

**PROPOSED TRANSFER OF PART OF THE
UK GENERAL INSURANCE AND REINSURANCE BUSINESS
OF
BASLER VERSICHERUNG AG
Information Document**

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1. PART A: SCHEME SUMMARY

1.1 INTRODUCTION

Basler Versicherung AG, also known as Baloise Insurance Limited (**Baloise**), including its UK branch (**Baloise UK Branch**), is proposing to transfer part of its UK general insurance and reinsurance business, including all of the UK general insurance and reinsurance business written through the UK Branch, to Bothnia International Insurance Company Limited (**Bothnia**) (the **Proposed Transfer**). Bothnia is a wholly owned subsidiary of Compre Holdings Limited (**Compre**).

Under the Proposed Transfer, all of the UK general insurance and reinsurance policies written by Baloise UK Branch and part of the UK general insurance and reinsurance policies written by Baloise will be transferred to Bothnia. No other terms and conditions of the policies will change as a result of the Proposed Transfer.

This explanatory statement summarises the key elements of the proposal and provides further information about the changes.

1.2 SUMMARY OF THE PROPOSED TRANSFER AND KEY TERMS

Baloise has agreed, subject to the necessary approvals, to transfer all of Baloise UK Branch's UK general insurance and reinsurance business and part of Baloise's UK general insurance and reinsurance business, including the relevant policies and

corresponding assets and liabilities (the **Transferring Business**) to Bothnia. Further details of the Transferring Business are set out in Part E.

The Proposed Transfer will be implemented through an insurance business transfer under Part VII of the Financial Services and Markets Act 2000 (**FSMA**), which will require the approval of the High Court of England and Wales (the **Court**). The Court hearing is currently scheduled for 14 December 2020. If the Proposed Transfer is approved by the Court, it is intended that it will become effective at 23:59 on 18 December 2020 (the **Effective Date**).

The legal process to effect the Proposed Transfer requires the appointment of an independent expert (who must be an independent consulting actuary and not an employee of Baloise or Bothnia) to give a report (the **Independent Expert's Report**) to the Court on the likely effects of the Proposed Transfer on policyholders and other interested parties. This role will be fulfilled by Gary Wells of Milliman LLP (the **Independent Expert**), whose appointment was approved by the Prudential Regulation Authority (the **PRA**), the authority responsible for the supervision and regulation of UK-registered insurance companies, after consultation with the Financial Conduct Authority (**FCA**).

The Independent Expert has concluded that the Proposed Transfer will not affect in a materially adverse way either the security or the policy servicing levels of the policyholders of the Transferring Business. A summary of the Independent Expert's Report is set out in Part C of this explanatory statement. The Court will consider this report before approving the Proposed Transfer.

1.3 KEY TERMS OF THE PROPOSED TRANSFER

With effect from the Effective Date, the Transferring Business, together with certain supporting assets and all liabilities, will automatically transfer to Bothnia.

Baloise policyholders will continue to have the same rights, benefits and obligations and be subject to the same terms and conditions in relation to those policies save that Bothnia will be substituted as the insurer in place of Baloise. This means that:

- if you are a Baloise policyholder, your regular payments to and from Baloise will be payable to and from Bothnia from the date of the Proposed Transfer;
- any pending or current proceedings involving Baloise will be continued by or against Bothnia in place of Baloise and Bothnia will be entitled to any and all defences, claims, counterclaims and rights of set-off that Baloise would have had; and

- any judgment, order or award relating to the Transferring Business which is not fully satisfied on or before the Effective Date will become enforceable by or against Bothnia in the place of Baloise.

We can also confirm that as a result of the Proposed Transfer:

- there will be no changes to the way your policy is administered;
- your policy number(s) will not change; and
- the terms and conditions of your policy will not change.

All costs and expenses incurred in connection with the Proposed Transfer, including the Independent Expert's fees, legal fees and the fees of the PRA and FCA, shall be borne by Bothnia. No policyholders of either party will face any charges relating to the Proposed Transfer.

1.4 FURTHER INFORMATION

If you have any questions or concerns about the Proposed Transfer, you can find further information, including the Scheme Document, the full Independent Expert's Report free of charge on the dedicated website for the Proposed Transfer at <https://Compre-Group.com/notices/Basler-Versicherung-AG>.

You can also request free copies of any of these documents or ask any further questions you may have by calling 0203 551 6524 within the UK or on +44 (0)203 551 6524 outside the UK. Phone lines are open from

9:00 to 17:30 (UK time) on Monday to Friday.
Alternatively, you can write to Baloise and
Bothnia at 5th Floor, 2 Seething Lane, London,
EC3N 4AT or by email at
caroline.hobbs@compre-group.com.

