

September 2020

IMPORTANT INFORMATION ABOUT YOUR MOTOR INSURANCE POLICY

Our records show that you currently hold, previously held or made a claim under your Motor insurance policy or policies with **Arch Insurance (EU) dac** (“**AIEU**”) (formerly Arch Mortgage Insurance dac), an insurance company incorporated in the Republic of Ireland, authorised and regulated by the Central Bank of Ireland. Your AIEU policy may have been purchased through a broker or other third party with whom AIEU has an agreement to write Motor insurance.

We are writing to you to inform you that it is proposed that on 31 December 2020 **Arch Insurance (UK) Limited** (“**AIUK**”) will transfer (the “**Proposed Transfer**”) certain policy/policies or claim(s) in respect of risks located in the European Economic Area (“**EEA**”) (other than the United Kingdom) to AIEU. Both AIUK and AIEU are wholly-owned indirect subsidiaries of Arch Capital Group Ltd., along with other insurance and reinsurance companies (together referred to as the “**Arch Group**”). AIEU is regulated in accordance the same EU regulatory requirements as AIUK.

Your AIEU Motor policy terms will not change

Your AIEU Motor policy/policies and any claim(s) under your policy/policies will remain with AIEU and, therefore, will not be directly affected by the Proposed Transfer. You are being sent this letter solely to inform you of the Proposed Transfer.

Information for your benefit

This letter contains important information about the Proposed Transfer, to allow you reasonable time to consider whether you and/or your interested parties may be adversely affected by the Proposed Transfer.

The Proposed Transfer must be carried out in accordance with the UK Financial Services and Markets Act 2000. This requires us to obtain approval from the High Court of England and Wales (the “**Court**”). It is a legal requirement for us to contact you as part of this process, and should you consider that you are adversely affected by the Proposed Transfer, you are entitled to make representations to the Court and this letter contains information on how to do so.

Following the decision of the UK electorate to vote in favour of leaving the European Union (the “**EU**”), the Arch Group planned a restructuring of its UK and European operations in order to continue to service our European policyholders after the UK’s withdrawal from the EU and the expiration of the agreed transition period, which is expected on 31 December 2020.

Accordingly, AIUK proposes to transfer to AIEU all its general insurance business (excluding inwards reinsurance business) effected and/or carried out in any state within the EEA utilising AIUK’s freedom of establishment and/or freedom of services. This will include risks located in a state of the EEA (other than

the UK) as well as AIUK policies held by policyholders established or resident in an EEA state (other than the UK).

If you have been sent this letter because you are making or have made a claim under your AIEU Motor policy, then nothing in this letter should be deemed to be an acknowledgment or acceptance of the validity of your claim or of any liability of AIEU in relation to that claim (and, in particular, any reservation of rights which if issued shall remain fully reserved) or the validity of your policy (including where such policy has been voided).

The Proposed Transfer will have no effect on:

- **the terms and conditions of your cover;**
- **the amount of your premium;**
- **the duration of your policy or policies;**
- **the way your policy is administered; or**
- **your ability to pursue or make any claim under your policy or policies, or the way any claims you have made or may make under your policy or policies are handled.**

Protection of your interests

The legal approval process for the Proposed Transfer to AIEU is designed to help safeguard your interests.

- The Court must approve the Proposed Transfer for it to go ahead. The Court will consider whether the Proposed Transfer will adversely affect you as a policyholder and whether it is appropriate to approve the Proposed Transfer.
- The Court hearing is due to take place on 18 December 2020 at the High Court of Justice, 7 Rolls Building, Fetter Lane, London, EC4A 1NL, United Kingdom.
- You have the right to attend the Court hearing that will consider the Proposed Transfer and to present any objections or concerns that you may have directly, or appoint legal counsel to attend on your behalf. If you want to telephone or write to us rather than appear in person, we will present in writing any objections received from you to the Court on 11 December 2020. If you decide to write to us you are kindly requested to do so as soon as possible and preferably no later than 1 December 2020.
- Any change to the date of the Court hearing will be announced on our website: www.archcapgroup.com/Insurance/Arch-Part-VII.
- Subject to Court approval, it is expected that the relevant policies will automatically transfer to AIEU on 31 December 2020.
- Any change to the date of the Proposed Transfer will be announced on our website www.archcapgroup.com/Insurance/Arch-Part-VII.
- An Independent Expert has been appointed to write a report for the Court. He has assessed the impact of the Proposed Transfer and has concluded that it will not materially adversely affect any group of policyholders.
- AIUK has consulted closely with its regulators, the Financial Conduct Authority and the Prudential Regulation Authority. The UK regulators are entitled to make their own representations to the Court and we expect them to do so.
- AIEU, as a company incorporated in Ireland, is subject to the General Data Protection Regulation 2016 (“**GDPR**”) and your personal data will continue to be processed in a manner compliant with GDPR. Details about how your personal data is collected and processed can be found in the Arch Privacy and Data Protection Policy here: www.archcapgroup.com/Privacy-and-Data-Protection-Policy. We recommend that you read this policy.

What you should do

Please carefully read the information we have included with this letter.

We have enclosed a booklet containing:

- “Questions and Answers” about the Proposed Transfer;
- a summary of the legal document that sets out the terms of the Proposed Transfer (the “**Scheme Document**”);
- a summary of the Independent Expert’s report; and
- a copy of a legal notice setting out details of the Court hearing for the Proposed Transfer, (the “**Communication Pack**”).

How to make your views known

If you are comfortable with the Proposed Transfer and the information contained in and included with this letter, you do not need to take any further action. However, should you need any further information or if you have any questions or concerns about the Proposed Transfer or consider that you may be adversely affected then please contact us as soon as possible and preferably no later than 1 December 2020. You can:

- call the following dedicated helpline, free of charge when calling from the UK, on:
+ 44 (0)808 196 3200

The helpline will not be available outside the hours of 09:00 to 17:00 London time weekdays or on bank holidays and public holidays in the United Kingdom. Callers during those times (or at times when nobody is able to answer the call) will be able to leave a message and request that their call is returned); or

- write to us at:
Arch Insurance (EU) dac
Level 2, Block 3, The Oval
160 Shelbourne Road
Ballsbridge, Dublin 4
Ireland
- e-mail us at: Archpart7@archinsurance.co.uk

Please note that the dedicated helpline is for enquires about the Proposed Transfer only. If you have any general questions about your policy, please call your usual broking contact or the person from whom you purchased your policy.

