. WHO WILL BE AFFECTED BY THE SCHEME?

The business to be transferred under the Scheme (**Transferring Business**) can be summarised as follows:

- (i) all reinsurance business carried on by Bosworth;
- (ii) all insurance and reinsurance business effected and/or carried on by Brampton;
- (iii) all insurance and reinsurance business effected and/or carried on by Knapton;
- (iv) all insurance and reinsurance business effected and/or carried on by Marlon;
- (v) all insurance and reinsurance business effected and/or carried on by Mercantile; and
- (vi) all insurance and reinsurance business effected and/or carried on by Unionamerica.

In addition, the rights and obligations of each Transferor under any outwards reinsurance protections applicable to its Transferring Business will transfer to River Thames, as will their rights and obligations under any other third party contracts of which they have the benefit and which relate to the Transferring Business.

All policyholders and reinsurers of the Transferors and policyholders of River Thames will therefore be affected by the Scheme.

Marlon and Unionamerica each have surplus lines trust funds in the US which provide security for their respective obligations under policies issued to direct policyholders. Unionamerica also has a reinsurance trust fund, which enables US cedants to take credit for reinsurance with Unionamerica for the purposes of their own financial reporting. Marlon, Unionamerica and River Thames are each taking steps to ensure that the security and benefits provided by their respective trust funds will be replicated post transfer, so that US policyholders are not prejudiced. The independent expert, who has prepared a report to the Court on the Scheme, has indicated that he will report on the steps that have been taken and their impact in his supplemental report, which will be prepared prior to the hearing of the application to sanction the Scheme.

The terms of the Scheme are set out in a document, which is summarised at Appendix 3 to this Circular.

5. THE INDEPENDENT EXPERT

Section 109 of the Act requires a Scheme to be accompanied by a report by an independent expert on the terms of the transfer. The appointment of the independent expert and the form of his report must both be approved by the PRA. The primary duty of the independent expert is owed to the Court, and this duty overrides his duty to the parties who appoint him.

The independent expert is Gregory Overton of PricewaterhouseCoopers LLP (the **Independent Expert**). Mr Overton was appointed as independent expert with the approval of the PRA (having consulted the FCA) to report on the Scheme and has produced a report in relation to the Scheme, the form of which has been approved by the PRA (the **Scheme Report**). A summary of the Scheme Report is set out at Appendix 4 to this Circular. A copy of the Scheme Report may be obtained free of charge by writing to Berwin Leighton Paisner LLP at the address and reference on page 7 or can be downloaded from www.project-river-transfers.com.

6. WHAT HAPPENS IF THE SCHEME BECOMES EFFECTIVE?

In broad terms, the effect of the Scheme is that the Transferors' respective rights and obligations under policies forming the Transferring Business will be transferred without alteration to River Thames, together with all assets (including the benefit of reinsurance protections) and liabilities of the Transferors. Each policyholder's rights and obligations under its policy or policies will remain unchanged, but will, following the Scheme, be exercisable against or owed to River Thames alone. Policyholders' valid claims will continue to be paid, although the party liable to make payment will be River Thames rather than the original underwriter of the policy.

A summary of the provisions of the Scheme is at Appendix 3 to this Circular.

When making an order sanctioning a transfer, the Court has the power to order the dissolution without liquidation of the transferor. It is intended that such an order will be sought in relation to each of the Transferors who, following the Scheme, will have no further insurance liabilities.

Should the Scheme be sanctioned, it is expected to become effective for each Transferor on 1 April 2017.

7. YOUR RIGHTS IN RELATION TO THE SCHEME

The application for the sanction of the Scheme is intended to be heard before a Judge of the Chancery Division Companies Court at the High Court of Justice, The Rolls Building, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL on 24 March 2017. Any change to the date will be

published on the website www.project-river-transfers.com.

