

## FREQUENTLY ASKED QUESTIONS

### Important Note

This document provides further information on the transfer of insurance business from the RSA Group to the Enstar Group. It may be of interest to you if you are likely to be affected by the proposed scheme – such as if you are an affected policyholder or if you may have beneficial rights under an affected policy (which may, for example, be the case if you are or were an employee of a company insured by the RSA Group or by a predecessor insurance company acquired by the RSA Group).

### 1. What's happening and why?

#### 1.1 What are the proposed changes?

Royal & Sun Alliance Insurance plc ("**RSAI**") and The Marine Insurance Company Limited ("**MIC**"), two subsidiaries of RSA Insurance Group plc ("**RSA**", the parent company in the "**RSA Group**") propose to transfer certain of their UK-based general commercial insurance businesses to Mercantile Indemnity Company Limited ("**Mercantile**"), a regulated company within the Enstar group of companies headed by Enstar Group Limited ("**EGL**", the parent company in the "**Enstar Group**"). This process, which we refer to in this document as the "**Scheme**", is also known as an insurance business transfer or a Part VII transfer. Please see question 5 for further information about the Scheme process.

#### 1.2 When will the Scheme happen?

If approved by the High Court of Justice of England and Wales (the "**Court**"), the Scheme is scheduled to take effect on the "**Effective Date**". It is expected that this will be 1 July 2019.

#### 1.3 Which policies are transferring?

All of the business transferring is UK-based general commercial insurance business. The nature of the business differs between RSAI and MIC, as explained below.

##### *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 general commercial 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 4 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 general commercial 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 4 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.

#### **1.4 What is a general commercial insurance policy that includes liability cover?**

This is a type of insurance policy which includes cover for businesses against losses arising from injury being suffered by persons who are not a party to the insurance policy, such as employees and members of the public. Coverage for losses arising from injury to employees is known as employers' liability insurance, and coverage for losses arising from injury to members of the public is known as public liability insurance.

#### **1.5 Why is RSA doing this?**

The transfer of the Transferred Business by RSAI and MIC to Mercantile is part of the RSA Group's strategic programme to focus on its core businesses. In February 2017, this programme concluded with RSAI and MIC contracting with subsidiaries of EGL to transfer the Transferred Business.

### **2. More about Enstar and Mercantile**

#### **2.1 What type of company is Mercantile?**

Mercantile is a UK insurance company, which was incorporated in 1980. Mercantile is a member of the Enstar Group, which specialises in managing legacy insurance risk.

Mercantile actively wrote business between 1982 and 1987, since when it has accepted no new business. In April 2017, all of Mercantile's assets (other than US\$4 million) and liabilities were transferred to River Thames Insurance Company Limited by a separate Part VII transfer. Since then, Mercantile has not had, and does not currently have, any other business but it remains a UK insurer that is authorised by the Prudential Regulation Authority ("**PRA**") and regulated by the PRA and the Financial Conduct Authority ("**FCA**").

### **3. Will there be any changes to my policy?**

#### **3.1 What is the effect of the Scheme on my policy?**

If you are a policyholder, the Scheme will have no effect on:

- (A) the terms and conditions of your cover;
- (B) the amount of your premium;
- (C) the duration of your policy/policies; or
- (D) any claim which you have made (or may make) under your policy/policies.

The Scheme will transfer RSAI's and MIC's rights and obligations under the general commercial insurance policies forming part of the Transferred Business (which we refer to in this document as the "**Transferred Policies**") without alteration to Mercantile.

If you hold a Transferred Policy (or if you are entitled to beneficial rights under such a Transferred Policy) you will, from the Effective Date, become entitled, to the exclusion of any rights which you may have had against RSAI or MIC, to the same rights against Mercantile. Similarly, you will

become liable to account to Mercantile for any further or additional premiums or other sums attributable to your policy as and when they become due and payable.

In practice, this means that the Scheme will change the insurance company against which policy related claims should be brought and which will be responsible for handling such claims – this is relevant both to policyholders and to other persons who may hold beneficial rights under the Transferred Policies.

### **3.2 How will the Scheme affect the security of my policy?**

An Independent Expert has been appointed to consider, among other things, the effect of the Scheme on the security of the Transferred Policies. He has concluded that the Scheme will not materially adversely affect the security of any of the Transferred Policies. He has also concluded that the Scheme will not have an impact on service standards experienced by the policyholders of RSAI and MIC.

