

***Project River -
Supplementary report***

***In the matter of the proposed transfers of
insurance business from***

***Bosworth Run-Off Limited,
Brampton Insurance Company Limited,
Knapton Insurance Limited,
Marlon Insurance Company Limited,
Mercantile Indemnity Company Limited
and Unionamerica Insurance Company
Limited***

to

River Thames Insurance Company Limited

**Supplementary
Report**

30 March 2017

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Purpose and use of this report

This report is supplemental to, and should be read in conjunction with, my original Independent expert report dated 20 October 2016. This supplementary report has been prepared for the Court and is addressed to the Directors of Enstar (EU) Limited for the purpose and on the terms agreed in our engagement letter with them dated 9 March 2016.

This supplementary report has been prepared under Part VII of the Financial Services and Markets Act 2000. We understand that reliance may be placed on it by policyholders, by others affected by the proposed Transfers and by the Prudential Regulation Authority (“PRA”) and Financial Conduct Authority (“FCA”) (together “the Regulators”), as set out in paragraph 2.31 of the PRA’s policy statement on Insurance Business Transfers and paragraph 18.2.34 of the FCA Handbook, for the purpose of understanding the impact of the proposed Transfers on affected policyholders. This supplementary report is not for the use or benefit of any other party or for any other purpose.

Signatory

Please do not hesitate to contact us if you have any queries regarding the contents of this report.



Gregory Overton FIA

For and on behalf of PricewaterhouseCoopers LLP

30 March 2017

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1. Introduction

1.1. Purpose of report

The proposed Transfers of all of the general insurance and reinsurance business written by Bosworth Run-Off Limited (“Bosworth”), Brampton Insurance Company Limited (“Brampton”), Knapton Insurance Limited (“Knapton”), Marlon Insurance Company Limited (“Marlon”), Mercantile Indemnity Company Limited (“Mercantile”), and Unionamerica Insurance Company Limited (“Unionamerica”) (collectively the “Transferors”), to River Thames Insurance Company Limited (“River Thames”) by six simultaneous and connected insurance business transfers (the “Transfers” or each a “Transfer”) as defined in Section 105 of the Financial Services and Markets act 2000 (“FSMA”) are described in my original Independent Expert report dated 20 October 2016 (the “Original Report”). The project to realise the Transfers is known as Project River. Bosworth, Brampton, Knapton, Marlon, Mercantile, Unionamerica and River Thames (collectively the “River Companies”) are 100% indirectly owned subsidiaries of Enstar Group Limited (“EGL”). My opinion on the effect of the Transfers on policyholders based upon the information available at that time, including audited financial information as at 31 December 2015 and unaudited financial information as at 30 June 2016, is set out in my Original Report.

The purpose of this supplementary report (the “Supplementary Report”) is to consider any new information that has come to light since the time of my Original Report and to determine whether the conclusions set out in my Original Report have changed or remained the same in light of that new information. This Supplementary Report must be read in conjunction with my Original Report. I have not included all the information relevant to my conclusions on the Transfers in this Supplementary Report and reading this in isolation could be misleading. The restrictions and limitations set out in my Original Report apply equally to this Supplementary Report.

A list of terms used in this report is shown in Appendix A. Otherwise I have used the same defined terms that are used in the Transfer document and in my Original Report. Where I use the term ‘insurance’ I generally refer to insurance and reinsurance unless specified.

The terms of reference for our work are as set out in our engagement letter dated 9 March 2016.

1.2. Scope of report

This Supplementary Report describes any significant changes of which I have become aware since the date of my Original Report. In preparing this Supplementary Report, I have sought additional information, where available, and made enquiries or held discussions with the relevant staff of Enstar.

The enquiries and updated information I have sought from Enstar are as follows:

- **Assets and liabilities as at 30 September 2016 and 31 December 2016** – Updated balance sheets, based upon management accounts, as at 30 September 2016 for Bosworth, Brampton, Knapton, Marlon, Mercantile, Unionamerica and River Thames and statutory accounts as at 31 December 2016.
- **Technical provisions** – Whether there have been any updated reserve reviews conducted and/or any significant movements in the reserves of the River Companies.
- **Capital assessments** – I have received an updated version of the River Companies’ calculation of the Available Capital for each of the River Companies as at 30 September 2016.
- **Dividend declaration** – The status of the River Companies formal dividend request to the PRA in accordance with Supervisory Statement SS4/14 “Capital extractions by run-off firms within the general

insurance sector”, whether these dividends have been approved and paid and if there has been any change in the amounts from my Original Report.

- **US Trust Funds** – Any updates in terms of the status of ensuring that the security and benefits provided by Marlon and Unionamerica Trust Funds will be replicated following the Transfers with the approval of the relevant US regulatory authorities.
- **Regulator correspondence** – Details of any relevant correspondence with the Prudential Regulation Authority (“PRA”) and the Financial Conduct Authority (“FCA”) over the period.
- **Policyholder security and experience** – Whether there have been any other changes to the River Companies which could have an impact on either the security of the policyholders or their policyholder experience.
- **Management intentions** – Whether there are any new management intentions that could impact either policyholder security or experience in connection with the Transfers.
- **EU referendum** – Whether there have been any implications in respect of the Transfers that I have become aware of as a result of the outcome of the EU referendum.
- **Global financial economic conditions** – Whether current events in the economic and political climate have led to changes in the level of exposure or valuation of the assets held by the River Companies – in particular with reference to asset valuations and currency exposure.
- **Queries from policyholders** – Whether there have been any policyholder objections to date.

The Management of the River Companies has confirmed that there have been no material changes to the financial position of the River Companies since 31 December 2015 and that no material issues have arisen between the date of the above audited accounts and the date of this Supplementary Report.

My findings in each of the areas above are set out in Section 3 of this Supplementary Report.

Where I use the terms “I” or “my” in this report in describing the work that I have performed, this should be interpreted to mean me or the team working under my direct supervision. Where “I” or “my” is used in the context of an opinion, the opinion is mine.

I have not considered any alternative arrangement to the proposed Transfers because I have been able to conclude that the proposed arrangement is appropriate, and because no alternative arrangement has been proposed.

1.3. *Materials considered and limitations*

My work has been based on the data and other information made available to me by Enstar. A list of data and other information that I have considered as part of this Supplementary Report is shown in Appendix B. I have also held discussions with the relevant staff of Enstar who are responsible for the management of business of the River Companies.

The conclusions in my Supplementary Report and my Original Report take no account of any information that I have not received, nor any inaccuracies in the information provided to me.