Any person (including any employee of the Transferors or Transferee) who alleges that they would be adversely affected by the carrying out of the Scheme is entitled to:

- (i) appear at the hearing and make representations in person;
- (ii) instruct a barrister or solicitor advocate to appear at the hearing and make representations on their 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 and to send your representations in writing, setting out the reasons why you would be adversely affected, to Berwin Leighton Paisner LLP at the address and reference given on page 7, to be received by close of business on 17 March 2017. If you do not give the requested notice, you will still be entitled to attend the hearing. You may also contact Berwin Leighton Paisner LLP by telephone on the number given in section 9 below.

8. LIAISON WITH REGULATORS

The Companies have liaised closely with the PRA and the FCA in relation to the Scheme.

The form of the notice at Appendix 2 of this document has been approved by the PRA. The appointment of Gregory Overton of PricewaterhouseCoopers LLP as independent expert, and the form of the Scheme Report, were approved by the PRA having consulted the FCA.

9. FURTHER ASSISTANCE

You do not need to take any action in relation to the Scheme unless you believe that you will be adversely affected by it, in which case please refer to section 7 above for an explanation of the steps you may take.

Should you have any questions concerning the Scheme, they should be referred to Berwin, Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA and tel: 020 3400 3329, email: project-river-transfers@blplaw.com with ref: GQUI/OSAU

APPENDIX 1: HISTORY OF THE COMPANIES

Bosworth Run-Off Limited (Bosworth)

Bosworth is an indirect wholly owned subsidiary of Enstar Group Limited. Its immediate holding company is Comox Holdings Ltd. The run-off management of Bosworth is provided by Enstar (EU) Limited (**Enstar**).

Bosworth was incorporated in England and Wales on 26 August 2008. The registered number of Bosworth is 06681230 and its registered office is 3 Guildford Business Park, Guildford, Surrey GU2 8XG.

Bosworth is a PRA authorised insurance company (with firm reference number 502530).

Bosworth's business was acquired from the UK branch of Mitsui Sumitomo Insurance Company Limited (**MSI**) by way of a Part VII transfer, effective 31 May 2010. Bosworth has no other business save for the business transferred to it from MSI. The Transferring Business comprises proportional, non-proportional and facultative reinsurance contracts, for both marine and non-marine business, which was written by MSI between 1952 and 1993. The contracts underwritten were reinsurances of ceding companies located all over the world, with the focus being in the UK, the rest of Europe, Asia and the USA.

Brampton Insurance Company Limited (Brampton)

Brampton is an indirect wholly owned subsidiary of Enstar Group Limited. Its immediate holding company is Hillcot Holdings Ltd. The run-off management of Brampton is provided by Enstar.

Brampton was incorporated in England and Wales on 12 August 1976 as The Chiyoda Fire and Marine Insurance Company (U.K.) Limited. On 27 April 1990, it changed its name to The Chiyoda Fire and Marine Insurance Company (Europe) Limited. On 2 April 2001, it changed its name again to Aioi Insurance Company of Europe Limited and on 29 March 2006 it changed to its present name, Brampton Insurance Company Limited. The registered number of Brampton is 01272965 and its registered office is 3 Guildford Business Park, Guildford, Surrey GU2 8XG.

Brampton is a PRA authorised insurance company (with firm reference number 202820) and has been in run-off since April 2002.

Brampton's ongoing business was transferred to Aioi Motor and General Insurance Company of Europe Limited by means of a Part VII transfer on 1 January 2006. Brampton retained all run-off business (comprising policies written up to and including April 2002).

Brampton has since accepted further portfolio transfers from the International Insurance Company of Hannover Limited (**InterHannover**) and fellow Enstar Group company, Compagnie Européenne

d'Assurances Industrielles SA (**CEAI**).