A copy of the Independent Expert's report can be found on the RSA website at [www.rsagroup.com/RSATransfers](http://www.rsagroup.com/RSATransfers). A summary of the Independent Expert's report is included with this pack in the document titled "Summary of the Scheme and the Independent Expert Report".

### **3.3 How do I make a claim under my insurance policy?**

Once the Scheme takes effect, Mercantile (rather than RSAI or MIC) will be the legal owner of the Transferred Business. Responsibility for handling all claims under the Transferred Policies, which are currently being handled by, or on behalf of, RSAI or MIC will transfer to Mercantile.

All new claims must be made as required by the policy (for example, to your broker or designated agent for service).

### **3.4 Will employers' liability policies of RSAI continue to be traceable through ELTO?**

Transferred Policies of RSAI will continue to be traceable in the same way as before the Scheme through the Employers' Liability Tracing Office ("ELTO") after the Scheme takes effect, though Mercantile will be responsible for handling any future claims in respect of the Transferred Policies.

### **3.5 I am based in the US – how does the Scheme affect me?**

If the Court approves the Scheme, the Scheme will transfer all Transferred Policies from RSAI and MIC to Mercantile. RSAI and MIC have obtained legal advice from a US law firm, which in summary states that there are good grounds to support the view that the Court's decision will be recognised in the US. Given this, if you are a US based policyholder of a Transferred Policy, the Scheme will apply in respect of your Transferred Policy in the same way as for other policyholders. Please see question 3.1 for an explanation of the effect of the Scheme.

### **3.6 I am based in an EEA jurisdiction – how does the Scheme affect me?**

If the Court approves the Scheme, the Scheme will transfer all Transferred Policies from RSAI and MIC to Mercantile. The Court's decision will be recognised in all other EEA jurisdictions (subject to the PRA notifying the regulator in other relevant EEA states and certain rights of the relevant EEA regulators to refuse to consent to the Scheme), and will therefore apply in respect

of your Transferred Policy in the same way as for other policyholders. Please see question 3.1 for an explanation of the effect of the Scheme. Please also see question 4.1 for the impact of Brexit on the Scheme.

#### 4. Other Questions

##### 4.1 How will Brexit affect the Scheme?

If the Court approves the Scheme, the Scheme will transfer all Transferred Policies from RSAI and MIC to Mercantile on the Effective Date. As set out in question 3.6, if you are an EEA-based policyholder of a Transferred Policy, the Scheme will apply in respect of your Transferred Policy in the same way as for other policyholders. It is not expected that Brexit will have any effect on the timeline or recognition of the Scheme.

In the event of the UK leaving the European Union without a withdrawal agreement or alternative transitional arrangements relating to the cross-border provision of financial services being in place (a “**Hard Brexit**”), Mercantile may be restricted from being able to carry on an insurance business in certain EEA states only in respect of a very small number of non-UK, EEA Transferred Policies of [RSAI and MIC](#).

Consequently, if a Hard Brexit were to occur and you or another person made a claim under such a Transferred Policy, Mercantile would liaise with the relevant regulatory authorities in the relevant EEA state to assess and clarify whether it can satisfy any local requirements to be able to service your claim, or would otherwise look to take steps either to transfer the Transferred Policy to an entity which can deal with your claim under local law or to make such other arrangements as could enable the contract to be performed. Mercantile envisages taking such steps as may be available such that all claims made under the very small number of potentially affected non-UK, EEA Transferred Policies of [RSAI and MIC](#) could continue to be serviced upon a Hard Brexit, but there is a risk under a Hard Brexit that such servicing may be delayed for a period of time in respect of such policies.

If the Court were to decline to approve the Scheme, or the Scheme were not to proceed for any reason, a Hard Brexit may similarly restrict MIC from carrying on an insurance business in certain EEA states in respect of the same non-UK, EEA Transferred Policies of [RSAI and MIC](#). In the event of the Scheme not going ahead, [RSAI and MIC](#) would similarly take such steps as may be available such that all claims made under the very small number of potentially affected non-UK, EEA Transferred Policies of [RSAI and MIC](#) could continue to be serviced upon a Hard Brexit but there is a risk under a Hard Brexit that such servicing may be delayed for a period of time in respect of such policies. Hence, the Scheme will not change the effect of Brexit for any policyholder.

If the UK leaves the European Union with a withdrawal agreement or alternative transitional arrangements relating to the cross-border provision of financial services being in place, it is not expected that Brexit will affect any claim which you may have made, or may make, under your policy. For more information on the impact of the Scheme on your policy, please see question 3.1.