For your convenience, this information is also available on the Arch Group website www.archcapgroup.com/Insurance/Arch-Part-VII, together with full copies of the documents that comprise the Communication Pack, the Scheme Document and the Independent Expert’s report. All updates and details about the progress of the Proposed Transfer, including any supplemental Independent Expert’s report that may be prepared prior to the Court hearing, will also be posted on this website and will be available from the same address.

If you are aware of anyone else who has an interest in and/or is entitled to claim under your policy, please inform them of the Proposed Transfer and pass on the information contained in this letter and booklet. We will reimburse you any costs incurred with this process with details of your expenses.

Our goal is to ensure that we will be able to continue to provide insurance services to our EEA policyholders with a high service standard.

Yours sincerely,



Soren Scheuer

Arch Insurance (EU) dac, President & Chief Executive Officer

Our goal is to ensure that we will be able to continue to provide insurance services to our EEA policyholders with a high service standard.

Yours sincerely,

A handwritten signature in blue ink, consisting of a large, stylized loop followed by a horizontal line extending to the right.

Hugh Sturgess
Arch Insurance (UK) Limited, President & Chief Executive Officer

Transferring to Arch Insurance (EU) dac

Answers to your questions

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Summary of the Scheme and the Independent Expert’s Report (enclosed)

Legal Notice (enclosed)

Answers to your questions

Section 1

General overview

1.1 What are the proposed changes?

Arch Insurance (UK) Limited (**AIUK**) proposes to transfer to Arch Insurance (EU) dac (**AIEU**) the insurance business carried on by AIUK (excluding inwards reinsurance business) in any state within the European Economic Area (**EEA** and each such state being an **EEA State**) utilising AIUK's freedom of establishment and/or freedom of services (the **Transfer**).

The Transfer will include risks situated in any EEA State (other than the UK) as well as policies held by policyholders established or resident in an EEA State (other than the UK). Where a policy relates to risks situated both in the EEA and outside the EEA, only the part of the policy which relates to a risk situated in any EEA State (other than the UK) will transfer and where a policy relates to a risk situated solely in the UK or outside the EEA that policy will not transfer, unless the policyholder is established or resident within an EEA State (other than the UK).

This process is known as a Part VII transfer and is effected by means of a **Scheme**.

1.2 When will the Transfer happen?

If approved by the High Court of Justice of England and Wales (the **Court**), the Transfer is scheduled to take effect on the **Effective Date**. It is expected that this will be 31 December 2020.

Any change to the expected Effective Date will be announced on the website of the Arch group: www.archcapgroup.com/Insurance/Arch-Part-VII.

1.3 Which policies are transferring?

Insurance policies (excluding inwards reinsurance policies) written by AIUK in an EEA State on a freedom of establishment and/or freedom of services basis.

The Transfer will include risks situated in any EEA State (other than the UK) as well as policies held by policyholders established or resident in an EEA State (other than the UK). Where a policy relates to risks situated both in the EEA and outside the EEA, only the part of the policy which relates to a risk situated in the EEA (other than the UK) will transfer, unless the policyholder is established or resident within an EEA State (other than the UK).

Where a policy relates to a risk or risks situated solely in the UK or outside the EEA, that policy will not transfer, unless the policyholder is established or resident within an EEA State (other than the UK).

“Freedom of services” business refers to business written in the UK where the risk is situated elsewhere within the EEA or where the policyholder is established or resident within an EEA State (other than the UK).

If you are unsure which of your policies will transfer to AIEU and which of your policies will remain with AIUK, please contact us using the details provided in Section 6 below.

1.4 Why is AIUK doing this?

Following the decision of the UK electorate to vote in favour of leaving the European Union (the **EU**) (**Brexit**), it is necessary for the Arch group to restructure its European operations in order to continue to service our policyholders in the EEA after the UK’s withdrawal from the EU on 31 December 2020.

Section 2

More about Arch Insurance (EU) dac

2.1 Who is AIEU?

AIEU was incorporated in October 2011 as Arch Mortgage Insurance Limited. Pursuant to changes in the Irish Companies Act 2014, AIEU changed its form to become a designated activity company with the new name Arch Mortgage Insurance dac on 20 October 2015, then subsequently changed its name to Arch Insurance (EU) dac on 4 March 2019. Its registered number is 505420 and its registered office is situated at 2nd Floor, Block 3 The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4, Republic of Ireland.

AIEU is part of the same corporate group as AIUK. Both AIUK and AIEU are indirect wholly-owned subsidiaries of Arch Capital Group Ltd. (**ACGL**), a Bermuda exempted company limited by shares, which maintains a listing on the NASDAQ Stock Market in the U.S..

On 6 March 2019, AIEU received authorisation from the Central Bank of Ireland to expand its insurance licence, covering all classes of insurance business, except Class 18 'Assistance' and to write insurance business in all EEA States on a freedom of services basis. As a result of its authorisation from the CBI, since at least 31 December 2019, all new and renewal non-UK EEA business previously written by AIUK has been written through AIEU.

As a member of the Arch group, AIEU has adopted the same capital appetite framework as AIUK. AIUK's solvency capital ratio exceeds its minimum threshold in respect of its solvency capital ratio (calculated using its internal model approved by the Prudential Regulation Authority (**PRA**)). AIEU's solvency capital ratio exceeds its minimum threshold in respect of its solvency capital ratio (calculated using the Solvency II standard model).