I have conducted checks on the data provided to me for internal consistency and reasonableness. In all other respects I have relied on the integrity of the information provided to me.

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

- I understand that the witness statements to be submitted to the Court by Enstar will state that all information provided to me by the River Companies is correct and complete in all material aspects, and that there have been no material adverse changes to the financial position of any of the River Companies since that information has been provided to me.
- I note that I have also conducted checks on the data provided to me for internal consistency and reasonableness (including a review of the processes used in the actuarial reserve assessments and the capital assessments for the River Companies).
- My checks of the data for internal consistency and my review of the processes used in the actuarial reserve assessments have not revealed any cause for me to doubt that it is appropriate for me to rely on the integrity of the information provided for the purpose of this Supplementary Report.

On the above basis, I do not expect there to be any items of information not provided to me or any inaccuracies in the information that has been provided to me that will have been sufficient to invalidate the conclusions in my Original Report.

1.4. Reliances

Where I have felt it necessary I have used legal advice to assist in forming my opinion on the Transfers. This legal advice has been commissioned by and is addressed to Enstar and has been provided by Enstar's legal advisers. I have formed my own opinion, in light of the information I have been presented with and my experience, regarding the extent to which it is appropriate for me to use the advice received for the purposes of my work on the Transfers.

Throughout this Supplementary Report I have indicated where I have used legal advice. I have set out my understanding of the key points of the advice and my opinion in the light of that advice.

I have obtained a legal opinion from English legal counsel regarding the effect of the UK's proposed exit from the European Union ("EU") on European Economic Area ("EEA") policyholders, in addition to the legal opinions I obtained as detailed in my Original Report.

Wherever I have used legal advice I have considered whether to seek additional advice from lawyers otherwise unconnected with this transaction. In the light of my knowledge of the Transfers and my wider experience of Part VII transfers and of the non-life insurance market, the advice I have reviewed has made sense to me and has not raised any questions or concerns. In light of this, and the professionalism and integrity of Enstar's legal advisers, there have been no instances where I have felt a second independent legal opinion is warranted.

1.5. Professional Standards

The Financial Reporting Council ("FRC") oversees the use of Technical Actuarial Standards ("TAS") by actuaries. The FRC requires actuaries to comply with the TASs for various types of actuarial work. We also believe that it is normally appropriate to apply the requirements of the TASs to other work conducted by actuaries. The work covered in this report therefore complies in all material respects with the TASs.

My comments on materiality below indicate the judgements that I have made in reporting my work in accordance with the reporting TAS ("TAS R").

My opinion has been formulated in line with the requirements of TAS-T, the Transformations TAS issued by the Board for Actuarial Standards.

1.6. *Materiality*

The FRC considers that matters are material if they could, individually or collectively, influence the decisions to be taken by the user of the related actuarial information. It accepts that assessing materiality is a matter of reasonable judgement which requires consideration of the user and the context in which the work is performed and reported.

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 judgment to determine the risks of material misstatement or omission and to determine the nature and extent of my work.

In complying with TAS R, I have made judgements with regard to the level of information that it is appropriate to include in this report. In view of the objectives and nature of this Supplementary Report, and in order to communicate my findings in an effective manner, I have not considered it material or proportionate to include 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. You will need to consider the impact of this limitation on your own interpretation of the Transfers that are the subject of this Supplementary Report.

I have noted some matters in this Supplementary Report that, although not material, may be to the benefit of the reader.

Conclusion

“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 by the proposed Transfers.”

2. Conclusion

2.1. Overall Conclusions

In my Original Report, I considered the proposed Transfers and their likely effects on the policyholders of the River Companies. I concluded that no policyholders (or third parties who rely on their policies) will be materially adversely affected by the proposed Transfers. Based on the additional information received as part of this Supplementary Report, nothing has arisen that would lead me to believe that these conclusions are no longer valid and, as such, I have restated my conclusion below.

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.
- The PRA has indicated that it has no objection to the dividend request that was submitted by Enstar on behalf of the River Companies in summer 2016 and discussed in my Original Report. I understand these dividends have been paid between 30 September 2016 and 31 December 2016 and I have based my analysis on financial information that is adjusted for the payment of these dividends.

The key points that I have taken into account in drawing my conclusions are as follows:

- After the Transfers, River Thames is well capitalised.
- There are benefits to policyholders of all business being in one larger entity, including the diversification of risks, more focused management action, and the reduced risk of compliance failure.
- The Capital Cover Ratio measure that I use to compare the position for policyholders before and after the Transfers does not allow fully for the benefits of being part of a larger entity. It allows for diversification between different risk types but does not allow for the diversification that comes from a greater number of similar risks being pooled together. Nor does it allow for the impact of more focused management attention and reduced risk of compliance failure.

In my view, based on the analysis conducted and described in my Original Report and this Supplementary Report, the Transfers meet the criteria needed to proceed.

2.2. Independent Expert duty and declaration

My duty to the Court overrides any obligation to those from whom I have received instructions or by whom I am paid. 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.

3. Analysis

3.1. Overview of approach

My approach in updating my assessment of the likely effects of the Transfers on policyholders set out in my Original Report has been to revisit each area in turn where there may have been changes. This has included the areas flagged in my Original Report as needing consideration in this Supplementary Report. My approach has focused on assessing:

- Changes, if any, in the reserve requirements of the River Companies following updated actuarial analyses or internal reviews.
- The effect of changes, if any, on the assets and other liabilities of the River Companies.
- Significant changes, if any, in the solvency capital requirement assessment of the River Companies.
- The impact of changes, if any, to the investment strategies of the River Companies and the possible effects of global financial and economic conditions on the investments.
- The impact, if any, of the UK's proposed exit from the EU.
- Whether the communications strategy has gone to plan and if there have been any objections to date which may alter any of my conclusions.

In performing my work, I have requested various information be provided to me including updated balance sheets of the River Companies, as at 30 September 2016 and 31 December 2016, recent reserve movements, details of the assets held by each of the River companies including an assessment of the currency exposure of each River Company and the latest assessment of the available capital for each River Company. For the balance sheet information that I have received I note that the 30 September 2016 position is unaudited and the 31 December 2016 position has undergone some audit procedures for group purposes but has not been subject to a completed UK statutory audit. I have received all the information that I have requested.

I have reviewed the material that I have received and raised questions with Enstar to confirm my understanding. I have received satisfactory and consistent answers to the questions that I have raised. Whilst the summary balance sheets in Section 3.2 display the latest available information as at 31 December 2016, the majority of my analysis has been performed on information as at 30 September 2016.