#### **4.2 What impact will the Scheme have on any relevant reinsurance agreements?**

The contracts transferring under the Scheme include 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 RSAI and MIC, respectively, as the reinsured party, on the terms that applied before the Scheme took effect, to the extent 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 reinsurers notwithstanding, for example, any restriction in a contract on transferring or assigning the contract. The Scheme will be deemed to take effect on the basis that it does not contravene any such restriction and does not give rise to any right to terminate, modify, acquire or claim an interest or right, or to treat an interest or right as being terminated or modified.

#### **4.3 What impact will the Scheme have on any other contracts?**

All contracts exclusively related to the Transferred Business will be transferred to Mercantile. The Scheme will be valid and binding on counterparties to these contracts notwithstanding any restriction on transfer or assignment contained in them.

### **5. More about the Scheme process**

#### **5.1 What is the Scheme?**

The Scheme is a process under Part VII of the Financial Services and Markets Act 2000 that enables insurance policies to be transferred between two insurers. The insurers involved can either be in the same insurance group or from different corporate groups. A scheme under this statutory process must be approved by the Court before it can take effect. The applicable legislation requires the insurance companies participating in the Scheme to appoint an “**Independent Expert**”, approved by the PRA. The Independent Expert considers the impact of the proposed Scheme on the various groups of affected policyholders (including persons entitled to beneficial rights under Transferred Policies) and submits a report to the Court. Any person, including policyholders and those entitled to beneficial rights under Transferred Policies, may make representations to the Court if they consider that they would be adversely affected by the Scheme.

#### **5.2 Is there an opportunity to vote on the proposed Scheme?**

No. For a Part VII transfer process, there is no vote on the proposals. However, if you consider that you may be adversely affected by the Scheme, then you may make representations to the Court. See questions 5.4 to 5.6 below for more information on how to do this. Additionally, you can contact RSA directly on +44 121 415 0966 or by email to [RSATransfers@equiniti.com](mailto:RSATransfers@equiniti.com).

#### **5.3 When and where will the Court hearing take place?**

The Court hearing will be at the High Court of Justice of England and Wales (High Court), 7 Rolls Building, Fetter Lane, London EC4A 1NL on 13 June 2019.

The RSA website ([www.rsagroup.com/RSATransfers](http://www.rsagroup.com/RSATransfers)) will be updated to include details of the proposed hearing time and of any changes to the proposed hearing time or date. You will be able to check on the RSA website ([www.rsagroup.com/RSATransfers](http://www.rsagroup.com/RSATransfers)) or by calling +44 121 415 0966 after this date for information about the outcome of the hearing.

#### **5.4 What will happen at the Court hearing?**

The Court will consider whether it is appropriate to allow the Scheme to proceed, having regard to all the circumstances. The judge will review the witness statements and evidence provided by RSAI, MIC and Mercantile, and consider the reports of the Independent Expert and the PRA and FCA. Time will be allocated to hear any representations made (whether in writing, by telephone or in person) by any person who believes that they would be adversely affected by the Scheme. The judge must decide whether or not it is appropriate to approve the Scheme, taking all of the evidence into account. If the judge decides to approve the Scheme, then a Court Order is made which means the Scheme will come into effect at a time specified in the Court Order.

#### **5.5 Can I make representations to the Court?**

If you believe that you would be adversely affected by the Scheme, you have the right to make written representations to the Court and/or appear at the Court hearing in person. You may also choose to appoint legal counsel to attend the Court hearing on your behalf.

While you are not required to inform anyone in advance, if you do intend to make representations (either in writing or by telephone) and/or appear at the hearing (either in person or using legal representation), we would encourage you to please call us on +44 121 415 0966 or to write to us at RSA Insurance Group, 20 Fenchurch Street, London EC3M 3AU (Attention: Jonathan Colson), to inform us of your intention and the reasons.

Any representations relating to the Scheme that are notified to us will be supplied to the Regulators and the Independent Expert and included in the information supplied to the Court.

#### **5.6 What do you mean by 'adversely affected'?**

Any types of effect on policyholders may be taken into account by the Court. For example, this might include changes to expected benefits, the financial security of the companies involved, or changes to the claims handling and administration of the Transferred Policies.

For each group of persons, including policyholders of Transferred Policies (and those entitled to beneficial rights under such policies), there may be some changes for the better and some for the worse. If there are some changes for the worse, this does not necessarily mean that the Scheme is unfair or unreasonable, as these changes may be outweighed by other benefits, or they might be limited, or may occur only infrequently. The Independent Expert has considered the materiality of any adverse changes based on their size or likelihood of occurring and has provided his conclusions in his report.