2.2 How will AIEU administer my policy?

AIEU will administer the Transferring Policies in the same way as they are currently administered by AIUK, in line with the Arch group's current systems, policies and procedures for its European operations (as the same may be updated from time to time). Both companies have adopted similar corporate governance arrangements, key systems of governance (risk, compliance, legal, actuarial and internal audit) and financial and operational reporting arrangements. Both companies are under common control of AGL, and thus share some common financial reporting practices, systems, Arch group arrangements and leadership oversight.

Arch Europe Insurance Services Ltd (**AEIS**), a subsidiary of AIUK, employs all staff which provide all services to support AIUK's operations. Starting 29 March 2019, AEIS UK staff commenced providing services to AIEU to support the new and renewing EEA risks of AIUK which were written by AIEU, as well as continuing to support the Transferring Policies. Following the Effective Date, the same AEIS UK staff will continue to service the Transferring Policies on the same terms as the service and secondment arrangements already in place between AIEU and AEIS.

Section 3

More about the Transfer process

3.1 What is the Transfer?

The Transfer is governed by a process under Part VII of the UK Financial Services and Markets Act 2000 (**FSMA**) that enables groups of insurance policies to be moved from one insurer to another. The insurers involved can either be in the same insurance group (as in this instance) or from different corporate groups. An application must be approved by the Court before the Transfer can be effected. The applicable regulations require AIUK and AIEU to appoint an Independent Expert, approved by the Regulators, who looks at the impact of the proposed Transfer on the various groups of affected policyholders, and submits a report to the Court. Policyholders must be notified and given time to consider the proposals, and they have the right to object or raise concerns if they feel they would be adversely affected.

3.2 Where and when will the Court Hearing take place?

The Court Hearing will be at the **High Court of Justice, 7 Rolls Building, Fetter Lane, London, EC4A 1NL, UK** on **18 December 2020**.

You will be able to check on the ACGL website at www.archcapiagroup.com/Insurance/Arch-Part-VII or by calling our dedicated helpline, free of charge when calling from the UK at:

+44 (0)808 196 3200 (open 09:00-17:00 London time on weekdays);

after this date for information about the outcome of the hearing. Each of the above opening hours excludes bank holidays and public holidays. Callers outside of these hours will be able to leave a message and request that their call is returned.

3.3 What will happen at the Court Hearing?

The Court will consider whether the Transfer adversely affects policyholders and whether it is appropriate to allow the Transfer. The judge will review the witness

statements and evidence presented by AIUK and AIEU, and consider the reports of the Independent Expert and the Regulators. Time will be allocated to hear any objections or concerns put forward (whether in writing, by telephone, or in person) by affected policyholders or any other person who believes that they would be adversely affected by the proposals. The judge must decide whether or not it is appropriate to approve the Transfer, taking all of the evidence into account. If the judge does approve the Transfer, then a Court Order is made which means the Scheme will come into effect at a time specified in the Court Order.

3.4 What can you do if you believe you may be adversely affected?

If you believe you may be adversely affected as a result of the Transfer, then you are entitled to object or raise your concerns either in writing or by telephone in advance, or in person at the Court Hearing. You may choose to appoint legal counsel to attend the Court Hearing on your behalf.

You can:

Call our dedicated helpline, free of charge when calling from the UK, on:

+44 (0)808 196 3200 (open 09:00-17:00 London time on weekdays); and

(the above opening hours excludes bank holidays and public holidays: callers outside of these hours will be able to leave a message and request that their call is returned); or

write to us at:

Arch Insurance (UK) Limited
5th Floor, Plantation Place South
London EC3R 5AZ
United Kingdom

e-mail us at: Archpart7@archinsurance.co.uk

Any objections or concerns to the Transfer notified to us by telephone or in writing will also be included in the information supplied to the Court. Should you need any further information or if you have any questions or concerns about the Transfer or consider that you may be adversely affected then please contact us as soon as possible and preferably no later than **1 December 2020**.

3.5 What do you mean by ‘adversely affected’?

Any types of effect on policyholders may be considered by the Court. This includes changes to the financial security of the companies involved, or changes to the administration of the Transferring Policies. If there are some changes for the worse, this does not necessarily mean that the Transfer is unfair or unreasonable, as they might be outweighed by other benefits, or they might be extremely small, or they may only occur infrequently. The Independent Expert considers the materiality of any adverse changes based on their size or likelihood of occurring and provides his conclusions in his Report.

Please refer to the enclosed summary of the Independent Expert’s Report and paragraph 5.4 below for an assessment of the adverse effects of the Transfer.

3.6 What will happen if the Court does not approve the Transfer?

If the transfer is rejected, your policy will remain with AIUK.

If the Transfer is delayed for any reason then we will inform policyholders of this via the ACGL website: www.archcapgroup.com/Insurance/Arch-Part-VII. If there is expected to be a protracted delay, or the Transfer is rejected, we will also write to affected policyholders to let them know.

If the transfer is rejected or delayed it is unclear how AIUK would be able to service its policyholders in the EEA after the UK’s withdrawal from the EU on 31 December 2020.

3.7 Will I be charged extra for any of this?

No, you will not be asked to bear any costs of the Transfer. AIUK and AIEU will meet the costs and fees of carrying out the Transfer.

Section 4

More about the Independent Expert

4.1 Who is the Independent Expert?

The Independent Expert is Simon Sheaf of Grant Thornton LLP.

4.2 What is the role of the Independent Expert?

Simon Sheaf has been appointed to give his opinion on the likely effect of the proposals on policyholders. His appointment has been approved by the PRA, following consultation with the Financial Conduct Authority (FCA). His Report is impartial, based on thorough scrutiny of the proposals and the businesses of AIUK and AIEU. AIUK and AIEU have provided him with access to key staff and information that he has requested, both private and public.

4.3 How do I know he is independent?

The Independent Expert's appointment has been approved by the PRA, following consultation with FCA, and independence is one of the criteria that the PRA and FCA use to assess his suitability. Simon Sheaf has confirmed that he has no financial interest in AIUK, AIEU or the group of companies to which they belong, nor has he ever provided any consulting services or acted in any advisory capacity to AIUK, AIEU, ACGL or any company that at the time a subsidiary of ACGL. Simon Sheaf's overriding duty of responsibility is to Court, and not AIUK or AIEU. His Report must be impartial. We have included a summary of his Report with this pack, but you can download a full copy of the Independent Expert's Report at the ACGL website: www.archcapgroup.com/Insurance/Arch-Part-VII. If you would like a paper copy sent to you then please contact us on the details set out section 3.4 above.