3.2. Changes to the River Companies' balance sheets

In my Original Report, I showed pre-Transfers and post-Transfers balance sheets to indicate the effects of the proposed Transfers. I have now updated these balance sheets to show the effects based on the accounts of the River Companies as at 31 December 2016, which is the latest information available at the time of writing this Supplementary Report.

As stated in my Original Report I am aware that Enstar made a request to the PRA for payment of dividends from a number of the River Companies as part of their business as usual process. Enstar received a statement of non-objection from the PRA regarding the dividend request. I understand these dividends have been paid prior to 31 December 2016 and are therefore reflected in the figures shown.

Consistent with my Original Report, for ease of explanation, I have shown the balance sheets in summarised formats. Numbers in the tables below have been rounded to the nearest multiple of \$1,000. There are, as a consequence, some rounding differences in the casting of the tables shown.

Table 1 - Effect on River Thames balance sheet as at 31 December 2016

River Thames (\$'000)	Pre-Transfers	Changes relating directly to transfer	Post-Transfers
Assets			
Investments	134,629	657,198	791,827
Reinsurers' share of technical provisions	25,953	135,513	161,466
Debtors	7,858	23,152	31,010
Other	3,918	90,043	93,961
Total	172,358	905,906	1,078,264
Liabilities			
Shareholders' funds	85,574	384,827	470,401
Technical provisions	79,519	416,796	496,315
Other provisions	-	216	216
Creditors	7,020	102,541	109,561
Accruals and deferred income	245	1,526	1,771
Total	172,358	905,906	1,078,264
Solvency measures:			
Ratio of shareholder funds to:			
- Net Insurance liabilities	160%		140%
- Gross Insurance liabilities	108%		95%

Table 2 - Transferor's balance sheets as at 31 December 2016

\$'000	Bosworth	Brampton	Knapton	Marlon Mercantile	Unionamerica
Assets					
Investments	12,255	54,338	113,603	131,146	340,681
Reinsurers' share of technical provisions	53,830	40,487	11,115	20,681	9,347
Debtors	923	2,702	3,371	1,391	14,668
Other	8,660	3,386	14,070	39,048	24,763
Total	75,668	100,913	142,159	192,266	389,459
Liabilities					
Shareholders' funds	14,035	35,889	70,341	67,814	191,429
Technical provisions	53,830	57,329	53,985	64,781	186,818
Other provisions	-	-	-	216	-
Creditors	7,657	7,493	17,607	58,950	10,770
Accruals and deferred income	146	202	226	505	442
Total	75,668	100,913	142,159	192,266	389,459
Solvency measures:					
Ratio of shareholder funds to:					
- Net Insurance liabilities	*	213%	164%	154%	* 108%
- Gross Insurance liabilities	26%	63%	130%	105%	10036% 102%

* Bosworth and Mercantile are fully reinsured pre-Transfers so ratio of shareholders' funds to net liabilities is not an accurate measure of solvency.

Table 1 shows the effect of the Transfers on the updated River Thames balance sheet. Table 2 shows the Transferors updated balance sheets before the Transfers. The Transferors' balance sheets are not shown after the Transfers because they will have no policyholders.

The balance sheet as at 31 December 2016 for River Thames shows gross technical provisions of \$80m and reinsurers' share of technical provisions of \$26m before the Transfers.

I have confirmed with Enstar that the River Companies have no financial arrangements, such as provided guarantees, that are not reflected in the balance sheets. I understand that, where letters of credit are in place, full collateral is held as an asset on the balance sheet to offset the corresponding liabilities.

At the bottom of Tables 1 and 2 I have displayed updated ratios of shareholders' funds to technical provisions, net and gross of reinsurance, as simple measures of solvency. These ratios are affected by the extensive levels of reinsurance protecting Bosworth and Mercantile; since the gross technical provisions are fully reinsured, the ratio to technical provisions net of reinsurance is not appropriate for these companies. I discuss updates to more sophisticated measures of solvency later in this Supplementary Report.

As a result of the Transfers, gross technical provisions in River Thames will increase by \$417m, which is the total of gross technical provisions across the Transferors as at 31 December 2016. The combined gross technical provisions of the Transferors were \$478m as at 30 June 2016 and \$ 510m as at 31 December 2015. The reduction in the gross technical provisions is primarily the result of reserve reviews, commutation and normal claim settlement activity.

The External and Internal Reinsurance protecting the Transferring policies will also form part of the Transfers. The reinsurers' share of technical provisions as at 31 December 2016 will increase by \$136m, which is the total reinsurers' share of technical provisions across the Transferors. The combined reinsurers' share of technical provisions were \$155m as at 30 June 2016 and \$164m as at 31 December 2015.

The 31 December 2016 pre-Transfers balance sheet for River Thames shows gross technical provisions of \$80m. This compares to gross technical provisions of \$95m as at 30 June 2016 and \$98m as at 31 December 2015. The reinsurers' share of technical provisions for pre-Transfer River Thames is \$26m as at 30 September 2016. This remains broadly unchanged from 30 June 2016 and 31 December 2015.

The reduction in all River Companies' technical provisions is primarily the result of on-going reserve reviews, commutations and normal claims settlement activity. The fall in technical provisions has had the effect of increasing the ratio of shareholder funds to gross and net insurance liabilities when compared to the ratios presented in my Original Report. The value of assets transferring to River Thames exceeds the value of transferring liabilities by \$385m. As a result, shareholders' funds within River Thames will increase by \$385m to \$470m. This has had the effect of increasing the ratio of shareholder funds to both net insurance liabilities and gross insurance liabilities when compared to the ratios presented in my Original Report.

Based on the above, I have no reason to alter the conclusions made in my Original Report.

3.2.1. Expected changes in assets and liabilities to the Effective Date

Having examined the balance sheets as at 30 September 2016 and 31 December 2016, I have then considered the changes that may occur between the time of my review and the Effective Date.

Further to considering the continuation of normal business, I have discussed with Enstar (acting on behalf of the River Companies) the possibility of management actions, such as corporate restructuring or capital distributions that could affect the financial position of the River Companies.

As detailed in my Original Report, Enstar submitted dividend requests on behalf of the River Companies to the PRA for approval as part of Enstar's usual course of business. The PRA has provided Enstar with a statement of non-objection in respect of these dividends. My analysis has been based on the position after these dividends are paid as this is the true position for policyholders at the time of the Transfers. The dividends are not connected to the Transfers.

