

SUMMARY OF THE SCHEME

1. Introduction

On 7 February 2017, RSA Insurance Group plc (“**RSA**”, the parent company in the “**RSA Group**”) announced that two of its subsidiaries, Royal & Sun Alliance Insurance plc (“**RSAI**”) and The Marine Insurance Company Limited (“**MIC**”) (together the “**Transferors**”), had contracted with certain subsidiaries of Enstar Group Limited (“**EGL**”, the parent company in the “**Enstar Group**”) to dispose of certain of the RSA Group’s UK-based commercial general insurance business.

It is intended that the disposal will be effected by way of an insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 (“**FSMA**”), a court led mechanism that will be used to effect the legal transfer of the business from the Transferors to Mercantile Indemnity Company Limited (“**Mercantile**”) (the “**Scheme**”). Mercantile is a UK insurance undertaking within the Enstar Group which is authorised by the Prudential Regulation Authority (the “**PRA**”) and regulated by the Financial Conduct Authority (the “**FCA**”) and the PRA.

This document summarises the key aspects of the Scheme and the process by which the Scheme will be effected. This document includes, below, a summary of the report by an independent expert who is appointed to help the High Court of Justice of England and Wales (the “**Court**”) understand how the Scheme could affect policyholders.

Full details of the Scheme and the report of the independent expert may be obtained free of charge by downloading them from the website: www.rsagroup.com/RSATransfers, or by making a request by email to RSATransfers@equiniti.com, or in writing at RSA Insurance Group, 20 Fenchurch Street, London EC3M 3AU (Attention: Jonathan Colson) or by calling the Scheme helpline on +44 121 415 0966.

2. The Transferred Business

In this section, we describe the business that will be transferred by the Scheme. The specific nature of the transferred business differs between RSAI and MIC, but in both cases constitutes part of their respective commercial general insurance businesses.

Royal & Sun Alliance Insurance plc

With the exception of certain excluded policies described below, the Scheme will transfer from RSAI to Mercantile all of RSAI’s commercial general insurance policies that include liability cover and that were either: (i) written by or on behalf of RSAI prior to 2006, or (ii) written by or on behalf of another insurer prior to 2006 and transferred to RSAI prior to 7 February 2017.

The excluded policies referred to above that will not transfer under the Scheme comprise:

- (A) policies that relate solely to marine or motor liabilities;
- (B) policies underwritten by a branch or agency incorporated or domiciled outside the UK;

- (C) any policy that was transferred to RSAI from Harworth Insurance Company Limited pursuant to a transfer agreement dated 20 December 2013;
- (D) any policy underwritten by or on behalf of RSAI through the insurance pool managed by International Oil Insurers;
- (E) any policy underwritten by or on behalf of RSAI through the insurance pool managed by the British Insurance (Atomic Energy) Committee for American Risks;
- (F) any policy underwritten by or on behalf of RSAI or Royal & Sun Alliance Reinsurance Limited (as reinsurer) to Arrowood Indemnity Co or any company controlled by Arrowpoint Capital (as cedant);
- (G) any domestic mortgage indemnity policy;
- (H) any policy underwritten by RSAI in respect of business written by any strategic network partner in its home territory pursuant to a Producing Office Agreement with RSAI; and
- (I) a small number of specific policies which are identified by policy number in the formal documentation for the Scheme.

The Scheme will also transfer various business contracts from RSAI to Mercantile, including all or part of certain outwards reinsurance contracts, as explained further in section 5.2 below.

The RSAI business, comprising policies and business contracts and associated assets and liabilities, that is to be transferred to Mercantile by the Scheme is referred to as the “**RSAI Transferred Business**”.

The Marine Insurance Company Limited

The Scheme will transfer from MIC to Mercantile the following categories of commercial general insurance policies that were either (i) written by or on behalf of MIC, or (ii) written by or on behalf of another insurer and transferred to MIC prior to 7 February 2017:

- (A) all marine energy policies written prior to 2004;
- (B) all other marine policies written prior to 1997; and
- (C) all aviation policies written prior to 2009.

The Scheme will also transfer various business contracts from MIC to Mercantile, including all or part of certain outwards reinsurance contracts, as explained further in section 5.2 below.

The MIC business, comprising policies and business contracts and associated assets and liabilities, that is to be transferred to Mercantile by the Scheme is referred to as the “**MIC Transferred Business**”. The RSAI Transferred Business and the MIC Transferred Business are referred to as the “**Transferred Business**” under the Scheme.

3. Court process and timing

In order for the Scheme to become effective, the Court must approve the Scheme. The Court will approve the Scheme only if certain legal requirements are satisfied and if, in all the circumstances of the case, the Court considers it appropriate to approve the Scheme. In reaching its decision, the Court will consider the views of policyholders, an independent expert (whose role is described in section 6 below), the PRA, the FCA and any person (including any policyholder) who alleges that they would be adversely affected by the Scheme.

The key dates in the Scheme process are as follows:

Court hearing regarding approval of the Scheme	13 June 2019
Proposed effective date	1 July 2019

It is proposed that the Scheme will become effective on 1 July 2019 (the “**Effective Date**”). If the Scheme has not become effective by 1 October 2019 (or a later date, if allowed by the Court), the Scheme shall lapse and the Transferred Business (including the Transferred Policies) shall remain with RSAI and MIC.