Brampton's business therefore comprises three portfolios:

1. The Aioi run-off business written between 1985 and 2002, comprising:
 - (a) Direct Norwegian personal accident business written between 1998 and 2001;
 - (b) Dutch construction risks written between 1987 and 2002;
 - (c) Facultative public and products liability business;
 - (d) Excess of loss motor reinsurance;
 - (e) Various excess of loss/aggregate property and catastrophe risks in Europe and Asia written between 1989 and 2001;
 - (f) Various general liability reinsurance contracts;
 - (g) Facultative, non proportional treaty and proportional treaty accident and health business.
2. Business written by certain agencies on behalf of InterHannover between 1985 and 2009 and comprising UK and Irish motor and household insurance, international marine, cargo and liability business, European sports, leisure and entertainment risks, UK and Irish professional indemnity and property and casualty business and Norwegian material damage business interruption and workers' compensation insurance.
3. A book of French builders' bonds and certain other business written between 1975 and 1994 by CEAI through agencies in the UK, France, Belgium, Holland and Singapore.

Knapton Insurance Limited (Knapton)

Knapton is an indirect wholly owned subsidiary of Enstar Group Limited. Its immediate holding company is Knapton Holdings Limited. The run-off management of Knapton is provided by Enstar.

Knapton was incorporated in England and Wales on 18 November 1880 as The Engine, Boiler and Employers' Liability Insurance Company Limited. It subsequently changed its name to The British Engine, Boiler and Electrical Insurance Company Limited. On 31 December 1978, it changed its name again to British Engine Insurance Limited and on 3 March 2010 it changed to its present name, Knapton Insurance Limited. The registered number of Knapton is 00014644 and its registered office is 3 Guildford Business Park, Guildford, Surrey GU2 8XG.

Knapton is a PRA authorised insurance company (with firm reference number 202051) and has been

in run-off since 2002.

Knapton was previously owned by Royal & Sun Alliance Insurance Plc (**RSA**) and was one of the leading writers of engineering business in the UK. In addition, Knapton was the vehicle used by RSA to receive, by way of simultaneous Part VII transfers, sixteen RSA run-off portfolios originally written by various RSA group companies, which were put into run-off at various dates between the mid-1970s and 2002. These insurance business transfers were completed in October 2006. Enstar acquired Knapton from RSA on 2 March 2010.

Knapton commenced underwriting in the late nineteenth century and ceased underwriting in 2002, since when it has been in run-off.

With effect from 9 February 2015, Knapton received, by means of two simultaneous and inter-conditional German law portfolio transfers, the marine excess of loss business of Allianz Global Corporate & Specialty SE and Allianz SE (**Allianz Marine XL Business**), which was written between 1 January 2003 and 31 December 2005.

With effect from 31 October 2015, Knapton received, by Part VII transfer, RSA's one-third share of the business of the Tower Underwriting Management Limited Pool (now managed by Downlands Liability Management Limited), which Knapton had previously 100% reinsured (**Tower Pool Business**). The Tower Pool Business was written between 1967 and 1972.

In addition to the Allianz Marine XL Business and the Tower Pool Business, the Transferring Business comprises the following:

1. Engineering and Construction (pre 1978 to 2001): Underwritten on a proportional treaty and facultative basis with global cedants. Risks include construction, erection, machinery breakdown and boiler explosion (all onshore) and international construction and engineering.
2. Property (pre 1978 to 2001): Proportional treaty and facultative reinsurance, with some non proportional contracts written from the early 1980s.
3. Financial Products (1989 – 2001): Assumed reinsurance business including Surety/Bonds, Financial Institutions (BBB), Credit and Political Risks.
4. Marine and Aviation (late 1980s – 1993): Marine proportional and non-proportional treaty reinsurance, and aviation non-proportional treaty reinsurance.
5. Casualty (mid 1980s – 2001): Assumed casualty excess of loss treaty business, comprising mainly general liability, PI and some workers' compensation, and a small facultative portfolio.

Marlon Insurance Company Limited (Marlon)

Marlon is an indirect wholly owned subsidiary of Enstar Group Limited. Its immediate holding company is Flatts Limited. The run-off management of Marlon is provided by Enstar.