Section 5

Will there be any changes to my policy?

5.1 Who do I contact after the Transfer for a query on my policy or to make changes?

The administration of your policy will not change as a result of the Transfer and after the Transfer you should continue to contact your normal contact at Arch or your broker or any other intermediary through which you acquired your policy.

5.2 Will there be any changes to premiums I pay?

No changes will be made to your premium as a result of the Transfer.

5.3 Are there any changes to the terms and conditions of my policy?

The transfer will not change the terms and condition of your policy or the payments that you receive if you have a claim.

5.4 Are there any other changes I should be aware of as result of the Transfer?

Financial Services Compensation Scheme

In the event of the insolvency of AIUK, if you meet the relevant eligibility criteria, you currently have recourse to the Financial Services Compensation Scheme (the **FSCS**) to have any claim you bring under your policy paid. Since AIUK's business is mainly commercial insurance, the majority of policyholders will not meet the eligibility criteria, as the FSCS is aimed at consumers and very small businesses. However, a small minority of Transferring Policyholders may meet the eligibility criteria. If the Scheme is approved, and your policy is transferred to AIEU, you will no longer have recourse to the FSCS in the event of AIEU's insolvency. This does not impact AIUK policyholders who are not transferring to AIEU.

The Independent Expert has considered this issue in his Report at Section 9 and has concluded that this loss of access to the FSCS will not materially adversely affect the Transferring Policyholders, for the reasons set out in his Report.

Financial Ombudsman Service

In addition, in the event of a dispute with AIUK, if you meet the relevant eligibility criteria, you currently have recourse to the UK Financial Ombudsman Service (the **FOS**) which provides a free, independent services for resolving disputes. The eligibility criteria for this services is similar to that applying to the FSCS: for this reason, only a minority of Transferring Policyholders are expected to meet such criteria. Transferring Policyholders who currently have access to the FOS will maintain that access only in relation to complaints about policies written by AIUK pre-transfer, or written by AIEU's UK branch post-transfer, but will maintain access to the Irish equivalent, the Financial Services and Pensions Ombudsman (the **FSPO**).

The monetary limits for a claim under the FSPO are different to those under the FOS. Such policyholders would also maintain access to the equivalent scheme via the European network of alternative dispute resolution schemes, Fin-Net.

Again, the independent Expert has considered this issues in his Report at paragraphs 11.21-11.34 (inclusive) and has concluded that this loss of access to the FOS will not materially adversely the transferring policyholders, for the reasons set out in his Report.

Section 6

Final comments

6.1 I can't find the answer to my questions in this booklet. Where can I find out more?

We hope that the information we have provided has helped you to understand the proposals. AIUK and AIEU have published further information on the ACGL website: www.archcagroup.com/Insurance/Arch-Part-VII. There you can download a full version of the legal terms of the Transfer, the full Report of the Independent Expert, and the policyholder communications pack. Alternatively call us on the dedicated helpline below and we will send you this information.

AIUK and AIEU have set up a dedicated helpline for customers who have questions or wish to raise concerns or objections related to the proposed Transfer on our dedicated helpline (free of charge when calling from the UK):

+44 (0)808 196 3200 (open 09:00-17:00 London time on weekdays); and

(the above opening hours excludes bank holidays and public holidays: callers outside of these hours will be able to leave a message and request that their call is returned).

Alternatively, you can write to us at:

Arch Insurance (UK) Limited
5th Floor, Plantation Place South
London EC3R 5AZ
United Kingdom

or e-mail us at: Archpart7@archinsurance.co.uk

We will also publish on the ACGL website copies of any Supplementary Reports that the Independent Expert writes before the Court Hearing date.

If you do think you may be worse off as a result of the Transfer please see sections 3.4 to 3.6 above or turn to the Legal Notice within this pack for information about how to make your objection or concern known to us.

6.2 How will I know if the Transfer has been approved?

We will announce the outcome of the Court application on the ACGL website: www.archcapgroup.com/Insurance/Arch-Part-VII following the Court Hearing due on **18 December 2020**. Any changes or information on the progress of the Transfer will also be announced on this website. You should check this website for any changes or updates or otherwise call our dedicated helpline set out at section 6.1 above.

If the application is successful then the Transfer should take place on the Effective Date (expected to be **31 December 2020**).

Glossary

ACGL means Arch Capital Group Ltd.

AIEU means Arch Insurance (EU) dac.

AIUK means Arch Insurance (UK) Limited.

Court means the High Court of Justice and England and Wales.

Court Hearing means the Hearing at the High Court of Justice in England and Wales at which the final decision to approve or disapprove the Scheme is made.

Court Order the order of the Court sanctioning the Scheme.

Effective Date means 31 December 2020, the date on which the Scheme is expected to become effective (subject to the approval of the Court). Any change to the date of the Transfer will be announced on the ACGL website.

FCA means the Financial Conduct Authority, which has objectives to protect consumers of financial services, to protect and enhance the integrity of the UK financial system and to promote effective competition in the interests of consumers.

FSMA means the UK Financial Services and Markets Act 2000.

Independent Expert means Simon Sheaf of Grant Thornton LLP who has been appointed, with the approval of the Regulators, to produce the Report.

PRA means the Prudential Regulation Authority, which is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms in the UK.

Regulator(s) means the applicable regulator(s) of the UK insurance industry. This refers to, as the context requires, the PRA, the FCA or both.

Report means the Scheme report produced by the Independent Expert under the requirements of the FSMA, reflecting the guidance provided by SUP 18.2 of the FCA's

Handbook, FG18/4: The FCA's Approach to the review of Part VII insurance business transfers and the PRA's Statement of Policy on insurance business transfers.