4. Background of RSAI, MIC and Mercantile

RSAI

RSAI is a wholly-owned indirect subsidiary of RSA. The principal activity of RSAI is the transaction of general insurance business in the UK and overseas. RSAI is the main UK regulated insurance company of the RSA Group, through which the majority of UK insurance business is written. In the UK, RSAI’s business is primarily household, motor and pet insurance products marketed to private individuals, and multi-national complex risks, speciality lines and traditional property, liability and motor insurance products marketed to commercial enterprises. RSAI is authorised by the PRA and regulated by the FCA and PRA.

MIC

MIC is a wholly-owned direct subsidiary of RSAI and an indirect subsidiary of RSA. The principal activity of MIC is the transaction of general insurance business in relation to overseas risks. MIC has an ongoing US surplus lines insurance business that involves the writing of US domiciled marine cargo, specie, hull, marine and logistics liability and miscellaneous other speciality classes. MIC is authorised by the PRA and regulated by the FCA and PRA.

Mercantile

Mercantile is a wholly-owned indirect subsidiary of EGL. Mercantile wrote non-marine and casualty insurance and reinsurance business as a participant in the Regis Agencies Limited underwriting agency between 1980 and 1984, and subsequently as a reinsurer of River Thames Insurance Company Limited’s non-marine business in 1986 and 1987 (which was commuted in

2000). In April 2017, Mercantile transferred the entirety of its run-off general insurance and reinsurance business (other than US\$4 million of capital) to River Thames Insurance Company Limited in accordance with and subject to the terms of an insurance business transfer scheme under Part VII of FSMA. Accordingly, Mercantile does not currently carry on any insurance or reinsurance business but it remains a UK insurer that is authorised by the PRA and regulated by the FCA and PRA.

5. The Scheme: Summary and effect of the Transfers

5.1 Transfer of Transferred Policies

The Scheme will transfer RSAI's and MIC's rights and obligations under the commercial general insurance policies forming part of the Transferred Business (referred to as the "**Transferred Policies**") without alteration to Mercantile. The holders of the Transferred Policies (and any persons entitled to beneficial rights under such Transferred Policies) will, from the Effective Date, become entitled, to the exclusion of any rights which they may have had against the Transferors under a Transferred Policy, to the same rights against Mercantile. Similarly, the holders of the Transferred Policies shall be liable to account to Mercantile for any further or additional premiums or other sums attributable or referable thereto, as and when they become due and payable.

Responsibility for handling all claims under the Transferred Policies, which are currently being handled by, or on behalf of, the Transferors, will transfer to Mercantile. Mercantile shall be entitled to any and all defences, claims, counterclaims and rights of set-off under the Transferred Policies, which would have been available to the Transferors prior to the Effective Date.

5.2 Transfer of assets

Subject to certain exclusions, at and with effect from the Effective Date, all assets that are comprised in, arising from or in connection with the Transferred Business shall transfer to Mercantile. Various business contracts (referred to as "**Transferred Business Contracts**") will also transfer so that they will become agreements between Mercantile and the relevant third party.

The Scheme will also transfer the whole or part of certain reinsurance contracts protecting the Transferred Business, which will continue in force with the substitution of Mercantile in place of the Transferors as the reinsured party, on the terms that applied before the Scheme took effect to the extent that such reinsurance contracts protect the Transferred Business. The rights and obligations of reinsurers will remain unchanged but will, following the Scheme, be exercisable against or owed to Mercantile to the extent such reinsurance contracts protect the Transferred Business.

The Scheme will be valid and binding on counterparties to contracts notwithstanding any restriction on transfer or assignment contained in any such contracts.

5.3 Transfer of liabilities

Subject to certain exclusions, at and with effect from the Effective Date, the liabilities of each Transferor comprised in, arising from or in connection with the Transferred Business, shall be transferred by each Transferor to, be assumed by, and become liabilities of, Mercantile and each Transferor shall be released from those liabilities.

5.4 Continuity of proceedings

Any claim, investigation, counterclaim, complaint, petition, suit, appeal, enforcement action, or judicial, administrative, regulatory or arbitration proceedings, process or action, whether current, threatened or pending or which may be brought in the future which is in connection with the Transferred Business shall be continued or commenced by or against Mercantile.

5.5 Changes to terms and conditions of the Scheme

The Transferors and Mercantile may, at any time before the Effective Date, consent to any modification of, or addition to, the Scheme or any further condition or provision affecting the Scheme, which the Court may approve or impose. Should the modification, addition, condition or further provision be material, then the Transferors and Mercantile shall consult with the independent expert (as described in section 6 below) and the PRA and FCA before giving such consent.

After the Scheme has been approved, any material modification or addition to the Scheme must be approved by the Court and must not, in the opinion of an independent expert appointed by Mercantile (and approved as such by the PRA), materially adversely affect the policyholders of the Transferred Policies.

6. Independent expert: Scheme Report

In order to help the Court to understand how the Scheme could affect policyholders, a report on the Scheme by an independent expert (the “**Report**”) has been produced. The PRA approved the appointment of Derek Newton of Milliman LLP as the independent expert and the PRA has also approved the form of the Report.

A summary of the Report is included below, and a full version of the Report is available at www.rsagroup.com/RSATransfers.

7. Costs and expenses

None of the costs and expenses relating to the preparation of the Scheme or the Court processes will be borne by the policyholders.