Marlon was incorporated in England and Wales on 1 January 1971 as Vesta (U.K.) Insurance Company Limited. It subsequently changed its name to Skandia Marine Insurance Company (UK) Limited on 1 January 1992, and then on 2 June 2000, it changed to its present name, Marlon Insurance Company Limited. The registered number of Marlon is 00998720 and its registered office is 3 Guildford Business Park, Guildford, Surrey GU2 8XG.

Marlon is a PRA authorised insurance company (with firm reference number 202597) and has been in run-off since 1991.

On 10 September 2008 Marlon accepted a transfer of business from the UK branch of Codan Forsikring A/S (**Codan**) under a portfolio transfer approved by the Danish Financial Supervisory Authority. This business was originally written by the UK branch of Codan as a participant in the London Scandinavian Underwriters Pool (**LSU Pool**).

With effect from 30 June 2012, Marlon assumed into its newly formed Danish branch, via a Danish law portfolio transfer, a book of Danish disability and assumed reinsurance exposures from the Danish Branch of Zurich Insurance Company.

With effect from 11 March 2013, Marlon assumed, via a Swedish law portfolio transfer, the insurance liabilities of Forsakringsaktiebolaget Assuransinvest MF (**Assuransinvest**), a fellow Enstar Group company.

With effect from 4 December 2015, Marlon's wholly owned subsidiary, The Copenhagen Reinsurance Company (UK) Limited (**Cop Re UK**) transferred all of its assets and liabilities to Marlon by means of a Part VII transfer.

Marlon's Transferring Business therefore comprises the following 5 portfolios:

1. Business underwritten by Marlon through the LSU Pool: comprising marine and aviation business written through the Institute of London Underwriters (**ILU**) from 1981 to 1991.
2. Marlon Danish branch business: including approximately 600 open disability policies issued originally to Danish nationals by Zurich Insurance Company's Danish branch, and a small multi-line assumed reinsurance portfolio which predominantly consists of Danish cedants, underwritten between 1970 and 2001.
3. Assuransinvest Business: comprising mostly Swedish direct commercial exposures, an

international reinsurance portfolio and a small book of direct product warranty policies written in Scandinavia between 1965 and 2007, when Assuransinvest went into run-off.

4. Cop Re Denmark Business (including that of its UK branch), which was written up to 2001 when Cop Re Denmark went into run-off.
5. Cop Re UK Business: written by Cop Re UK from 1969 to 1998, including marine facultative, proportional and non-proportional, liability, bankers blanket bond and PI business, and property.

Marlon has a Danish branch. The Danish branch business, which is administered by Capita Insurance Services Limited in Denmark, will continue to be administered by Capita Insurance Services Limited after the proposed transfer.

Mercantile Indemnity Company Limited (Mercantile)

Mercantile is an indirect wholly owned subsidiary of Enstar Group Limited. Its immediate holding company is Kenmare Holdings Ltd. The run-off management of Mercantile is provided by Enstar.

Mercantile was incorporated in England and Wales on 6 June 1980 as Mercantile Mutual Insurance (UK) Limited. On 19 April 1984, it changed its name to Mercantile Indemnity Company Limited. The registered number of Mercantile is 01500302 and its registered office is 3 Guildford Business Park, Guildford, Surrey GU2 8XG.

Mercantile is a PRA authorised insurance company (with firm reference number 202634) and has been in run-off since 1987.

Mercantile's Transferring Business was written between 1980 and 1987 when Mercantile went into run-off. The remaining exposures relate to property and casualty reinsurance, the bulk of which were written as a participant in the Regis Agencies Limited underwriting pool from 1980 to 1984.

Unionamerica Insurance Company Limited (Unionamerica)

Unionamerica is an indirect wholly owned subsidiary of Enstar Group Limited. Its immediate holding company is Unionamerica Acquisition Company Limited. The run-off management of Unionamerica is provided by Enstar.