Supplementary Report means a report, produced in advance of the Court Hearing, to consider the impact on the Independent Expert's conclusions of events that have happened subsequent to the issue of his initial Report.

Transfer means the legal transfer of the Transferring Policies from AIUK to AIEU.

Transferring Policies means the AIUK policies transferring to AIEU under the Scheme.

Transferring Policyholders means the holders of Transferring Policies.

Summary of the Scheme and the Independent Expert's Report (enclosed)

Legal Notice (enclosed)



Grant Thornton

An instinct for growth™

Summary of the Independent Expert's Report on the Proposed Transfer of a Portfolio of Policies from Arch Insurance (UK) Limited to Arch Insurance (EU) dac

About the independent expert

My name is Simon Sheaf and I am a Partner and Head of General Insurance Actuarial and Risk at Grant Thornton UK LLP. I am a Fellow of the Institute and Faculty of Actuaries. I have nearly 30 years of experience working within the general insurance industry. I have previously been a member of both the Council and the Management Board of the Institute and Faculty of Actuaries.

About this document

This document is a summary of my report ("my Report") that has been prepared following my nomination by Arch Insurance (UK) Limited ("AIUK") and Arch Insurance (EU) dac ("AIEU") to be the Independent Expert reporting on the proposed insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 to transfer a portfolio of policies from AIUK to AIEU ("the Scheme"). My appointment has been approved by the Prudential Regulation Authority ("PRA") having consulted with the Financial Conduct Authority ("FCA").

This summary sets out the key findings, methodology, assumptions and analysis from my Report. This summary is subject to the same limitations on its use as those set out in my Report. This summary of my Report must be considered in conjunction with my Report and reliance must not be placed solely on this summary. In the event of real or perceived conflict between this summary and my Report, my Report shall prevail. I have used a number of terms and abbreviations within this summary that are defined in my Report.

Copies of my Report can be obtained:

- At <http://www.archcapgroup.com/Insurance/Arch-PartVII>
- By emailing Archpart7@archinsurance.co.uk
- By writing to Arch Insurance (UK) Limited, 5th Floor, Plantation Place South, London, EC3R 5AZ, United Kingdom.

Purpose of the Scheme

Under its current authorisations, AIUK is permitted to sell and administer general insurance contracts across a range of classes of business in the EEA through its EEA Passporting Rights. However, AIUK's EEA Passporting Rights may no longer exist following the current transition period in respect of the UK's withdrawal from the European Union ("Brexit Transition Period"). AIUK is therefore seeking to transfer its insurance business in the EEA (apart from that in the UK) to another entity within the same corporate group that will have the appropriate permissions to transact this business after the end of the Brexit Transition Period.

The proposed Scheme relates to the transfer to AIEU of the business currently underwritten by AIUK on a Freedom of Services ("FOS") and a Freedom of Establishment basis ("FOE") in EEA countries other than the UK (the "Transferring Portfolio").

The purpose of the Scheme is to transfer the legal obligations relating to the Transferring Portfolio from AIUK to AIEU, while retaining the transferring business within the Arch Group.

Who will be affected by the Scheme?

The policyholders affected by the Scheme include not only the policyholders within the Transferring Portfolio but also the policyholders remaining within AIUK at the time of the Scheme and the existing policyholders within AIEU prior to the Scheme.

I am not required to consider the impact of the Scheme on any policyholder that subsequently takes out a policy with either AIUK or AIEU.

My role

An Independent Expert's Report is required under Section 109 of the Financial Services and Markets Act 2000 in order that the Court may properly assess the impact of the proposed Scheme. My Report describes the proposed transfer of business under the Scheme and considers the potential impact on all affected policyholders, including the security of their policies and the levels of service that policyholders can expect to receive once the Scheme becomes effective.

Scope of the Scheme

The business being transferred is all of the following risks except for those set out in the next paragraph:

- All direct insurance policies forming part of the portfolio of general insurance policies of AIUK carried out prior to the Effective Date where the risk associated with such policy is written on an FOS or FOE basis
- The outwards reinsurance policies issued to AIUK where these are relevant to or provide protection for a policy referred to in the previous bullet point
- Contracts and other commitments to which AIUK is a party at the transfer date and which relate to the policies or reinsurance policies referred to above
- The assets and liabilities (excluding misselling liabilities) relating to each of the above.

There are certain policies that will not be transferred to AIEU under the Scheme. These are:

- All direct insurance policies forming part of the portfolio of general insurance policies of AIUK carried out prior to the Effective Date where the risk associated with such policy is not written on an FOS or FOE basis
- All inwards reinsurance policies.

For the avoidance of doubt, I understand from AIUK and AIEU that there are currently no policies or reinsurance contracts that will not be transferred to AIEU under the Scheme other than those captured in the two bullet points above.

Overview of my analysis

In considering the impact of the Scheme on policyholders, I have considered both the impact of the Scheme on the financial resources available to support policyholders and also a number of non-financial impacts regarding how the policyholders' experience may change as a result of the Scheme.

My approach to considering the effect of the Scheme on non-financial service levels experienced by policyholders has been to determine if a change in service arrangements would occur if the Scheme were to proceed, and to compare any changes with the arrangements that would be in place were the Scheme not to proceed.

Impact of COVID-19

My analysis has included allowing for the impact of COVID-19. While I have relied on estimates performed by AIUK and AIEU I have reviewed these estimates and I have made my own adjustments where I have deemed this appropriate for my own analysis. I have considered the impact of COVID-19 on both a best estimate basis and under a plausible but very pessimistic scenario.

My opinion is that I consider that both AIUK and AIEU will have sufficient assets to meet their liabilities following a reasonably foreseeable worsening of the COVID-19 global pandemic or following a new reasonably foreseeable global pandemic.

Will the Scheme impact the security of the policyholders?

Compensation schemes

Following the Scheme, there will be no change to the compensation available to policyholders remaining in AIUK in the event of the insolvency of AIUK as policyholders that are eligible for Financial Services Compensation Scheme ("FSCS") protection prior to the Scheme will continue to be eligible following the Scheme.