#### **5.7 What happens if the Court does not approve the Scheme?**

If the proposed Scheme is not approved by the Court, your policy will remain with RSAI or MIC. If the Scheme is delayed for any reason then we will inform policyholders of this via the RSA

website. If there is expected to be a protracted delay, or if the Scheme is not approved by the Court, we will also inform policyholders of this via the RSA website.

## **6. More about the Independent Expert**

### **6.1 Who is the Independent Expert?**

The Independent Expert is Derek Newton, a principal and actuarial consultant at Milliman LLP, an international firm which provides actuarial and related products and services. Mr Newton is a UK-qualified actuary, who began his actuarial career in 1983. Since 1994 he has worked in general insurance, and has experience with reserving, mergers and acquisitions activity, Solvency II, the underwriting process, management reporting, designing and evaluating risk transfer mechanisms, premium rating, risk modelling and capital and solvency evaluation. In 1988, Mr Newton was awarded Fellowship of the Institute of Actuaries.

### **6.2 What is his role?**

Mr Newton has been appointed to report his opinion on the likely effect of the proposed Scheme on policyholders. His report is impartial, based on a thorough scrutiny of the proposed Scheme and the businesses of RSAI and MIC, and of Mercantile, each of whom has provided him with access to key staff and private and public information he has requested.

### **6.3 How do I know he is independent?**

The Independent Expert's appointment has been approved by the PRA (following consultation with the FCA), and independence is one of the criteria that was used to assess his suitability. Neither Mr Newton nor any of his immediate family hold any policies, investments, shareholdings or have any other financial interests with either RSAI, MIC or any other RSA group company, or with Mercantile or any other company in the Enstar Group. Mr Newton's overriding duty of responsibility is to the Court, and not to RSAI, MIC or Mercantile. His report must be impartial. We have included a summary of his report within the document titled "Summary of the Scheme and the Independent Expert Report", but you can download a full copy of his report from the RSA website ([www.rsagroup.com/RSATransfers](http://www.rsagroup.com/RSATransfers)). If you would like a paper copy sent to you then please contact us on +44 121 415 0966 or [RSATransfers@equiniti.com](mailto:RSATransfers@equiniti.com).

## **7. What happens next?**

### **7.1 Where can I find out more?**

We hope that the information we have provided has helped you to understand the proposed Scheme. Further information has been published on the RSA website: [www.rsagroup.com/RSATransfers](http://www.rsagroup.com/RSATransfers). There you can download a full version of the document setting out the terms of the Scheme (known as the "**Scheme Document**"), the full report of the Independent Expert, and the communications pack.

A dedicated helpline has been set up for persons who have questions or concerns regarding the proposed Scheme on +44 121 415 0966. This helpline will be available from 08.00 to 18.00 (UK time) five days a week.



We will also publish on the RSA website copies of any supplementary reports that the Independent Expert writes before the Court hearing date. These can also be obtained by contacting +44 121 415 0966 or [RSATransfers@equiniti.com](mailto:RSATransfers@equiniti.com).

However, if you do think you may be adversely affected by the Scheme, please see questions 5.4 to 5.6 or turn to the Legal Notice in this communications pack for information about how to make representations. While you are not required to inform anyone in advance, if you intend to make representations (either in writing or by telephone) and/or appear at the hearing (either in person or using legal representation), we would encourage you to please inform us by telephone on +44 121 415 0966 or in writing at RSA Insurance Group, 20 Fenchurch Street, London EC3M 3AU (Attention: Jonathan Colson) as soon as possible and, in any event, before 11 June 2019.

## **7.2 How will I know if the Scheme has been approved?**

We will announce the outcome of the Court process on the RSA website ([www.rsagroup.com/RSATransfers](http://www.rsagroup.com/RSATransfers)) following the Court hearing due on 13 June 2019. Any changes or information on the progress of the Scheme will be announced on the RSA website ([www.rsagroup.com/RSATransfers](http://www.rsagroup.com/RSATransfers)). You should check this website for any changes or updates.

If the application is successful then the Scheme should take place on the Effective Date. You will see the Enstar brand on communications after this date, and you should contact Mercantile after this date for any enquiries about your policy through Mercantile's duly authorised run-off manager, Enstar (EU) Limited, 3 Guildford Business Park, Guildford, Surrey GU2 8XG, England (+ 44 (0)1483 452 622).