Unionamerica was incorporated in England and Wales on 1 September 1971. The registered number of Unionamerica is 01022903 and its registered office is 3 Guildford Business Park, Guildford, Surrey GU2 8XG.

Unionamerica is a PRA authorised insurance company (with firm reference number 202584) and has been in run-off since 2002.

With effect from 31 December 2007, Unionamerica acquired certain business by means of a transfer under Part VII of the Act, from St Paul Reinsurance Company Limited (formerly known as St Paul Fire & Marine Insurance Company (UK) Limited and Mercury Reinsurance Company (UK) Limited) and St Paul Travelers Insurance Company Limited (formerly St. Katherine Insurance Company Limited). Unionamerica was acquired by Enstar from St Paul Fire & Marine Insurance Company, a subsidiary of The Travelers Companies Inc., on 30 December 2008.

With effect from 31 October 2013, all of the assets and liabilities of Guildhall Insurance Company Limited (**Guildhall**) were transferred to Unionamerica under a Part VII Transfer.

Unionamerica's Transferring Business therefore comprises two portfolios:-

1. The Unionamerica business written between 1972 and 2002 including:
 - (a) 1985 and prior underwriting years: US asbestos pollution and health hazard business, professional indemnity, medical malpractice, workers' compensation and other lines of business; and
 - (b) 1986 and subsequent underwriting years: UK motor reinsurance, US professional indemnity, general liability, commercial auto, D&O, medical malpractice, specialty lines and various miscellaneous lines, property/casualty coverage and aviation business.
2. The Guildhall business: direct and reinsurance business written between 1919 and 1985. The principal business in its more recent years of account was casualty excess of loss business written through the London subscription market.

APPENDIX 2: LEGAL NOTICE OF SCHEME

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT**

No. CR-2016-006525

**IN THE MATTER OF
BOSWORTH RUN-OFF LIMITED
and**

**IN THE MATTER OF
BRAMPTON INSURANCE COMPANY LIMITED
and**

**IN THE MATTER OF
KNAPTON INSURANCE LIMITED
and**

**IN THE MATTER OF
MARLON INSURANCE COMPANY LIMITED
and**

**IN THE MATTER OF
MERCANTILE INDEMNITY COMPANY LIMITED
and**

**IN THE MATTER OF
UNIONAMERICA INSURANCE COMPANY LIMITED
and**

**IN THE MATTER OF
RIVER THAMES INSURANCE COMPANY LIMITED
and**

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

NOTICE IS HEREBY GIVEN that, by application dated 21 October 2016, Bosworth Run-Off Limited, Brampton Insurance Company Limited, Knapton Insurance Limited, Marlon Insurance Company Limited, Mercantile Indemnity Company Limited and Unionamerica Insurance Company Limited (the **Transferors**) 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 and Markets Act 2000 (the **Act**) sanctioning insurance business transfer schemes (the **Scheme**) to River Thames Insurance Company Limited (the **Transferee**) and for an order making provision under Section 112 of the Act.

The business included in the Scheme comprises the entirety of the business underwritten by each Transferor (and where relevant assumed by it by way of a portfolio transfer) and all of its assets and liabilities.

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 Enstar (EU) Limited, FAO Paul Thomas, 3 Guildford Business Park, Guildford, Surrey GU2 8XG, or may be downloaded from the website www.project-river-transfers.com.

Anyone who has questions regarding the proposed Scheme or who requires any further information regarding the Scheme may contact Berwin Leighton Paisner LLP at Adelaide House London Bridge EC4R 9HA tel: 020 3400 3329, email: project-river-transfers@blplaw.com and ref: GQUI/OSAU.