There will also be no change to the compensation available to the existing policyholders of AIEU in the event of the insolvency of AIEU as policyholders that are eligible for Insurance Compensation Fund ("ICF") protection prior to the Scheme will continue to be eligible following the Scheme.

Policyholders of the Transferring Portfolio that are currently eligible for FSCS protection will retain their access to the FSCS following the Scheme provided that the policy was issued in the UK prior to the time UK officially left the EU, 11:00pm on 31 January 2020. However, transferring policies which are currently eligible for FSCS protection but which were written after this time will lose their access to FSCS following the Scheme. However, AIUK has informed me that it has not identified any policies in the Transferring Portfolio that were written after 11:00pm on 31 January 2020 and that are eligible for FSCS protection. It is not expected therefore that there are any policyholders within the Transferring Portfolio which are currently eligible for FSCS protection but which will lose access to FSCS protection following the Scheme.

In the unlikely scenario that there are any policyholders within the Transferring Portfolio which are currently eligible for FSCS protection and which will lose FSCS protection as a result of the Scheme, these policyholders may have access to certain local schemes in their home jurisdictions, for example Irish policyholders will have access to the Insurance Compensation Fund ("ICF") which is the Irish equivalent scheme, however these may be more limited in scope.

Even in the unlikely scenario that there are a small number of policyholders who may lose access to the FSCS following the Scheme, I believe that this will be less detrimental to them than the impact should the Scheme not go ahead. This is because, should these policyholders remain within AIUK, there is a risk that AIUK may lose the right to continue to provide insurance cover to these policyholders following the UK's departure from the EU. Furthermore, it is my opinion that AIEU will be sufficiently capitalised following the Scheme and that it is highly unlikely that AIEU will experience financial difficulties that result in the transferring policyholders requiring compensation.

Transferring Portfolio

My opinion is that I do not expect the security of the transferring policyholders to be materially adversely affected by the Scheme, including under insolvency, for the following reasons:

- I am of the opinion that AIEU will be sufficiently capitalised in order to meet policyholder obligations over the course of the run-off of the Transferring Portfolio and the existing policyholders within AIEU after the Scheme
- To ensure that the Scheme does not materially adversely impact the existing policyholders within AIEU prior to the Scheme, AIEU has informed me that the Arch Group will inject additional capital into AIEU on 5 December 2020, prior to the Scheme. AIEU has further informed me that the respective boards of directors for AIEU and the parent of AIEU which will be making the capital injection have passed resolutions approving this capital injection. I understand from AIEU that the intention is for the capital injection to restore AIEU's solvency position following the Scheme to a level that is broadly in line with its solvency position prior to the Scheme.
- The transferring policyholders will be transferring from an entity with a lower solvency position than the entity they are transferring into following the Scheme
- Both AIUK and AIEU benefit from an 85% quota share reinsurance provided by another entity within the Arch Group. Consequently, the transferring policyholders will continue to benefit from this protection after the transfer.
- I am satisfied that the underlying assets backing this reinsurance are sufficient to enable it to meet its obligations
- No policyholders will lose access to the Financial Services Compensation Scheme (the compensation fund of last resort for customers of authorised financial services firms in the UK) following the Scheme
- In the event of the insolvency of AIEU, the Irish insolvency regulations will be at least equally favourable and, in some cases, more favourable to the transferring policyholders than the UK regulations would be in the event of the insolvency of AIUK.
- No policyholders are expected to lose access to the FSCS as a result of the Scheme.

Please note that the above opinion is predicated on the fact that the capital injection into AIEU will be in force from the date of the Scheme.

Policyholders remaining in AIUK

In my opinion the Scheme will not have a material adverse impact on the security of the policyholders remaining in AIUK, including under insolvency, for the following reasons:

- I am of the opinion that AIUK will be sufficiently capitalised in order to meet policyholder obligations
- There will be no change in the insolvency regulations for policyholders remaining within AIUK as a result of the Scheme since they will be subject to the UK insolvency regulations both before and after the Scheme

- Furthermore, following the Scheme, there will be no change to the compensation available to policyholders remaining in AIUK in the event of the insolvency of AIUK
- AIUK benefits from an 85% quota share reinsurance provided by another entity within the Arch Group
- I am satisfied that the underlying assets backing the quota share reinsurance are sufficient to enable it to meet its obligations.

As a result, I do not expect the security of the policyholders remaining in AIUK to be materially adversely affected as a result of the Scheme.

Existing policyholders of AIEU

In my opinion the Scheme will not have a material adverse impact on the security of the existing policyholders within AIEU prior to the Scheme, including under insolvency, for the following reasons:

- I am of the opinion that AIEU will be sufficiently capitalised in order to meet policyholder obligations over the course of the run-off of the Transferring Portfolio and of the existing policies within AIEU prior to the Scheme
- To ensure that the Scheme does not materially adversely impact the existing policyholders within AIEU prior to the Scheme, AIEU has informed me that the Arch Group will inject additional capital into AIEU on 5 December 2020, prior to the Scheme. AIEU has further informed me that the respective boards of directors for AIEU and the parent of AIEU which will be making the capital injection have passed resolutions approving this capital injection. I understand from AIEU that the intention is for the capital injection to restore AIEU's solvency position following the Scheme to a level that is broadly in line with its solvency position prior to the Scheme
- There will be no change in the insolvency regulations for the existing policyholders of AIEU as a result of the Scheme since they will be subject to the Irish insolvency regulations both before and after the Scheme.
- Furthermore, following the Scheme, there will be no change to the compensation available to the existing policyholders of AIEU in the event of the insolvency of AIEU
- AIEU benefits from an 85% quota share reinsurance provided by another entity within the Arch Group
- I am satisfied that the underlying assets backing the quota share reinsurance are sufficient to enable it to meet its obligations.

As a result, I do not expect the security of the existing policyholders in AIEU prior to the Scheme to be materially adversely affected as a result of the Scheme. Please note that this opinion is predicated on the fact that the capital injection into AIEU will be in force from the date of the Scheme.