I have been informed by Enstar that the River Companies have no planned activities that would have a material effect on the security of policyholders, other than those discussed in this Supplementary Report.

I have concluded that it is unlikely that any events occurring between the time of my review and the Effective Date would affect any conclusion that I have reached based on my review in my Original Report.

3.3. *Changes to the capital positions*

The conclusions in my Original Report are based on the SF SCR and ORSA capital assessment for 31 December 2015. The calculation of the SF SCR is an annual exercise and there have not been any updates to the SF SCR for any of the River Companies since my Original Report. As such, the Required Capital has not changed since 31 December 2015.

The Minimum Capital Requirement (“MCR”) is a biting constraint for Bosworth and Mercantile and these companies are required to hold more than their SCR level of capital due to their small size. MCR is denominated in Euros (€3.7m) and this revalues each quarter owing to the fluctuation in currency exchange rates. Despite some significant movements in exchange rates over the year, this impact is immaterial.

The assessment of the Available Capital held is a quarterly exercise and I have been provided with updated figures as at 30 September 2016. I have used this revised Available Capital information to update the Capital Cover Ratios for each of the River Companies using the existing SF SCR capital requirement.

Consistent with my Original Report, I refer to capital levels with a ratio greater than 120% as ‘good’ or ‘well capitalised’, greater than 150% as ‘strong’, and greater than 200% as ‘very strong’. If the Capital Cover Ratio increases after the Transfers for a group of policyholders, there is an increase in security for those policyholders. If there is a reduction in the Capital Cover Ratio there is a reduction in security and I need to consider whether that reduction is likely to be material to the policyholder.

Table 3 below shows the movement in the SCR Capital Cover Ratios since my Original Report.

Table 3 - Comparative analysis of SCR Capital Cover Ratios (after dividend)

Entity	Capital Cover Ratios (Original IE Report)			Revised Capital Cover Ratios		
	Available Capital (\$000s)	Required Capital (\$000s)	Capital Cover Ratio	Available Capital (\$000s)	Required Capital (\$000s)	Capital Cover Ratio
Post Transfer						
Consolidated Entity	323,533	240,876	134%	343,461	240,876	143%
Pre Transfer						
River Thames	50,659	41,760	121%	57,661	41,760	138%
Bosworth	14,108	1,028	1373%	14,105	1,028	1373%
Brampton	20,718	17,079	121%	25,502	17,079	149%
Knapton	49,849	40,170	124%	53,296	40,170	133%
Marlon	40,148	32,591	123%	45,875	32,591	141%
MICL	5,127	462	1111%	5,302	462	1149%
Unionamerica	142,923	119,859	119%	141,720	119,859	118%

Available capital has increased since 31 December 2015 for all River Companies with the exception of Unionamerica where there is a small reduction. The improvement is driven by favourable claims experience and investment performance. This has led to improvements in Capital Cover Ratios for each Transferor, with the exception of Unionamerica which has seen an increase in the reserves held in relation to APH exposures. There

has also been an improvement in the Capital Cover Ratio for River Thames after the Transfers since my Original Report. This is consistent with expectations for a run off book of business that does not experience significant adverse reserve deterioration.

As part of my Original Report I investigated the impact of using alternative assumptions in a series of stress tests. As part of my Supplemental Report I have updated the Capital Cover Ratios resulting from each of these stress tests for the changes in Available Capital. The stressed SF SCR figures have not changed from those calculated for my Original Report as there has been no change to the base SF SCR calculations for any of the River Companies.

As with my Original Report I have placed my focus on the results from the River Companies' modelling and from stress test 3, which considered the impact of adjusting the APH mean reserves to be more in line with what I would expect to see based on my view of the market, and stress test 5 which considered the level of capital that might be required to support a 97.5% chance of remaining solvent over the full term of the remaining liabilities.

In most cases positive experience in reserves has contributed to an increase in Available Capital. If the SF SCR capital figures had been updated I would expect the required capital to go down in line with the reduction in reserves, which would increase the capital cover ratios. I note, however, that the changes in reserves have not been so large as to significantly distort the figures, and the simplification results in an understatement to the Capital Cover Ratios. I do not regard this simplification as an impediment to my ability to conclude on the impact of the Transfers on policyholder security.

For Brampton, Marlon and River Thames policyholders there are some small differences and I have discussed these in turn below. For other policyholder groups the updated capital cover ratios indicate a similar position to that set out in my Original Report and I have confirmed my conclusion on these policyholders groups at the end of this section.

3.3.1. Brampton

Following the increase in the starting capital cover ratio for Brampton policyholders they now see a reduction in the Capital Cover Ratio as a result of the Transfers under the base case as well as all the stressed scenarios.

The available capital in Brampton (in proportion to the original available capital) has increased by more than the other River Companies in the 9 months between my Original Report and Supplementary Report. This is due to the following two affects: -

- Brampton has a higher proportion of short tailed policyholders than other River Companies and therefore the run off of the liabilities is faster in the short term. However, Brampton also has some PPO liabilities which means that, over the life of the book the total portfolio does not run off faster than the other River Companies.
- There has been positive run off experience in the technical reserves of Brampton which have reduced to a greater degree as a proportion of opening reserves in comparison to other River Companies.

I note, however, that under the scenarios that I consider to be most relevant (Base, 3 and 5), the post Transfers entity is well capitalised and has a higher capital cover ratio than identified in my Original report.

Where there is surplus capital within a company, Enstar is entitled to request a capital extraction, which would be subject to a statement of non-objection from the PRA. It is Enstar's business as usual process to undertake these requests as capital surplus emerges and so I do not believe that Brampton policyholders can expect the higher level of surplus capital in Brampton to be maintained indefinitely.

Whilst I note a reduction in security for Brampton policyholders, I do not believe this is to a level that should give Brampton policyholders cause for concern. Given the Brampton policyholders have a different run off profile than other policyholders of the River Companies I would expect that the level of surplus capital in the

companies would vary over time and the level of surplus in Brampton would increase at a faster rate than other River Companies in the absence of adverse claim movements in the short term.

River Thames remains well capitalised after the Transfers and at a level greater than in my Original Report. The change in Capital Cover Ratio stress tests since my Original Report does not, in my opinion, significantly alter the risks faced by the Brampton policyholders and therefore my conclusion is unchanged that the Brampton policyholders are not materially adversely affected by the Transfers.