The application will be heard on 24 March 2017 before a Judge of the Chancery Division of the High Court at The Rolls Building 7 Rolls Buildings, Fetter Lane, London, EC4A 1NL, United Kingdom. Any person (including an employee of the Transferors or the Transferee) who alleges that they would be adversely affected by the carrying out of the Scheme is entitled to:

- (i) appear at the hearing and make representations in person;
- (ii) instruct a barrister or solicitor advocate to appear at the hearing and make representations on their 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. If you do not give the requested notice you will still be entitled to attend the hearing, or to instruct someone to appear on your behalf.

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 Berwin Leighton Paisner LLP, at the address and reference given above. Please provide such notice or such written representations by close of business on 17 March 2017.

If the Scheme is sanctioned by the Court, it will result in the transfer of all the contracts, property, assets and liabilities, of the Transferors 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 as a result. Any such entitlement will only be enforceable to the extent the order of the Court makes provision to that effect.

Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London, EC4R 9HA

Solicitors to the Transferors and the Transferee (Ref: GQUI/OSAU)

APPENDIX 3 SUMMARY OF THE SCHEME

TRANSFERRING BUSINESS

At the time the Scheme takes effect (the **Effective Date**), the Transferring Business of the Transferors will be transferred to River Thames by virtue of the Order sanctioning the Scheme and on the terms of the Scheme. The Transfer cannot take effect in relation to any Transferor unless it has been sanctioned in relation to all, so it is not possible for the Scheme to become effective in relation to one or more Transferors, but not all of them.

The **Transferring Business** is defined in the Scheme and, in summary, means the business of each of the Transferors, namely:

- (a) all reinsurance business carried on by Bosworth;
- (b) all insurance and reinsurance business effected and/or carried on by Brampton;
- (c) all insurance and reinsurance business effected and/or carried on by Knapton;
- (d) all insurance and reinsurance business effected and/or carried on by Marlon;
- (e) all insurance and reinsurance business effected and/or carried on by Mercantile; and
- (f) all insurance and reinsurance business effected and/or carried on by Unionamerica;

and all assets and liabilities of the Transferors. In the case of each Transferor, these are:

- (i) the rights and obligations of the Transferor under the policies of (re)insurance comprised within its business and any reinsurance or retrocession policy under which the Transferor is reinsured in respect of its Transferring Business (**Outwards Reinsurance**);
- (ii) the rights and obligations of the Transferor under any contracts to which it is a party or beneficiary, which relate to its business (**Third Party Contracts**);
- (iii) all other assets and liabilities of the Transferor as at the Effective Date; and
- (iv) premiums, subrogation recoveries and other receivables, causes of action against third parties, transferrable permits or licences, goodwill and records.

On the Effective Date, all of the Transferring Business of the respective Transferors will be transferred to River Thames as Transferee. In the case of Unionamerica the transfer of its rights and liabilities under reinsurance policies issued to cedants in the US may be delayed pending confirmation that the Transferee has obtained the necessary trustee or accredited reinsurer status in all relevant US states. Until then, such policies and any associated reinsurance protections will be treated as Retained

Policies and Related Reinsurances respectively under the Scheme (see the section dealing with "Retained Business" below for further information).

References to the Transferors in policies comprised within the Transferring Business (the **Transferring Policies**), Outwards Reinsurance and Third Party Contracts will, after the Effective Date, be read and construed as references to River Thames as Transferee under the Scheme.

The Scheme also provides that the Transferee will accept the transfer of liabilities whatever the governing law of the relevant insurance or reinsurance policies.

RETAINED BUSINESS

The Scheme contains provisions designed to deal with the unlikely event that there may be inwards or outwards policies which it is not possible or appropriate to transfer on the Effective Date. Such policies are described in the Scheme as **Retained Policies** and **Retained Reinsurances** respectively. Reinsurances providing protection in relation to Retained Policies (**Related Reinsurances**) and inwards insurance policies protected under Retained Reinsurances (**Related Policies**) will also remain with the Transferor to the extent that this is necessary to retain the benefit of the reinsurance protections.