2. PART B: INFORMATION FOR BALOISE POLICYHOLDERS

2.1 BALOISE POLICYHOLDERS

If you have a UK general insurance or UK general reinsurance policy with Baloise, it is proposed to transfer it, subject to the Court's approval, to Bothnia, save in certain limited exceptions described in the Scheme Document. If the Proposed Transfer is approved by the Court, the policies within the Transferring Business and the related assets, liabilities, rights and obligations will be transferred from Baloise to Bothnia, save in the case of certain limited exceptions described in the Scheme Document.

Your rights and obligations under your policy will not change but will, following the Proposed Transfer, be exercisable against or owed to Bothnia alone.

The Independent Expert has determined that the Proposed Transfer will not affect in a materially adverse way either the security or the policy servicing levels of the policyholders of the Transferring Business.

2.2 DO YOU NEED TO DO ANYTHING?

If you do not have any concerns about the Proposed Transfer you do not need to do anything.

If you are concerned that the Proposed Transfer could adversely affect you, you have the right to raise your concerns with the Court, either in person, through representation or in writing.

The final Court hearing for the approval of the Proposed Transfer is expected to take place on 14 December 2020 at The Rolls Building, Fetter Lane, London, EC4A 1NL. If the Court hearing date changes we will update the dedicated website for the Proposed Transfer, <https://Compre-Group.com/notices/Basler-Versicherung-AG>, to confirm this so you may wish to check for updates.

In light of the current government guidelines regarding Covid-19, please note that it is possible that the hearing may take place remotely via Skype or another teleconferencing service. It is requested that if you intend to attend the hearing (whether in person or via a representative), you inform Baloise and Bothnia in writing via the contact details provided on the dedicated website for the Proposed Transfer <https://Compre-Group.com/notices/Basler-Versicherung-AG> as soon as possible and preferably before 1 December 2020 and set out the nature of any objection you may have. This will enable us to provide notification of any changes to the hearing (including any details that are necessary to attend the hearing remotely) and, where possible, to address any concerns raised in advance of the hearing.

If you believe you will be adversely affected by the proposals we ask that you give notice in writing as soon as possible, and preferably before 1 December 2020. All correspondence should be addressed to Baloise and Bothnia at 5th Floor, 2 Seething Lane, London, EC3N

4AT or by email at caroline.hobbs@compre-group.com.

**3. PART C: SUMMARY OF THE
INDEPENDENT EXPERT'S
REPORT**

The following is a summary of the Independent Expert's Report prepared by the Independent Expert, Gary Wells of Milliman LLP.

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SUMMARY OF REPORT OF THE INDEPENDENT EXPERT

RELATING TO

THE PROPOSED TRANSFER OF THE UK BRANCH BUSINESS OF BASLER
VERSICHERUNG AG, TOGETHER WITH CERTAIN OTHER (RE)INSURANCE BUSINESS
EMANATING FROM THE SWISS HOME OFFICE TO BOTHNIA INTERNATIONAL
INSURANCE COMPANY LIMITED

APPENDIX

SUMMARY OF THE INDEPENDENT EXPERT REPORT ON THE PART VII TRANSFER

1. About the Independent Expert's Report and this Summary

I, Gary Wells, have prepared a report dated 13 August 2020 (the "**Report**"), having been nominated by Bothnia International Insurance Company Limited ("**Bothnia**") and Basler Versicherung AG ("**BIL**"), and approved by the PRA, as an independent expert to report on the proposed transfer of the UK branch business of BIL, together with certain other (re)insurance business emanating from the Swiss home office (collectively the "**Transferring Business**"), to Bothnia under an insurance business transfer scheme (the "**Scheme**") pursuant to Part VII of the Financial Services and Markets Act 2000 (the "**Act**").

This appendix contains a summary (the "**Summary**") of the Report, dated 13 August 2020. The Summary is subject to the same limitations on its use as those set out in the Report. The Report contains the reasoning behind my conclusions, some of the detail of which I have omitted from this Summary. The Report also includes further information regarding BIL and Bothnia that I have also not included within this Summary. While I am satisfied that this Summary provides an appropriate synopsis of the Report, reliance on this Summary alone could be misleading. Copies of the Report and any subsequent update can be obtained from <https://Compre-Group.com/notices/Basler-Versicherung-AG> or may be obtained by written request to Bothnia, BIL or DLA Piper UK LLP (the solicitors acting for BIL and Bothnia). (Their contact details are provided earlier in this booklet.)

The document to which this Summary is an appendix contains a description of the proposed Scheme. Therefore, I have not included further description of the proposed Scheme within this Summary. Further, by way of background, the Report includes material regarding the insurance regulatory environments in the UK, in Switzerland and in Finland. Again, I have not included that material within this Summary, which instead focuses on what I perceive to be the security and service levels provided to policyholders and the likely effect of the proposed Scheme on policyholders of BIL and Bothnia. Items not expressly defined in this Appendix have been defined elsewhere in the document to which this Summary is an Appendix.

