Report of the Independent Actuary

Proposed transfer of business from PartnerRe Ireland Insurance dac to Bothnia International Insurance Company Limited

29 May 2020

Contents

1 Introduction

1.1 Purpose of the Report

It is proposed to transfer the wholesale non-life insurance business run-off portfolio of PartnerRe Ireland Insurance dac ("PartnerRe") to Bothnia International Insurance Company Limited ("Bothnia") by way of a portfolio transfer (the "Transfer") under the provisions of Section 13 of the Assurance Companies Act 1909 (the "1909 Act"), Section 36 of the Insurance Act 1989 (the "1989 Act") and Regulation 41 of the European Union (Insurance and Reinsurance) Regulations 2015 (the "2015 Regulations").

The terms covering the proposed Transfer are set out in the scheme (the "Scheme") that will be presented to the High Court of Ireland (the "Court") under Section 13 of the Assurance Companies Act 1909, Section 36 of the Insurance Act 1989 and Regulation 41 of the European Union (Insurance and Reinsurance) Regulations 2015. The proposed Effective Date of the transfer is 31 October 2020, however, this is not necessarily the date of Sanction by the High Court. The Scheme document has been prepared by PartnerRe's legal advisors, Matheson, for the purposes of this process.

Under the 1909 Act, a petition to the Court for a transfer of long term (or life insurance) business must be accompanied by a report on the terms of the proposed transfer by an Independent Actuary. I understand that there is no equivalent legal requirement for any such report for the transfer of non-life insurance business.

Despite the fact that there is no requirement for such a report, PartnerRe and Bothnia (the "Scheme Companies") have engaged me to act in a similar and broadly comparable manner for the transfer of non-life insurance business under this Scheme. This Report is a report prepared by me, the appointed Independent Actuary, in order to aid the Court and the regulators in their deliberations.

1.1.1 PartnerRe Ireland Insurance dac

PartnerRe is a non-life insurance company, incorporated in Ireland on 13 December 2004. It has its registered office and principal place of business on the 3rd Floor, The Exchange, George's Dock, IFSC, Dublin 1, Ireland.

Partner Re is authorised by the Central Bank of Ireland ("CBI ") to undertake the business of non-life insurance in Class 1 (Accident), 2 (Sickness) 4, (Railway Rolling Stock), 5 (Aircraft), 6 (Ships), 7 (Goods in Transit), 8 (Fire and Natural Forces), 9 (Other Damage to Property), 11 (Aircraft Liability), 12 (Liability for Ships), 13 (General Liability), 14 (Credit), 16 (Miscellaneous Financial Loss) and 17 (Legal Expenses) in accordance with the 2015 Regulations. This authorisation remains in full force and effect. PartnerRe is also authorised to undertake non-life reinsurance business in the said classes.

The sole shareholder of PartnerRe is PartnerRe Holdings Europe Limited (being a company incorporated under the laws of Ireland). The ultimate parent company is Exor N.V, a Dutch public limited liability company (naamloze vennootschap).

1.1.2 Bothnia

Bothnia is a limited liability insurance company (in Finnish: vakuutusosakeyhtiö), the incorporation of which was registered in Finland on 22 September 1993 under registration number 0947118-3. Bothnia has its registered office at Eerikinkatu 27, FI-00180 Helsinki, Finland.

Bothnia is authorised by the Finanssivalvonta Finansinspektionen Financial Supervisory Authority (the "FIN-FSA") to conduct non-life insurance business under Classes 1 – 17, as well as reinsurance business in all non-life insurance classes within the EEA and outside of it but excluding non-life insurance business in Classes 1 and 10 to the extent such insurance is as referred to under the Finnish Motor Liability Insurance Act (460/2016, previously 279/1959), insurance falling under the non-life insurance class 13, to the extent the insurance in question is as referred to under the Finnish Patient Injuries Act (585/1986) or insurance referred to under the Finnish Nuclear Liability Act (484/1972), or insurance referred to under the Finnish Occupational Accidents, Injuries and Diseases Act (459/2015, previously 608/1948). Bothnia is authorised by the CBI to carry on non-life insurance business in Ireland on a freedom of services basis. Bothnia does not underwrite any new business and is currently only exposed to run-off liabilities.

Bothnia is a wholly owned subsidiary of Compre Holdings Limited ("CHL"), a company registered in the United Kingdom ("UK"), a leading European insurance legacy specialist with over 30 years of experience in the acquisition and management of insurance and reinsurance companies and portfolios in run-off. Bothnia is used as a vehicle to accept run-off portfolios of re/insurance business and may be used in the future to accept further such portfolios.

Bothnia's ultimate holding company, Cambridge Topco Limited, is domiciled in Malta and has portfolios in run-off and operations located in Finland, Germany, Switzerland, Malta and the UK.