On the Effective Date, the Transferors shall hold their respective rights under each Retained Policy Retained Reinsurance, Related Policy and Related Reinsurance (together **Retained Business**) on trust for the Transferee. The Transferee will indemnify the relevant Transferor against all liabilities or claims under such policies and will pay such claims on behalf of the Transferor. The Retained Business will transfer (if appropriate) after the Effective Date but subject to the terms of the Scheme, once the relevant impediment to their transfer has been removed.

The parties do not expect that there will be any Retained Business.

INDEMNITY

The Transferee is obliged to indemnify the Transferors in respect of any liability they incur in respect of the Transferring Business, Transferring Policies or Transferring Reinsurances, and to perform their obligations under Retained Policies and Retained Reinsurances. The Transferors hold their rights under such policies on trust for the Transferee. Any sums recovered by the Transferors, under policies forming part of the Retained Business must be held on trust for the Transferee until they are paid over.

PROCEEDINGS

The Scheme provides for any judicial, quasi-judicial, administrative or arbitration proceedings or any complaint or claim to any ombudsman or other proceedings for the resolution of a dispute or claim or

against a Transferor ongoing at the Effective Date to be continued by or against the Transferee from the Effective Date, without the need for any Order (aside from the Order sanctioning the Scheme). Any proceedings commenced against a Transferor after the Effective Date are deemed to have been commenced against the Transferee. As a result, any claims-related litigation in respect of the Transferring Business will be continued by or against the Transferee after the Effective Date.

PREMIUMS AND MANDATES

All premiums attributable or referable to the Transferring Policies and Transferring Reinsurances are, from the Effective Date, payable to the Transferee.

MODIFICATION TO THE SCHEME

The Transferee may, with the consent of the relevant Transferors, agree to any modification or addition to the Scheme or to any further condition or provision relating to the Scheme that the Court approves or imposes provided that any modification to the substance of the Scheme (being changes to the terms which are not immaterial) may only be made with the prior consent of the PRA and the FCA.

GOVERNING LAW

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

APPENDIX 4: SUMMARY OF THE EXPERT REPORT

See overleaf

Project River – Summary of Transfer Report

The Independent Expert and the Independent Expert's Report

Mr Gregory Overton of PricewaterhouseCoopers LLP, a Fellow of the Institute of Actuaries, has been appointed as an independent expert (the “Independent Expert” or “IE”) to provide an Independent Expert’s Report (the “Transfer Report”) on the effects of the proposed transfers of insurance business to River Thames (the “Transfers”) on the policyholders of Bosworth, Brampton, Knapton, Marlon, Mercantile, Unionamerica and River Thames (collectively the “River Companies”). Mr Overton’s appointment has been approved by the Prudential Regulation Authority (“PRA”) in consultation with the Financial Conduct Authority (“FCA”) in accordance with Part VII of the Financial Services and Markets Act 2000.

The Transfer Report sets out the analysis that the Independent Expert has performed in order to form his opinion as to what the effect of the Transfers will be on the interests of policyholders of the River Companies, and the conclusions he has reached. It also sets out the purpose of the Transfer Report and the terms of use of the Transfer Report. Those terms apply equally to this summary.

A copy of the Transfer Report is available to view and/or download at www.project-river-transfers.com. This summary highlights the key aspects of the Transfer Report and the conclusions reached by the Independent Expert. Anyone wishing to understand the analysis that has led to these conclusions should refer to the full Transfer Report.

The Independent Expert's work

The IE has reviewed the terms of the Transfers and considered their impact on the security of policyholders of the River Companies and on the service that they receive.

Mr Overton has reviewed financial information relating to the River Companies including audited accounts, reserve studies and capital assessment reports. He notes that he has received all the information that he has requested in order to prepare the Transfer Report. He also notes that the River Companies have confirmed that the information provided is accurate in the witness statements made on their behalf to the Court as part of the transfer process.