In the event of any conflict of interpretation between this Summary and my Report, the interpretation contained in the Report will prevail.

2. Purpose of the Scheme

On 13 May 2019, BIL entered into the Loss Portfolio Transfer Reinsurance Agreement (the "**LPTA**"), under which Bothnia assumed 100% of the Transferring Business. Under the terms of the Run-Off Management Agreement (the "**ROMA**"), Bothnia also assumed the administration of the Transferring Business. As the Transferring Business has been 100% reinsured into Bothnia, BIL's net liability in respect of the Transferring Business is nil; Bothnia ultimately carries the economic liability for the business.

The LPTA thus represents the first stage in the separation of the London Market Asbestos, Pollution, Health Hazard (and other legacy) exposures from BIL's remaining portfolio of (motor, personal accident, health, property, casualty, etc.) exposures. It further removes the significant uncertainty in the liabilities of the Transferring Business arising from exposure to Asbestos, Pollution, Health Hazard claims from BIL's remaining portfolio.

The purpose of the proposed Scheme is thus to align the legal liability for the Transferring Business with the economic liability for the Transferring Business. This will also provide finality to BIL (regarding the Transferring Business only).

Accordingly, the Scheme has been formulated to move the Transferring Business of BIL to Bothnia. To accomplish this transfer, the Court's approval is needed.

3. Who will be affected by the Scheme?

I have determined that the following policyholder groups might be affected by the proposed Scheme:

- those holders of insurance and reinsurance policies issued by BIL through its branch in the UK, and those holders of UK insurance and reinsurance policies issued by BIL through its head office in Switzerland that will be transferred to Bothnia – the “**Transferring Policyholders**”;
- the current policyholders of BIL who have policies that are not being transferred – the “**Non-Transferring Policyholders**” and
- the current policyholders of Bothnia.

I have assessed the circumstances, security¹ and levels of service of each of these groups of policyholders separately and have then similarly considered the changes that the Scheme is likely to cause to those circumstances, security and levels of service. I consider that policyholders of no other insurance companies would be affected by the proposed Scheme. In my opinion:

- ***the security of benefits of the Transferring Policyholders, the Non-Transferring Policyholders (of BIL) and the current policyholders of Bothnia will not be materially adversely affected by the implementation of the Scheme on the Effective Date; and***
- ***the Scheme will not have an impact on the service experienced by the Transferring Policyholders, the Non-Transferring Policyholders (of BIL) and the current policyholders of Bothnia.***

Further details of the reasons for these conclusions are summarised below. For a full understanding of the conclusions that I have reached, together with the rationale for those conclusions, it is important to read the Report. It is also important that the limitations and assumptions contained therein are borne in mind when interpreting these conclusions

4. Will there be any impact on the security of the Transferring Policyholders?

A key issue that I have had to consider in the course of my work is whether there will be enough capital in Bothnia post-Scheme to avoid the Transferring Policyholders (of BIL) being materially adversely impacted. I note that, on 13 May 2019 (i.e. pre-Scheme), a loss portfolio transfer reinsurance agreement (i.e. the LPTA) was effected under which Bothnia wholly reinsured the Transferring Business. Therefore, the liabilities of the Transferring Business are currently part of Bothnia's overall business.

¹ I use four qualitative terms (based on capital cover ratios or “**CCRs**”) to describe the financial status of BIL and Bothnia, assigning increasing levels of financial strength:

- “**sufficiently capitalised**” means that the company's financial resources (“**Own Funds**”¹) lie between 100% and 119% of regulatory capital requirements;
- “**more than sufficiently capitalised**” means that the company's financial resources (Own Funds) lie between 120% and 149% of regulatory capital requirements;
- “**well-capitalised**” means that the company's financial resources (Own Funds) lie between 150% and 199% of regulatory capital requirements, and
- “**very well-capitalised**” means that the company's financial resources (Own Funds) are in excess of 200% of regulatory capital requirements

I have reviewed the key components of the calculation of the solvency requirements relative to the Own Funds available to meet such solvency requirements, for each of BIL and Bothnia, using both current and forward-looking measures of those requirements. I have noted that:

- BIL was a very well-capitalised company as at 31 December 2019, and is forecast to be a very well-capitalised company on the Effective Date (anticipated to be 31 December 2020); and
- As the Transferring Business is already part of Bothnia, via the LPTA, its liabilities are currently modelled by Bothnia in its Solvency II standard formula SCR calculation. As a result, the Scheme will not have a significant impact on Bothnia's SCR or Own Funds. Further, Bothnia is forecast to be a well-capitalised company on the Effective Date.