3.3.2. Marlon

Whilst Marlon policyholders see an improvement in the Capital Cover Ratio as a result of the Transfers under the base case, the results of my updated stress Tests indicate Marlon policyholders suffering a reduction in their Capital Cover Ratio as a result of the Transfers under each of the stress tests.

Whilst Marlon policyholders see a reduction in their security, River Thames after the Transfers remains a well-capitalised company in the scenarios which I consider to be most relevant. The Capital Cover Ratios of River Thames after the Transfers have increased since my Original Report under all of the scenarios.

In my Original Report I concluded for Marlon policyholders, whether protected by ILU guarantees or not, that they are not materially adversely affected by the Transfers. Whilst I note a greater reduction in policyholder security for Marlon policyholders under the stressed scenarios, the reductions are still relatively small and the change in Capital Cover Ratios as a result of the stress tests since my Original Report does not, in my opinion, significantly alter the risks faced by the Marlon policyholders. My conclusion is therefore unchanged that the Marlon policyholders, whether protected by ILU guarantees or not, are not materially adversely affected by the Transfers.

3.3.3. River Thames before the Transfers

In my Original report I concluded that River Thames policyholders would not be adversely affected by the Transfers.

River Thames policyholders see an improvement in the Capital Cover Ratio in the base case as a result of the Transfers and the Capital Cover Ratios of River Thames after the Transfers have increased since my Original Report under all of the scenarios. Compared to my Original Report, which saw the Capital Cover Ratio increasing for River Thames policyholders under all the stressed scenarios, my revised analysis sees a very small decrease in the Capital Cover Ratio under two of the stress scenarios.

Whilst I am comfortable that the reduction in these two stress scenarios is so small as to be immaterial, I cannot conclude with certainty that River Thames policyholders will be better off as a result of the Transfers. In light of this I believe it is appropriate to modify my conclusion made in my Original Report. I consider the River Thames policyholders are not materially adversely affected by the proposed Transfers.

3.3.4. Remaining River Companies

As the remainder of the policyholder groups, being the existing policyholders within Bosworth, Knapton, Mercantile and Unionamerica, have the same directional movement as my Original Report, based on their Capital Cover Ratios, and the post Transfer entity has an increased Capital Cover Ratio in comparison to my Original Report, I have no reason to alter any of the conclusions from my Original report for any of these policyholder groups.

3.4. Technical Provisions

In my Original Report, I commented on reserve assessments performed by the River Companies' external actuarial consultant EY. Since then, updated reserve assessments have been conducted for the River Companies by EY. I have received updated reserve estimates but the reports resulting from these updated reserve assessments are still being produced and have not been available to me. I have considered the reserve

movements from 31 December 2015 to 30 September 2016 and have made enquiries with Enstar on behalf of the River Companies. From my discussions with Enstar and my understanding of the movements I am satisfied that the changes are reasonable.

In this context, I would normally expect the technical provisions for companies in run-off, such as the River Companies, to reduce as the liabilities are paid out through commutation or normal claims settlement activity.

The River Thames technical provisions pre-Transfers have fallen by £11m since 31 December 2015 to 30 September 2016. This is mainly the result of ongoing commutation and normal claims settlement activity. It is also due, in part, to a release of reserves considered to be redundant following an exercise to identify areas of unnecessary prudence in claims estimates. I consider such reviews to be a normal part of good claims management and it does not impact my view on the Transfers.

The technical provisions that will be transferred to River Thames post-Transfers have fallen by \$59m since 31 December 2015. This is largely driven by reductions to the technical provisions of Brampton, Knapton and Unionamerica which account for \$53m of the movement. The changes are primarily the result of on-going commutation and normal claims settlement activity. I note that the ultimate asbestos liabilities of Unionamerica have increased since the time of my Original Report. This is consistent with Section 4.3.3 of my Original Report where I stated that my benchmark assessments produced slightly higher reserve estimates in the case of Unionamerica Asbestos and Pollution liabilities.

AM Best update

I note that A.M. Best recently published an update increasing their estimate of the net ultimate market loss for asbestos liabilities from \$85billion to \$100billion. I have made enquiries with EY via Enstar as to whether this announcement would change any of their reserve estimates. Enstar have confirmed that EY are not planning to change any of their reserve estimates as there is no new information contained in the A.M. Best report compared to that used by EY which are both as at 31 December 2015. There is also no detail in the A.M. Best report to indicate how this increase has been estimated and there is conflicting market information which produces a lower projected ultimate. EY have produced an analysis based on the data that they are comfortable with. I also note that in all cases with the exception of River Thames, the asbestos liabilities had already been increased within the EY reserves.

Ogden rate change

Brampton and Unionamerica both have exposure to UK personal injury claims through the motor books of business that they wrote. For those claims settled as a lump sum rather than a periodic payment order (“PPO”), Ogden tables are used as a measure to calculate the amount to be paid to the claimant. The multipliers within the Ogden tables are split by age of claimant and discount rate (known as “Ogden rates”).

On 7 December 2016, the Ministry of Justice issued a statement that the results of the Lord Chancellor’s Ogden rate review would be announced by 31 January 2017. The Ogden rate has been set at 2.5% (net of tax) since 2001. This rate was based upon the 3 year historical average of real returns on index linked gilts. The announcement was made on 27 February that the Ogden rate would be set at -0.75%.

The decrease in the Ogden rate will have the impact of increasing the value that lump sum personal injury claims will be settled for. I have performed some sensitivity testing on the reserves of Brampton and Unionamerica in order to understand the potential impact of the change.

Whilst detailed modelling of the impact of the Ogden rate change has not been performed, I have performed a sensitivity test on the non-settled motor reserves based upon my market knowledge. If the UK non-settled motor reserves were to increase by 50%, which I consider to be a prudent assumption based upon modelling seen elsewhere in the market, this would have the impact of increasing the total Brampton reserves in the order of 2% and Unionamerica reserves by 1%. The impact to the total River Companies’ reserves would be less than 1%. I do not therefore consider that the change in the Ogden rate has a significant impact on the technical

provisions nor on the position for policyholders as a result of the Transfers. The Ogden rate change does not affect my conclusions on the Transfers.

Other movements

Enstar has confirmed that there have been no other significant movements in relation to the technical provisions of the River Companies.

I remain of the opinion that the technical provisions are reasonable for the purpose of describing the effect of the Transfers and for the purposes of showing simplified balance sheets. The updated reserve reviews do not give me reason to alter the conclusions made in my Original Report.