What are the other financial impacts of the Scheme?

I have considered the impact of the Scheme on each of investment strategy; liquidity position; ongoing expenses; pension arrangements; tax; new business strategy; and other transfers. I do not identify any changes in any of these areas as a result of the Scheme that would cause any material adverse impact to any of the three groups of policyholders.

What is the non-financial impact of the Scheme?

Ombudsman services

Following the Scheme, policyholders remaining within AIUK that are currently eligible will continue to be eligible to refer complaints to the Financial Ombudsman Service ("FOS").

As the existing policyholders of AIEU will continue to be insured by an insurer that is authorised by the CBI following the Scheme, there will also be no change in their access to the Financial Services and Pensions Ombudsman ("FSPO") as a result of the Scheme.

AIUK has informed me that it has reviewed the Transferring Portfolio and it has not identified any policyholders that meet the FOS's eligibility criteria but do not meet FSPO's eligibility criteria. As a result, I do not believe the loss of access to FOS will have a material adverse impact on these policyholders as these policyholders will continue to have access to the FSPO which also offers a free service and is an equivalent ombudsman in terms of scope and authority to issue binding decisions. In addition to the FSPO, policyholders domiciled in the EEA may also be able to refer complaints to the ombudsman service in their country of domicile through FIN-NET. FIN-NET is a network comprising of the national organisations responsible for settling consumers' complaints in the area of financial services out of court from all EEA countries.

Other factors

In addition, I have considered the impact of any changes as a result of the Scheme to each of regulatory jurisdiction claims handling and policy administration; recognition of the Scheme in other jurisdictions; governance and management frameworks; 'Brexit'; a recent court ruling in respect of another proposed transfer; the non-financial impact of COVID-19; and the impact on policyholders should the scheme not become effective. I do not identify any changes as a result of the Scheme in any of these

areas that cause any material adverse impact on policyholders.

Will the Scheme impact reinsurers?

AIEU has continued to underwrite AIUK's EEA business on the same net basis that was historically assumed by AIUK. In particular, AIEU has maintained the same reinsurance protections in respect of this business and currently shares in the same Arch Group reinsurance programme in which AIUK participates. The reinsurers transferring under the Scheme therefore currently already transact with AIEU and the transferring reinsurers therefore will not be entering into a relationship with a new cedent as a result of the Scheme.


In addition, as the Transferring Portfolio comprises of business that was underwritten prior to 1 January 2020 only, the Scheme will not change the underlying risks that the transferring reinsurers are exposed to as the business would have already been underwritten at the date of the Scheme.

As a result, my opinion is that the Scheme will have no material adverse impact on AIUK's or AIEU's current or historical reinsurers.

Overall conclusion

I have considered the Scheme and its likely effect on transferring policyholders, policyholders remaining within AIUK, policyholders currently within AIEU and reinsurers. I do not expect any group of policyholders or reinsurers to be materially adversely affected by the Scheme and therefore I see no reason why the Scheme should not proceed.

Please note that my opinion is predicated on the fact that the capital injection into AIEU will be in force from the date of the Scheme.



Simon Sheaf FIA
Partner, Head of General Insurance Actuarial & Risk
Grant Thornton UK LLP

2 September 2020

[Summary of the Scheme]

IN THE HIGH COURT OF JUSTICE

BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES

COMPANIES COURT (ChD)

IN THE MATTER OF ARCH INSURANCE (UK) LIMITED

and

IN THE MATTER OF ARCH INSURANCE (EU) DAC

and

IN THE MATTER OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

SUMMARY OF THE SCHEME

1 Introduction

- 1.1 Arch Insurance (UK) Limited (the **Transferor**) is proposing to transfer to Arch Insurance (EU) dac (the **Transferee**) the insurance business carried on by the Transferor (excluding inwards reinsurance business) in any state within the European Economic Area (**EEA** and each such state being an **EEA State**) utilising the Transferor's freedom of establishment and/or freedom of services (the **Transferring Business**).
- 1.2 The transfer of the Transferring Business (the **Part VII Transfer**) is to be effected through an insurance business transfer scheme (the **Scheme**). The Scheme will be carried out through the High Court of Justice in England (the **High Court**) in accordance with Part VII of the UK Financial Services and Markets Act 2000.
- 1.3 This document sets out a summary of the effect of the Scheme.
- 1.4 This document is only a summary. Full details of the Scheme can be found in the complete version which is available free of charge (please refer to paragraph 5 below for further information).

2 Background of the Transferor and the Transferee

- 2.1 The Transferor is a company incorporated in England and Wales with registered number 4977362. The registered office of the Transferor is at 5th Floor Plantation Place South, 60 Great

Tower Street, London, EC3R 5AZ.

2.2 The Transferee is a designated activity company incorporated in the Republic of Ireland with registered number 505420. The registered office of the Transferee is at 2nd Floor, Block 3, The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4, Republic of Ireland.

2.3 The Transferor is authorised and regulated by the UK Prudential Regulation Authority and is also regulated by the UK Financial Conduct Authority.

2.4 The Transferee is authorised and regulated by the Central Bank of Ireland, the Irish regulatory authority responsible for the supervision of the insurance sector.

3 Process and Timings of the Scheme

3.1 The proposed timings for the Scheme are:

High Court hearing	18 December 2020
Proposed "Effective Date" (when the Transferring Business will transfer to the Transferee)	23:59 GMT on 31 December 2020

3.2 The Scheme will not go ahead unless the High Court approves it on 18 December 2020.

3.3 If the High Court imposes any change or conditions to the proposed Scheme, the Scheme will not take effect unless the Transferor and the Transferee consent.

4 Summary of the Scheme

4.1 The following is a summary of the main points of the Scheme. As noted above, the full version of the Scheme document is available free of charge (please refer to paragraph 5 below for further information).

4.2 In addition, the Transferor and the Transferee have prepared a series of policyholder communications which are available at the Arch Capital Group Ltd. (ACGL) website (at www.archcapgroup.com/Insurance/Arch-Part-VII).