While the CCR for Transferring Policyholders (based on the regulatory capital requirement) would appear to deteriorate as a result of the Scheme, it is projected to remain materially above 100%, and, as such, is sufficient to meet Bothnia's policyholder obligations under a variety of stress scenarios that I have considered.

I have also considered the risk profiles of BIL and Bothnia, including what the risk profile(s) of Bothnia (and BIL) would look like after the Scheme is implemented.

I note that parts of the Transferring Business were written through the Institute of London Underwriters (the "ILU"), which required that a guarantee be provided in support of the business written where, in the unlikely event that BIL was unable to make the full payment to policyholders covered by the guarantee, the guarantor (BIL's parent company) would pay the outstanding balance. Those Transferring Policyholders who currently benefit from the ILU guarantee will not be materially adversely affected by the Scheme as it is planned that they will continue to benefit from the replacement ILU guarantee to be actioned by the Compre Group ahead of the implementation of the Scheme.

I also note that, as mentioned above, the Transferring Policyholders are projected to be in a well-capitalised company following the implementation of the Scheme. This means that the risk of insolvency of Bothnia post-Scheme appears to me presently to be low. I am therefore satisfied that the potential change in the wind-up priorities of the Transferring Policyholders that would be caused by the Scheme will have no material impact on the security of benefits of the Transferring Policyholders.

These different aspects are not wholly quantifiable and hence are not directly comparable with one another. Taking all of these aspects into account, I have concluded that, on an on-going basis, the security of the Transferring Policyholders will not be materially adversely affected by differences in the financial strength between BIL and Bothnia.

5. Will there be any impact on the security of the remaining policyholders of BIL?

As the Transferring Business is currently a small part of BIL's book of business (less than 1% of BIL's gross technical provisions as at 31 December 2019) and is already 100% reinsured into Bothnia, the Non-Transferring Policyholders will be, to all intents and purposes, unaffected by the Scheme.

As a result of the LPTA, BIL's assets reduced by the premium paid to Bothnia, and liabilities reduced by a similar (but slightly larger amount), i.e. all other things being equal BIL's risk-bearing capital increased slightly. This position is not altered by the proposed Scheme.

The only component of the (regulatory) target capital that would be impacted by the Scheme would be reinsurance credit risk, which would reduce slightly (as the credit risk from the LPTA falls away). Therefore, the effect of the Scheme would be to reduce the target capital slightly and thus to increase, also slightly, the CCR enjoyed by the Non-Transferring Policyholders.

I note that, in the unlikely event of BIL's insolvency post-Scheme, the Non-Transferring Policyholders will continue to have first call on the tied-assets, which is the same position as in the equally unlikely event of BIL's insolvency pre-Scheme.

I have concluded that the impact of the proposed Scheme on the security of the Non-Transferring policyholders will be negligible and not adverse.

6. Will there be any impact on the security of the current policyholders of Bothnia?

If the Scheme were not implemented, Bothnia's current policyholders would remain with a medium-sized, well-capitalised company (specialising in the acquisition of run-off portfolios).

In assessing the likely effect of the Scheme on the policyholders of Bothnia, the main risk to consider would normally be that the liabilities from the Transferring Business currently in BIL deteriorate post-Scheme to such an extent that Bothnia's solvency is threatened. However, as outlined above, the Transferring Business has already been wholly reinsured into Bothnia pre-Scheme, via the LPTA.

The Transferring Business reinsured under the LPTA is itself wholly retroceded by Bothnia to London & Leith PCC SE ("LLSE"), a Compre Group company, on a fully collateralised basis via an intra-group reinsurance agreement (the "IGRA"). On the implementation of the Scheme, the policyholders of the Transferring Business will become policyholders of Bothnia (noting that the LPTA will remain in-force to provide continuing coverage for any Excluded Policies², of which none are expected). Further, the IGRA will continue to reinsure the Transferring Business (albeit now on a direct reinsurance basis), so, for all practical purposes, there will be no change to the balance sheet strength enjoyed by the policyholders of Bothnia (including the Transferring Policyholders).

I note that, while moving the Transferring Business into Bothnia under the Scheme will have no impact on Bothnia's reserves or risk exposures at the Effective Date, it will lead to a small increase in counterparty default risk, because of the transfer of those (re)insurance contracts pertaining to the Transferring Business, and therefore a small increase in the standard formula SCR (of circa 1%). However, an increase in the SCR of this magnitude will not materially alter the CCR of Bothnia, and I believe will not represent a material reduction in the security afforded to the current policyholders of Bothnia.

As above, I note that, post-Scheme, on a forward-looking basis, the policyholders of Bothnia (including the Transferring Policyholders) are forecast to be in a well-capitalised company. This means that the risk of insolvency of Bothnia post-Scheme appears to me presently to be low. I am therefore satisfied that any potential change in the wind-up priorities of the current policyholders of Bothnia that would be caused by the Scheme will have no material impact on the security of benefits of the current policyholders of Bothnia.