3.5. US Trust Funds

I have requested to be updated with regards to the status of the process that Enstar is undertaking, through its US attorneys, with US regulators in order to amend or replace the US Trust Funds to take account of the effect of the Transfers as detailed in Section 2.2.8 and 4.7 of my Original Report.

In respect of Unionamerica's and Marlon's US Surplus Lines Trust Funds, the International Insurers Department ("IID") of the National Association of Insurance Commissioners has provided its consent to the transfer of Unionamerica's and Marlon's surplus lines business, having imposed a condition requiring additional security to be provided on terms which have been agreed. The assets of the Surplus Lines Trust Funds and the policies that they protect will therefore transfer in accordance with the scheme on the Effective date.

In respect of Unionamerica's US Reinsurance Trust Fund, 30 US State regulators are needed to approve River Thames as an accredited reinsurer in place of Unionamerica. I understand that approval has been received from 11 US state regulators to date, with a further 18 awaiting the approval of the New York Department of Financial Services ("NY DFS") to complete its review. Enstar has confirmed to me that all additional information requests and pre-conditions in connection with the application of all 30 US States have been addressed save that the NY DFS have stipulated that the new trust fund must be established by River Thames and funded to the minimum required level prior to the transfer of the protected policyholders. Enstar are in the process of meeting this final condition. Once it is met US regulatory counsel remain confident that the remaining approvals will be received shortly thereafter.

Should the US Regulatory approvals in respect of Unionamerica's US Reinsurance Trust Fund not be received prior to the Sanction hearing the Court can still sanction the Transfers, however those policies that are affected by the absence of the relevant US regulatory approval would not transfer on the Effective Date. Any policies which do not transfer on the Effective Date would be Retained Policies, as detailed in Section 2.2.9 of my Original Report, until the approval is received. Under the terms of the Transfers, River Thames will indemnify any Transferor in respect of Retained Policies after the Effective Date.

Whilst the time period for any Retained Policies to exist before subsequently being transferred is expected to be short, I have performed some further analysis to assess the impact on policyholders with Retained Policies should the relevant approvals not be obtained prior to the Effective Date. Under this situation the US Reinsurance Trust Fund assets will remain in Unionamerica along with the policies protected by the trust fund (the Retained Policies) and enough additional assets to meet the MCR. I have been provided with the value of the Unionamerica US Reinsurance Trust Fund assets and the corresponding liabilities as at 31 December 2016. I have also been provided with updated Available Capital balances for all the River Companies as at 31 December 2016.

Firstly, I consider the impact on the policyholders with Retained Policies in Unionamerica. The Retained Policies will continue to benefit from the Trust Fund assets which, as at 31 December 2016, stand at 364% of the liabilities, plus assets equal to the MCR held in Unionamerica. In addition, River Thames will indemnify

Unionamerica in respect of the Retained Policies after the Effective Date. The combined effect of the significant surplus assets, the capital, and the indemnity from River Thames provides retained policyholders with a good level of security. Based on this information I do not believe that retained policyholders will be materially disadvantaged as a result of the Transfers.

Secondly, I consider the potential impact on Transferring Policyholders and existing policyholders of River Thames. The retention of the trust fund assets and MCR in Unionamerica would reduce the level of assets transferring to River Thames and would therefore reduce the Available Capital in River Thames after the Transfers.

From my analysis, however, the beneficial movement in the Available Capital between my original analysis and 31 December 2016, results in the post Transfer entity having a greater Capital Cover Ratio than I considered for my Original Report and the original analysis performed as part of this Supplemental Report. The Capital Cover Ratio is good and close to what I would describe as a very good level of security. Whilst the Available Capital before the Transfers is also higher than seen in my previous analyses, under the normal course of business, and subject to the approval of the PRA, I would expect Enstar to extract this surplus capital if the Transfers do not proceed. As such, I do not believe policyholders can expect to benefit from these higher levels of capital before the Transfers even if the Transfers did not proceed.

Given the level of capital cover for River Thames after the Transfers, and the likelihood that higher levels of cover would not be maintained absent the Transfers, I do not consider any policyholder groups in River Thames after the Transfers to be materially disadvantaged as a result of the Transfers if Unionamerica's US Reinsurance Trust Fund assets, and the related policies, do not transfer.

In light of the above, I do not believe the possibility of Unionamerica's US Reinsurance Trust Fund assets, and the related policies, not transferring on the Effective Date would cause me to alter my overall conclusion on the Transfers as set out in my Original Report.

3.6. Correspondence with the Regulators

I have requested details of any further correspondence between the River Companies and the Regulators since my Original Report. I have been provided with details of correspondence between the River Companies and the Regulators including the annual risk assessment conducted by the Regulators. There is nothing in this correspondence with the Regulators that would give me reason to alter the conclusions made in my Original Report.

3.7. Management intentions

I have made enquiries with the relevant staff of Enstar who are responsible for the management of the business of the River Companies as to whether there are any new planned management actions which could impact the security of policyholders before or directly after the Transfers.

Enstar has confirmed that there are no other planned management actions which could impact the security of policyholders.

Based on the above, I have no reason to alter the conclusions made in my Original Report.

3.8. Impact of the UK's proposed exit from the European Union

In my Original Report I noted that each Enstar Group entity involved in the Transfers wrote business that covered policyholders situated in jurisdictions outside the EEA. I considered the possibility that such a policy is governed by a law other than English law and reviewed legal advice regarding the potential impact of the Transfers in this case.

Following the result of the EU referendum and the UK's planned exit from the EU, I have requested additional legal advice to consider the potential impact of Brexit as it may be relevant to the Transfers and, in particular, the potential effect of Brexit on non-UK, EEA policyholders. This legal advice was provided by Enstar's English legal counsel and addressed to Enstar, and I have detailed my reliance upon this advice in Section 1.4.

My understanding, based upon the legal advice, addressed to Enstar which I have received, is set out below. I have updated Table 5 from my Original Report below to reflect the percentage of business outside the UK for each of the River companies.

Table 4 - Percentage of business outside UK for each of the River companies

Company	Proportion of outstanding claims reserves outside UK
Bosworth	91%
Brampton	44%
Knapton	77%
Marlon	83%
Mercantile	97%
Unionamerica	67%

As stated in my Original Report, as a matter of English law, and within the EEA, I understand the transfer of the policy would be effective as a result of the Court Order sanctioning the Transfers. This may not be the case in a jurisdiction whose law is the governing law of the relevant policy if that jurisdiction does not recognise the Transfer.