The IE has considered the following groups of policyholders, including third parties who rely on their policies:

- The policyholders of Bosworth, transferring to River Thames.
- The policyholders of Brampton, transferring to River Thames.
- The policyholders of Knapton, transferring to River Thames.
- The policyholders of Marlon not covered by ILU guarantee (described below), transferring to River Thames.
- The policyholders of Marlon covered by ILU guarantee, transferring to River Thames.
- The policyholders of Mercantile, transferring to River Thames.
- The policyholders of Unionamerica transferring to River Thames.
- The current River Thames policyholders not covered by ILU guarantee.
- The current River Thames policyholders covered by ILU guarantee.

Some of the business within Marlon and River Thames was written through the Institute of London Underwriters (“ILU”). These policyholders benefit from a guarantee that was a condition of writing ILU business. As policyholders protected by this guarantee have access to an additional level of security, the IE has considered this group of policyholders separately.

Some of the River Companies contain a mix of direct and inwards reinsurance policyholders. Direct and inwards reinsurance policyholders have different rights in the unlikely event that a River Company is declared insolvent and the IE has considered these different rights in forming his opinion.

In assessing the impact upon the security of these groups the IE has considered: -

- the nature and duration of the policyholder liabilities;
- the impact of the Transfers on the assets and liabilities of the River Companies;
- the operation of the Marlon and River Thames ILU guarantees which provide an additional level of security to those policyholders protected by those guarantees;
- The operation of the Marlon and Unionamerica US Trust Funds which provide an additional level of security to those policyholders protected by those funds;
- the operation of the Fitzwilliam internal reinsurance agreements which provide reinsurance protection to business within River Companies;
- the operation of the Overseas Re internal reinsurance agreement which provides reinsurance protection to business already existing in River Thames;
- the impact of the Transfers on the capital position of the River Companies as assessed against a consideration of the risks inherent within the business of each of the River Companies, including the impact of adopting alternative plausible assumptions.

Some of the River Companies are in the process of making a formal dividend request to the PRA in accordance with the PRA's Supervisory Statement SS4/14 "Capital extractions by run-off firms within the general insurance sector". These dividend requests are part of business as usual operations and are subject to separate approval from the PRA. The IE has considered the capital position assuming these requests are approved and concluded on the impact on policyholders both with and without the proposed dividend declaration. The IE has assumed that the dividends are paid before the date on which the Transfers become effective (the "Effective Date").

Conclusion

In his Report the IE concludes as follows:

"I have considered the proposed Transfers and their likely effect on the policyholders of the River Companies.

I have concluded that the Transfers do not lead to any policyholders (or third parties who rely on their policies) being materially adversely affected.

In relation to my conclusions above I note that:-

- *There will be no reduction in the overall capital as a result of the Transfers themselves as all the capital from the River Companies will be transferred along with the insurance liabilities.*
- *I have based my analysis on the assumption that dividends, requested as part of Enstar's normal business practice, are paid before the Effective Date of the Transfers. These dividends are subject to separate approval from the PRA.*
- *I have also considered the position if the dividends are not paid before the Transfers take effect and concluded that my overall conclusion would be the same."*

Other Considerations

The business affected by the Transfers will continue to be administered in the same manner as it has been before the Transfers. As such, the IE does not expect any material adverse impact to the policyholder experience as a result of the Transfers. River Thames has no current intention to make changes to the operational arrangements in respect of the policies transferring under the Transfers.

After the Transfers there will be a number of governance changes to River Thames. The board of River Thames will have two Independent Non-Executive Directors and an audit committee will be formed as a sub-committee of the board, which will consist entirely of Non-Executive Directors, with a majority being Independent Non-Executive Directors. The chair will also be independent. The IE believes these governance changes will benefit policyholders and the greater ease with which this objective can be achieved if the Transfers succeed implies a benefit for policyholders from the Transfers.

The implications of the impending implementation of Britain's exit from the European Union are currently uncertain and will be considered as part of the IE's supplementary report.