I have concluded that the security of the existing policyholders of Bothnia will not be materially adversely affected by the Scheme.

7. Will the proposed Scheme affect levels of service?

From 13 May 2019, Bothnia assumed responsibility for the administration of all of the Transferring Business (on an indefinite basis) as per the ROMA. This arrangement will be unaffected by the implementation of the Scheme and so, post the Effective Date, the Transferring Business will continue to be administered by Bothnia. There will also be no change to the administration of the Non-Transferring Business of BIL or the existing business of Bothnia.

If the Scheme is not implemented, the ROMA (and LPTA) will continue in effect, in the absence of any material breach, insolvency, or regulatory problem that would mean that obligations could not be performed on a compliant basis. In other words, Bothnia will continue to undertake the administration and servicing of the Transferring Business under the ROMA if the Scheme is not implemented.

I have therefore concluded that no group of policyholders will suffer any significant changes in service standards whether the proposed Scheme is implemented or not.

² An Excluded Policy is a contract of insurance or reinsurance written or assumed by BIL under which any liability remains unsatisfied or outstanding as at the Effective Date and which, for any reason, is not transferred by order of the Court pursuant to Part VII of FSMA on the Effective Date. No Excluded Policies are anticipated under the Scheme.

8. Will the proposed Scheme affect dispute resolution and/or compensation levels?

Policyholders Compensation

The UK's Financial Services Compensation Scheme (the "FSCS") is a policyholder protection scheme intended to pay the claims of eligible claimants³ in the event of an insolvency of their insurer.

BIL is a Swiss-regulated entity with a UK Branch (i.e. it has an establishment in the UK). As such, pre-Scheme, the Transferring Policyholders (with policies written through the UK branch) may be eligible for compensation under the FSCS.

The other part of the Transferring Business is comprised of (re)insurance contracts written through the Swiss head office of BIL. As such, these Transferring Policyholders are not eligible for protection under the FSCS, although, pre-Scheme, they may be eligible for protection under the National Guarantee Fund⁴ (the "NGF") with respect to MTPL claims.

On the Effective Date, the Transferring Policyholders will be moved to Bothnia, a Finnish-regulated entity (without a UK branch). As such, post-Scheme, the Transferring Policyholders will no longer be eligible for compensation under the FSCS (or NGF) regardless of whether or not they were eligible pre-Scheme.

Based on analysis undertaken by Bothnia, I consider it likely that very few (if any) Transferring Policyholders are currently eligible to access of the FSCS (or the FOS, as defined below). I am also informed by Bothnia that those Transferring Policyholders with policies written through the Swiss head office are companies and not individual, private policyholders, and are therefore unable to claim under the NGF (and/or to bring a complaint to the SOI, as defined below, in a private capacity).

I note that, as mentioned above, the Transferring Policyholders are projected to be in a well-capitalised company following the implementation of the Scheme. This means that the risk of insolvency of Bothnia post-Scheme appears to me presently to be low; therefore, the likelihood of any Bothnia policyholder wishing to access a financial compensation scheme would be equally low. I am therefore satisfied that the loss of access to FSCS (or NGF) for eligible Transferring Policyholders (likely to be very few, if any) that would be caused by the Scheme will have no material impact on the security of benefits of the Transferring Policyholders (whether or not they were eligible pre-Scheme).

The Non-Transferring Policyholders (of BIL) who were eligible for compensation under the NGF pre-Scheme would remain eligible for compensation under the NGF post-Scheme. Likewise, the current policyholders of Bothnia who may be eligible for compensation under insurance protection schemes (in Finland or elsewhere) would remain potentially eligible for compensation under them post-Scheme.

I have therefore concluded that any loss of FSCS (or NGF) protection currently available to eligible Transferring Policyholders will not have a materially adverse effect on the security of the Transferring Policyholders.

I am also satisfied that the Non-Transferring Policyholders (of BIL) and the existing policyholders of Bothnia will not be adversely affected by the Scheme in relation to the FSCS (or NGF) arrangements.

Dispute Resolution

The UK's Financial Ombudsman Service (the "FOS") is a free, independent service for resolving disputes for policyholders. The FOS has eligibility criteria that limit access to individuals or small firms (who are below defined turnover and employee number thresholds).

³ The FSCS has eligibility criteria, which limit access to individuals or small firms (who are below defined turnover threshold).

⁴ The NGF covers damage caused in Switzerland by unidentified or uninsured motor vehicles, trailers, bicycles and devices assimilated to vehicles. It also intervenes in cases of bankruptcy of competent Swiss insurers providing Motor Third Party Liability ("MTPL") coverage.