The effects of Brexit are impossible to predict as it is currently unknown what relationship the UK will have with the EU following the proposed exit. I have considered what I perceive to be the "worst case" scenario, whereby no replacement cross-border regime dealing expressly with transfers of business by UK insurers, including risks located elsewhere in the EEA, is implemented and there becomes a risk that the Transfers are not recognised by an EEA court.

In this case the position for EEA policyholders becomes very similar to the position for non-EEA policyholders discussed in my Original report.

Following the Transfers the business transferred will continue to be administered in the same way as before the Transfers. Therefore claims will be presented in the same way and valid claims paid as in the ordinary course as they fall due, with the difference being that they are paid by the Transferee in place of the Transferor. The question with regards to whether the EEA courts in the jurisdiction of the policyholder will recognise the relevant Transfer following Brexit would only become relevant if a claim is disputed and the policyholder wishes to take proceedings to establish liability and/or quantum in respect of the claim.

As detailed in my Original Report I understand that the Court Order giving effect to the Transfers will contain a provision to the effect that any proceedings brought in the UK against the Transferors will be deemed to have been brought against River Thames, without any further order being required. Therefore I understand that any policyholder should be able to enforce the payment of a claim without facing more procedural barriers than it would currently face in enforcing a claim against the Transferor. This is the same for both non-EEA and EEA policyholders.

I understand that the River Companies' assets are mostly in the UK, save where assets located outside the UK consist of deposits supporting letters of credit or equivalent (in the case of all Transferors with the exception of Mercantile); trust funds established in the US (in the case of Unionamerica and Marlon) (the "US Trust Funds"); and reinsurance recoverables from foreign reinsurers. As such I understand that a claimant with a judgment

against a River Company obtained in the EEA, if the Transfers are not recognised in that EEA state, would most likely need to come to the UK to enforce the judgment whether or not the Transfers proceed. This is the same position as my understanding for non-EEA policyholders as set out in my Original Report.

If the Transfers are sanctioned, an EEA court may not recognise the Transfers and may award a judgment against a Transferor. When the claimant comes to the UK to enforce the judgment the provision detailed above means that the claim should automatically be brought against the Transferee. This is the same position as my understanding for non-EEA policyholders as set out in my Original Report.

Based upon the above, it is my opinion that the position of EEA policyholders after the UK's proposed exit from the EU will not differ in any significant way to that of non-EEA policyholders. I therefore draw the same conclusion for EEA policyholders as I drew in my Original Report for non-EEA policyholders, that the Transfers will not have any unique effect on EEA policyholders, post a Brexit scenario, and I have considered them alongside UK policyholders.

A separate issue for insurers arising out of Brexit is the possible loss of the right to rely on authorisations from UK regulators in order to insure risks located in other EEA states or operated from branches in those states known as passporting on a freedom of services basis and on a freedom of establishment basis respectively. Should these passporting rights be lost upon a UK exit from the EU, insurers may need to apply to other EEA regulators for additional licenses to carry on business in EEA states.

The loss of passporting rights in this scenario would occur regardless of whether the Transfers are sanctioned or not. This is true for River Companies insuring EEA policyholders directly and for those River Companies, such as Marlon, which operates a Danish branch under the current passporting regime. Since any loss of passporting would occur whether or not the Transfers proceed, I do not consider this issue to be relevant to my conclusion on the impact of the Transfers on policyholders.

My opinion around the implications on EEA policyholders has been informed by the legal advice addressed to Enstar in relation to this issue from Enstar's UK legal counsel.

3.9. *Global financial economic condition*

I have been provided with an updated breakdown of the assets held by each of the River Companies as at 30 June 2016. I understand that there will be no significant changes to the breakdown of assets between this date and the Effective Date outside of the usual course of business with the exception of the payment of the dividends. I understand that the dividends have been predominantly paid out of investments. These changes do not impact my conclusions on liquidity.

I have considered whether there has been any change to the funds supporting the policyholders and any associated change in the liquidity available to support claims payments to policyholders. There have not been any significant changes to the proportion of liquid assets after the Transfers.

I have received the currency matching position for each of the River Companies as at 30 September 2016. I note that most of the River Companies are materially matched in terms of the currency positions, and therefore protected from fluctuations in currency rates. The exceptions to that are Marlon and Knapton which both hold a higher proportion of currency exposure.

I have performed a stress test by which I apply a shock to the currency rates of 25% and note that this has less than a 1% impact on the value of the net assets held and therefore I do not believe that the current volatility in the currency markets has a material impact on policyholder security.

On the basis of this information, I have no reason to alter the conclusions made in my Original Report.

3.10. Proposed Governance Changes

In my Original Report I set out the proposed governance changes to River Thames after the Transfers. I have made enquiries with Enstar as to whether there have been any changes to the basis set out in my Original Report. Enstar have confirmed the proposed governance changes as detailed in my Original Report remain accurate.

3.11. Queries from policyholders

I have requested that Enstar keeps me informed of the communication strategy and if there are any policyholder objections. Enstar has confirmed to me that the communication strategy has been carried out as planned. As detailed in the witness statements submitted to the court by Enstar, of the 26,633 Communication Packs mailed approximately 5,583 were returned as undelivered. A further mailshot was then sent out in respect of 2,001 of the 5,583 returns for which alternative contact details could be found.

I have been advised that there has been one policyholder objection prior to the date of this report, which comes from a Marlon policyholder. Enstar has provided me and the Regulators with a copy of the relevant correspondence including the responses provided to the policyholder. The objection involves a perceived inability to pursue rights after the Transfers. As noted in Section 3.8, I understand that the Court Order giving effect to the Transfers will contain a provision to the effect that any proceedings brought against the Transferors will be deemed to have been brought against River Thames, without any further order being required. Therefore I believe the policyholder will be able to pursue whatever rights the policyholder has, albeit against River Thames after the Transfers instead of the Transferor company. The claims will continue to be handled in the same way. This objection has not, therefore, led me to change any of my conclusions on the Transfers.

I have also been provided with a log of queries received from policyholders at 29 March 2017 and note that, apart from as mentioned above, the queries received have been predominantly to request policy details, inform that the address is no longer correct or informing that the policyholder has gone into administration or is deceased.