The Effect of the Scheme

4.3 As stated above, the Scheme is intended to transfer all of the Transferring Business from the Transferor to the Transferee.

Claims paid by the Transferee after the Effective Date

4.4 It is intended that, from the Effective Date, all the rights and obligations arising from the Transferring Business will automatically transfer to the Transferee and will no longer rest with the

Transferor. This means that the Transferee will be responsible for paying all claims and meeting all the other obligations which were previously obligations of the Transferor in relation to the Transferring Business.

Exceptions

- 4.5 Despite the intention explained in 4.4 above, there may be a small number of policies which fall outside the Scheme. These would be “Excluded Policies” or “Residual Policies”, as described in more detail in the full version of the Scheme. Any Residual Policies will transfer to the Transferee as soon as possible following the Effective Date.

No Changes to Policy Terms and Conditions

- 4.6 There will be no changes to the terms and conditions of the transferring policies, save that the insurer will be the Transferee not the Transferor.

Policy administration

- 4.7 The administration (including claims handling) of the Transferring Business currently undertaken by the Transferor will be carried out in the same manner by the Transferee. In particular, the same employees will continue to administer the Transferring Business in the same way that it is currently administered.
- 4.8 The Scheme should therefore not have any effect on the policy administration arrangements for the Transferring Business.

Continuity of proceedings or litigation

- 4.9 From the Effective Date, any current proceedings or litigation which are brought by or against the Transferor in connection with the Transferring Business shall be continued by or against the Transferee, and the Transferee shall be entitled to all defences, claims, counterclaims and rights of set-off that would have been available to the Transferor.
- 4.10 From the Effective Date, any judgement, settlement, order or award under current or past proceedings obtained by or against the Transferor in relation to the Transferring Business shall be enforceable by or against the Transferee in place of the Transferor.

Costs and Expenses

- 4.11 None of the costs and expenses relating to the preparation of the Scheme or High Court process will be borne by policyholders.

5 Further Information

If you have any further questions or require a full version of the Scheme please:

- visit the ACGL website at www.archcapgroup.com/Insurance/Arch-Part-VII;

- call the relevant dedicated helpline, free of charge when calling from the UK, on +44 (0)808 196 3200 (open 09:00-17:00 London time on weekdays),

(the above opening hours excludes bank holidays and public holidays. Callers outside of these hours will be able to leave a message and request that their call is returned); or

- write to us at:

Arch Insurance (UK) Limited
5th Floor, Plantation Place South
London EC3R 5AZ
United Kingdom

- e-mail us at Archpart7@archinsurance.co.uk

[Legal Notice]

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
COMPANIES COURT (ChD)

IN THE MATTER OF ARCH INSURANCE (UK) LIMITED

- and -

IN THE MATTER OF ARCH INSURANCE (EU) DAC

- and -

IN THE MATTER OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

Notice is hereby given that on 10 September 2020 an Application was made under section 107 of the Financial Services and Markets Act 2000 (the **Act**) in the High Court of Justice, Business and Property Courts of England and Wales, Companies Court (ChD) in London by Arch Insurance (UK) Limited (the **Transferor**) and Arch Insurance (EU) DAC (the **Transferee**), for an order:

- (1) under section 111 of the Act sanctioning a scheme (the **Scheme**) providing for the transfer to the Transferee of the insurance business carried on by the Transferor (excluding inwards reinsurance business) in a state within the European Economic Area (**EEA State**) utilising the Transferor's freedom of establishment and/or freedom of services; and
- (2) making ancillary provisions in connection with the Scheme pursuant to sections 112 and 112A of the Act.

A copy of the report on the terms of the Scheme prepared in accordance with section 109 of the Act by an Independent Expert (the **Scheme Report**), a statement setting out the terms of the Scheme and a summary of the Scheme Report, and the Scheme document may be obtained free of charge by contacting the Transferor and the Transferee using the telephone number or address set out below. These documents and other related documents, including sample copies of the communications to policyholders, are also available via the website at www.archcapgroup.com/Insurance/Arch-Part-VII. This website will be updated for any key changes to the proposed transfer.

Any questions or concerns relating to the proposed Scheme should be referred to the Transferor and the Transferee either by telephone at the below telephone number (free of charge when calling from the UK) or in writing to the below postal and e-mail address:

Telephone number:

+44 (0)808 196 3200 (open 09:00-17:00 London time on weekdays).

Each of the above opening hours excludes bank holidays and public holidays. Callers outside of these hours will be able to leave a message and request that their call is returned.

Postal address:

Arch Insurance (UK) Limited
5th Floor, Plantation Place South
London EC3R 5AZ
United Kingdom

E-mail address:

Archpart7@archinsurance.co.uk

If you have a policy with the Transferor and/or the Transferee please quote your policy number in any correspondence. This can be found on your policy documentation or related correspondence.

The Application is due to be heard at the **High Court of Justice of England and Wales, 7 Rolls Building, Fetter Lane, London, EC4A 1NL, United Kingdom on 18 December 2020**. Any person who thinks that they would be adversely affected by the carrying out of the Scheme, or objects to the Scheme, may attend the hearing and express their views, either in person or by representative. It is requested that anyone intending to do so informs the Transferor and the Transferee at the address provided above, in writing as soon as possible and preferably before 1st December 2020 to set out the nature of their objection. This will enable the Transferor and the Transferee to provide notification of any changes to the hearing and, where possible, to address any concerns raised in advance of the hearing.

Any person who objects to, or considers they may be adversely affected by, the Scheme but does not intend to attend the hearing may make representations about the Scheme by giving written notice of such representations to the Transferor and the Transferee at the address provided above or by calling the dedicated telephone number provided above, in each case as soon as possible and preferably before 1st December 2020.

The Transferor and the Transferee will inform the UK's Financial Conduct Authority and Prudential Regulation Authority of any objections raised in advance of the hearing, regardless of whether the person making the objection intends to attend the hearing.

16 September 2020

Womble Bond Dickinson (UK) LLP, 4 More London Riverside, London, SE1 2AU, United Kingdom
Solicitors acting for the Transferor