The FOS compulsory jurisdiction covers complaints about the activities of a firm in the UK, which includes the UK branch of BIL. I note that, since Bothnia has voluntarily subjected itself to the jurisdiction of the FOS, the Transferring Policyholders (of the UK branch) who were able to access the FOS pre-Scheme would remain able to access it post the Effective Date, for so long as Bothnia continues its voluntary submission to the FOS.

I further note that those Transferring Policyholders with policies written through the Swiss head office, are companies and not individual, private policyholders, and therefore unable to bring a complaint to the Swiss Ombudsman of Insurance⁵ (the "SOI") pre-Scheme. This situation will not change as a result of the Scheme.

The Non-Transferring Policyholders (of BIL) who were able to access the SOI pre-Scheme would remain able to access it post-Scheme. Likewise, the current policyholders of Bothnia able to access dispute resolution services (in Finland or elsewhere) would remain able to access them post-Scheme.

I am satisfied that the policyholders of the Transferring Business, the Non-Transferring Policyholders (of BIL) and the existing policyholders of Bothnia will not be adversely affected by the Scheme in relation to the FOS (or SOI) arrangements.

9. Will the proposed Scheme affect regulatory standards?

For the Non-Transferring Policyholders there will be no change to supervisory authority of BIL; this will remain as FINMA (the Swiss regulator).

For the existing policyholders of Bothnia there will be no change to supervisory authority of Bothnia; this will remain as the FIN-FSA (the Finnish regulator).

For the Transferring Policyholders:

- pre-Scheme, the supervisory authority of BIL is FINMA;
- post-Scheme, the supervisory authority of Bothnia is the FIN-FSA.

Thus, the supervisory position for the Transferring Policyholders will change as a result of the Scheme. Nonetheless, the European Commission has recognised the Swiss solvency regime as being equivalent to the EU Solvency II regime as operated by the FIN-FSA under European law (i.e. Equivalence⁶). I would therefore expect the prudential regulatory regime operated by the FIN-FSA (in Finland) to be substantively similar to that operated by FINMA (in Switzerland).

Further, while I anticipate that there will be differences in the manner in which FINMA and the FIN-FSA discharge their respective conduct responsibilities, I do not have any reason to believe that there will be a fundamental difference in their aims (i.e. the need to ensure the honest and equitable treatment of financial consumers and the integrity of the financial markets) and therefore in the outcomes arising for such policyholders.

Thus, I have concluded that, while Transferring Policyholders will experience a change in the supervisor (of their insurer) as a result of the Scheme the change will not impact adversely the Transferring Policyholders to a material degree.

⁵ The SOI is a foundation established by the Swiss Insurance Association in 1972 to receive from the public communications in respect of complaints, disputes and claims in connection with or arising out of private insurance contracts.

⁶ On 5 June 2015, the European Commission granted Switzerland full equivalence under Solvency II for an indefinite period (in the three areas: solvency calculation, group supervision and reinsurance). Under equivalence, EU insurers can use local rules to report on their operations in Switzerland, while Swiss insurers are able to operate in the EU without complying with all EU rules. Equivalence for Switzerland provides more legal certainty for EU insurers operating in Switzerland as well as for Swiss insurance companies operating in the EU.

10. Is there an impact upon the reinsurers of BIL?

The reinsurance arrangements of BIL in relation to the Transferring Business will transfer by virtue of the Scheme (excluding the LPTA, which will continue in-force). The transferring (third-party) reinsurance contracts will therefore continue to protect the Transferring Business, and the amount of the liabilities of each reinsurer of BIL will not change as a result of the Scheme (other than for Bothnia in respect of the LPTA, which, if there are no Excluded Policies, will reduce to zero). ***For this reason, I do not consider that the existing reinsurers of BIL will be materially impacted by the Scheme.***

11. Will COVID-19 affect the proposed Scheme?

In recent months, the development of the COVID-19 pandemic has resulted in major changes in the ways that people across the UK, Europe (and beyond) live, work and interact. There is considerable uncertainty as to how long the pandemic will last and its likely effects on the economy, both globally and nationally. This has resulted in volatile movements in the financial markets. Therefore, the pandemic has affected, and might continue to affect for a long period, both Bothnia and BIL.

Work conducted separately by Bothnia and BIL indicates that the most immediate financial effects will be changes in the values of assets and increases in the insurance liabilities on their respective (solvency) balance sheets. The models indicate that COVID-19 will result in reductions in the current and projected CCRs, but not so much as to change materially the level of financial security within each of Bothnia or BIL.

Both Bothnia and BIL appear to be coping well with the operational challenges of government restrictions on movements and requirements to maintain social distancing.