Appendices

Appendix A. List of terms defined within this report

Available Capital

Financial resources available for use to meet capital requirements

Best Estimate Valuation

The arithmetic mean of the perceived distribution of all possible claims outcomes. A best estimate reserve will therefore normally be designed to include no margins for caution or optimism

Bosworth

Bosworth Run-Off Limited

Brampton

Brampton Insurance Company Limited

Capital Cover Ratio

Ratio of Available Capital to Required Capital

Court Order

The order of the High Court of England and Wales sanctioning the Transfer under Section 111 of FSMA

Credit Risk

The risk of a change in value due to actual credit losses deviating from expected credit losses due to the failure to meet contractual debt obligations

Default Risk

The risk of a change in value caused by the fact that actual default rates deviate from expected default rates with respect to non-payment of interest or principal

EEA

European Economic Area

Effective Date

The date when the Transfers shall become effective, expected to be 01 April 2017, or such other date as may be specified in the Court Order sanctioning the Transfers

Enstar

Enstar (EU) Limited

Enstar Group

EGL and its subsidiaries from time to time

EGL

Enstar Group Limited

EU

European Union

External Reinsurance

Reinsurance provided by a company outside the Enstar Group

EY

Ernst & Young LLP

FCA

The Financial Conduct Authority which regulates the financial services industry in the UK. Its aim is to ensure the industry remains stable and to promote healthy competition. The FCA was formed as one of the successors to the FSA from 1 April 2013.

Fitzwilliam

Fitzwilliam Insurance Limited

FRC

Financial Reporting Council

FSMA

The Financial Services and Markets Act 2000

Independent Expert

The expert required to opine on an insurance business transfer under Part VII of FSMA, in this case Gregory Overton

Internal Reinsurance

Reinsurance provided by a company within the Enstar Group

IID

International Insurers Department

Knapton

Knapton Insurance Limited

LSU Pool

London Scandinavian Underwriters Pool

Marlon

Marlon Insurance Company Limited

MCR

Minimum capital requirement

Mercantile

Mercantile Indemnity Company Limited

NY DFS

New York Department of Financial Services

ORSA

Own Risk and Solvency Assessment

PPOs

Periodic Payment Orders

PRA

The Prudential Regulation Authority is a part of the Bank of England. It is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. The PRA was formed as one of the successors to the FSA from 1 April 2013.

Original Report

Independent Expert report dated 20 October 2016.

Outstanding Loss Reserve

Reserves held for claims that have been reported but are not settled

Overseas Re

Overseas Reinsurance Corporation Limited

Part VII transfer

The transfer of selected liabilities and assets by way of a Court sanctioned novation of business, implemented under Part VII of the FSMA

Passporting

Insure risks located in other EEA states or operated from branches in those states on a freedom of services basis.

PwC

PricewaterhouseCoopers LLP

Required Capital

Amount of funds that insurance and reinsurance undertakings are required to hold by the Regulators

Regulators

The Prudential Regulation Authority and Financial Conduct Authority

Reserve Risk

The inherent risk in reserve estimates caused by the uncertainty in future claims

Reserves

An estimation of Technical Provisions for insurance liabilities.

River Thames

River Thames Insurance Company Limited

River Companies

Bosworth, Brampton, Knapton, Unionamerica, Mercantile, Marlon, River Thames

Run-off

An insurer that is in run-off is not writing any new business but will continue to administer and pay claims for existing policies

SF SCR

Standard Formula Solvency Capital Requirement

Standard Formula

The basis prescribed under Solvency II for the calculation of capital requirements where an internal model has not been approved.

Supplementary Report

This report, supplemental to, and to be read in conjunction with, the Original Report.

TAS

Technical Actuarial Standards

TAS R

Reporting TAS

Technical Provisions

The estimated value of all current and future liabilities that an insurance company will be liable to pay relating to policies written to date, also referred to as insurance liabilities.

Transfers

The proposed Part VII transfers that are the subject of this report

Transferors

PwC

Bosworth, Brampton, Knapton, Marlon, Mercantile, Unionamerica

Transfer Report

Report on the terms of a Part VII Transfer by an Independent Expert

Transferring Policies

The policies written by the Transferors

Transferring Policyholders

The policyholders who have Transferring Policies

Unionamerica

Unionamerica Insurance Company Limited

US Trust Funds

Trust funds established in the US (in the case of Unionamerica and Marlon)

Appendix B. Data and other information considered

Data provided

I have used the following documents, reports, data and other information provided by Enstar:

- Internal 2016 Reserve Results Memos for Brampton, Knapton and Unionamerica containing details on criteria for reserves, specific exclusions from review, review procedures, special projects, review of gross 2016 results and an estimate of reinsurance net down, net results and impact on IBNR
- Outstanding Loss Reserve data for Bosworth, Brampton, Knapton, Marlon, Unionamerica, Mercantile and River Thames split by direct and inwards reinsurance business and also by territory as at June 2016.
- Balance sheets as at 30 September 2016 and 31 December 2016 for each of the River Companies before the Transfers, and a River Thames balance sheet after the Transfers which allows for the business transferred along with the details of dividends in respect of, Brampton, Knapton, Marlon, Unionamerica and River Thames.
- Available Capital as at 30 September 2016 and 31 December 2016 for each of the River Companies.
- Unionamerica US Reinsurance Trust Fund Annual Statement for the year ended 31 December 2016.
- An update regarding the paid and incurred movements for active and commuted contracts for the River Companies over the period 31 December 2015 to 30 September 2016.
- Legal opinion from Berwin Leighton Paisner LLP regarding the impact of Brexit on European Economic Area “EEA” policyholders.
- The details of assets held by each of the River Companies as at 30 June, 2016.
- Enstar’s analysis of currency exposure as at 30 September, 2016 for each of the River Companies.
- Enstar’s log of policyholder queries received by them up to 22 February 2017 for each of the River Companies.
- Enstar’s timetable of the Part VII transfer containing all the points of action until the effective date of 1 April, 2017.

I have used the documents described above and discussions held with relevant staff of Enstar, on behalf of the River Companies.

Data consistency checks

I have not audited or performed other assurance procedures on the data provided to me.

I have checked the data and the documents received for consistency with each other. For example, where applicable, I have reconciled data received to the audited Balance Sheets for each of the River Companies as at 30 September 2016 as appropriate.

Data integrity

I have not made any adjustments to the data provided to me by Enstar.

I am not aware of any inaccuracies or limitations in the available data that would materially impact the uncertainty surrounding the results of my work. I have performed stress tests in key areas of my analysis to assess the impact of alternative assumptions.

I have relied on the integrity of the data provided to me without any form of further verification. My work has taken no account of any information not received by me, or of any inaccuracies in the information provided to me.