The separate steps being taken by Bothnia and BIL in response to the disruption caused by COVID-19 appear to be reasonable. ***I am satisfied that the Scheme will not amplify the adverse impact of COVID-19 on the financial health of Bothnia or BIL or on the service standards that they provide. I am further satisfied that none of the groups of policyholders identified above, will be materially disadvantaged by the Scheme in respect of the consequences of the COVID-19 pandemic.***

Nonetheless, given the rapidly developing nature of the COVID-19 pandemic, I will, if necessary, provide an Update Addendum to the Court immediately before the Directions Hearing; and if it were produced, the Update Addendum would be considered an integral part of the Report.

12. Conclusion

I confirm that I have been provided with access to all material facts of which I am aware and which I consider relevant in order to assess the proposals under the proposed Scheme, and I further confirm that all information that I have requested in relation to my review has been provided. I have had discussions with senior members of staff at Bothnia and BIL that have helped me to evaluate the potential impact of the proposals on all policyholders under the proposed Scheme. In carrying out my review and in producing my Report, I have relied, without detailed verification, upon the accuracy and completeness of the data and information provided to me by BIL and Bothnia. My conclusions depend on the substantial accuracy of this data, information and the underlying calculations. At the time of preparing my Report, I was unaware of any issue that might cause me to doubt the accuracy of the data and other information provided to me by BIL and Bothnia. As far as I am aware, there are no matters that I have not taken into account in undertaking my assessment of the proposed Scheme and in preparing my Report, but which nonetheless should be drawn to the attention of policyholders in their consideration of the proposed Scheme.

In my opinion:

- ***the security of benefits of the Transferring Policyholders, the Non-Transferring Policyholders (of BIL) and the current policyholders of Bothnia will not be materially adversely affected by the implementation of the Scheme on the Effective Date; and***
- ***the Scheme will not have an impact on the service experienced by the Transferring Policyholders, the Non-Transferring Policyholders (of BIL) and the current policyholders of Bothnia.***

13. Update Report

My analysis has been predicated upon the material supplied to me, including balance sheets and other information, based on accounting positions as at 31 December 2019, and projected over the three-year period (2020 – 2022), including an approximate allowance for the impact of COVID-19.

Shortly before the date of the Court hearing at which an order sanctioning the Scheme will be sought, I will prepare a Supplemental Report covering any relevant matters (including COVID-19) that might have arisen since the date of my Report. It is intended that the Supplemental Report will be published on the website(s) dedicated to the proposed Scheme at least one week before the date of the final Court hearing.

Gary Wells

Fellow of the Institute and Faculty of Actuaries

13 August 2020

4. PART D: NOTICE

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

BASLER VERSICHERUNG AG

- and -

BOTHNIA INTERNATIONAL INSURANCE COMPANY LIMITED

- and -

IN THE MATTER OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

NOTICE IS HEREBY GIVEN that on 13 August 2020, Bothnia International Insurance Company Limited ("**Bothnia**") and Basler Versicherung AG ("**Baloise**") applied to the High Court of England and Wales (the "**Court**") for an Order under Section 111(1) of the Financial Services and Markets Act 2000 ("**FSMA**") sanctioning a scheme (the "**Scheme**") providing for the transfer of the UK general insurance and reinsurance business of Baloise (save for certain limited exceptions) (the "**Transferring Business**") to Bothnia and making ancillary provisions in connection with the Scheme under Sections 112 and 112A of FSMA (the "**Application**").

The Scheme will result in the Transferring Business which is currently being carried on by Baloise being carried on by Bothnia.

Copies of the report on the terms of the Scheme prepared by an Independent Expert in accordance with section 109(1) of FSMA and of a statement setting out the terms of the Scheme and containing a summary of the independent expert's report, and a copy of the full Scheme document, may be obtained free of charge on the dedicated website for the Scheme at <https://Compre-Group.com/notices/Basler-Versicherung-AG>. Supporting documents and any further news about the Scheme will be posted on this website so you may wish to check for updates. You can also request free copies of any of these documents by contacting Baloise and Bothnia using the telephone number or addresses set out below.

All questions or concerns relating to the Scheme should be referred to Baloise and Bothnia using the following telephone number, address or website:

Telephone: 0203 551 6524 within the UK, or, if calling from overseas, +44 (0)203 551 6524. The lines are open from 9:00 to 17:30 (UK time) on Monday to Friday.

Address: 5th Floor, 2 Seething Lane, London, EC3N 4AT

Email: caroline.hobbs@compre-group.com

The Application is expected to be heard on 14 December 2020 by a Judge of the Chancery Division of the Court at The Rolls Building, Fetter Lane, London, EC4A 1NL. If approved by the Court, it is

currently proposed that the Scheme will take effect on 18 December 2020. In light of the current government guidelines regarding Covid-19, please note that it is possible that the hearing may take place remotely via Skype or another teleconferencing service. It is requested that if anyone intending to attend the hearing (whether in person or via a representative), informs the Transferor and the Transferee in writing via the contact details set out above as soon as possible and preferably before 1 December 2020 and set out the nature of any objection they may have. This will enable the Transferor and the Transferee to provide notification of any changes to the hearing (including any details that are necessary to attend the hearing remotely) and, where possible, to address any concerns raised in advance of the hearing.

Any person (including any policyholder of Baloise or Bothnia) who believes that he or she would be adversely affected by the carrying out of the Scheme is entitled to either make written representations or be heard (either in person or by a legal representative) at the hearing of the Application on 14 December 2020. Anyone wishing to do so is asked to give notice of such intention as soon as possible and preferably by 1 December 2020, setting out the grounds of their objection or why they consider they may be adversely affected, by writing to the address or email address above.

If the Scheme is sanctioned by the Court, it will result in the transfer of all the contracts, property, assets and liabilities relating to part of the UK general insurance and reinsurance business of Baloise to Bothnia; notwithstanding that a person would otherwise be entitled to terminate, modify, acquire or claim an interest or right or to treat an interest or right as terminated or modified in respect thereof. Any such right will only be enforceable to the extent the order of the Court makes provision to that effect.

DLA Piper LLP
160 Aldersgate Street
London EC1A 4HT

Solicitors to Bothnia International Insurance Company Limited.

5. PART E: THE TRANSFERRING BUSINESS

The Transferring Business is comprised of the

following UK general insurance and reinsurance policies:

- (a) all policies underwritten by Baloise UK Branch as a member of the following pools and underwriting agencies:
 - (i) RW Gibbon & Son Limited and/or RW Gibbon & Son (Underwriting Agencies) Limited 1950 to 1972 (the "**Gibbon Pool**"), including policies fronted by other insurers on the Transferor's behalf;
 - (ii) Lennox Underwriting Management Limited and/or Lennox Underwriting Agencies Limited 1973 to 1990 ("**Lennox**");
 - (iii) H.S. Weavers (Underwriting) Agencies Limited 1963 to 1966 ("**Weavers Pool**"), including policies fronted by other insurers on the Transferor's behalf;
 - (iv) Orion Insurance Company Limited under an aviation underwriting agency agreement 1972 to 1990 ("**Orion Pool**");
 - (v) Baloise Underwriting Agency including business underwritten by the Howden Underwriting Group 1963 to 1968 ("**BALAG**"); and
 - (vi) Groves John & Westrup Ltd. and/or Pemberton, Westrup & Co ("**Grove**").
- (b) all policies underwritten by/and or procured on behalf of Baloise:
 - (i) C. R. Driver & Company Limited or Anglo-Portuguese Agencies Ltd. 1963 to 1966 ("**Drivers**");
 - (ii) BVF (Underwriting Management) Ltd and/or Bevington Vaizey & Foster Limited and/or Bevington Vaizey & Foster (Reinsurance) Limited 1964 and 1967 ("**BVF Pool**");
 - (iii) C. E. Golding and Company Ltd. and/or C. E. Golding & Company (Insurance and Reinsurance) Limited 1962 to 1966 ("**Golding**");
 - (iv) Alexander Howden & Co Ltd. and/or any company forming part of the Alexander Howden Group in respect of:

- A. the Alexander Howden Konig & Reeker Excess Loss Pool (1957 - 1967) (which changed its name to the Alexander Howden Continental Excess Loss Pool for 1967); and
 - B. the Alexander Howden Fidelidade 'Y' Account (1960-1968) (together with Alexander Howden Konig & Reeker Excess Loss Pool (1957 - 1967), the "**Howden Pool**").
- (c) the following reinsurance policies between:
- (i) Aetna Reinsurance Company and/or Aetna Insurance Company and Baloise (as reinsurer) in respect of a Third Retrocessional Excess of Loss Reinsurance Agreement for 1981 and 1982 (USD 2 million excess USD 5.5 million; Baloise's share: 1.5% inception date 1 March 1981; 2.5% inception date 1 March 1982);
 - (ii) H.S. Weavers Underwriting Agencies Ltd. on behalf of the Company and/or the Companies they underwrite and Baloise (as reinsurer) for losses occurring during 12 months from midnight on 31 December 1965 (USD 1 million excess USD 1 million; Baloise share 2.5%);
 - (iii) Indemnity Insurance Company of North America, Philadelphia and Baloise (as reinsurer) for losses occurring during 12 months following midnight on 30 June 1950 (Baloise share 0.5%); and
 - (iv) Baltica-Scandinavia Insurance Company (UK) Ltd. in respect of their London Marine Account underwritten by Lennox Underwriting Agencies Ltd. and Baloise (as reinsurer) (15% Quota Share of all insurance accepted by Baltica-Scandinavia in their Marine Account in 1985 and 1986).