1.1.3 My Report Layout

This Report describes the proposed Transfer and discusses its possible effects on the relevant policyholder groups, including effects on security and levels of service. The Report is organised into the following sections:

- Section 1: Describes the purpose of this Report and the role of the Independent Actuary;
- Section 2: Executive summary and conclusion;
- Section 3: Provides relevant background on the regulatory environment;
- Section 4: Provides relevant background information on PartnerRe;
- Section 5: Provides relevant background information on Bothnia;
- Section 6: Commentary on the proposed Scheme;
- Section 7: Describes the general considerations when reviewing the proposed Scheme; and
- Section 8: An assessment of the Impact of the Scheme.

1.2 Independent Actuary

I, Noel Garvey, am a Director in KPMG Ireland ("KPMG") specialising in non-life insurance actuarial services. I am a Fellow of the Society of Actuaries in Ireland ("SAI") having qualified as an actuary in 2001. My curriculum vita is included in Appendix 3.

I have been appointed by the Scheme Companies to act as the Independent Actuary in connection with the Scheme. The CBI has been informed of my appointment and I understand that they have not raised any objections to my appointment. The terms on which I was formally appointed as the Independent Actuary are set out in an engagement letter dated 6 February 2020 and an extract of my scope is included in Appendix 2.

To the best of my knowledge, I have no conflicts of interest in connection with the parties involved in the proposed Scheme and I consider myself able to act as an Independent Actuary on this transaction.

I do not consider that my previous roles as the Independent Actuary to a previous non-life insurance portfolio transfer to Bothnia at 31 December 2018 impairs my independence. My role as Independent Actuary was to provide the Court with an independent assessment of the likely impact of that portfolio transfer on affected policyholders. Furthermore, I do not consider my independence impaired by my previous role carrying out an assessment of PartnerRe's Solvency Capital Requirement ("SCR") as at 31 December 2017. While both of these previous roles gives me significant insight into the capital positions of the Scheme Companies, I consider that a sufficient period of time has passed such that my Report to the Court will be appropriately informed but in no way prejudiced or anchored to previous work.

I have also considered the position of KPMG. I can confirm that I have carried out appropriate internal checks in line with KPMG's internal risk management procedures.

Neither I, nor any member of my team, is a qualified lawyer or tax expert. I have not considered it necessary to seek my own specific legal or tax advice on any element of the Scheme. The costs and expenses associated with my appointment as Independent Actuary and the production of this Report will be met by the shareholders of Bothnia.

1.3 Scope of Report

This Report has been prepared for the purposes of Section 13 1909 Act in accordance with:

- Regulation 41 of the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485 of 2015) ("2015 Regulations"). Regulation 41 of the 2015 Regulations makes express reference to Section 13 of the 1909 Act and Section 36 of the 1989 Act. Both sections concern the sanction of transfers by the Court; and
- The Actuarial Standard of Practice ("ASP") issued by the Society of Actuaries in Ireland, ASP LA-6, "*Transfer of long-term business of an authorised insurance company – role of the Independent Actuary*" - Even though the ASP is related to life business, I consider it reasonable to consider it in my work.

I owe an overriding duty to the Court and to give the Court independent actuarial evidence on the proposed Transfer.

However, I note that the CBI and the FIN-FSA will have access to my Report. In preparing this Report, PartnerRe has consulted on my behalf with the CBI on the required contents as appropriate to the CBI's interest in the Transfer process. Feedback from the CBI, where provided, has been considered in my drafting of this Report.

This Report is prepared primarily to assess the likely impact that the Scheme will have on all of the policyholders i.e. the transferring policyholders of PartnerRe (the "Transferring Policyholders"), remaining policyholders of PartnerRe (the "Remaining Policyholders") and the existing policyholders of Bothnia (the "Existing Policyholders"), together, the "Policyholders".

This Report is limited in its scope to the assessment of this Scheme alone and not to any other possible scheme. It is intended that this Report be submitted, in full, as evidence to the Court when it considers whether or not to sanction the Scheme.

The term "Effective Date", as used in this Report, refers to the date at which, if the Scheme proceeds, PartnerRe's insurance business, incorporating contracts of insurance underwritten by or on behalf of PartnerRe via a PartnerRe Wholesale Managing General Agent ("MGA") (the "Transferring Business"), will be transferred to Bothnia, such that the policyholder liabilities are extinguished in PartnerRe. This date also reflects the commencement of liability obligations to the aforementioned policyholders at Bothnia. It is intended that the Effective Date is to be 31 October 2020.

My consideration of the financial effects of the Scheme has been based on the method of reporting required for PartnerRe and Bothnia's regulatory returns to the CBI and the FIN-FSA respectively.

1.4 Assurances

Whilst I have been assisted by my team, the Report is written in the first person singular and the opinions expressed are my own.

In preparing this Report I have done my best to be accurate and complete. I have considered all matters that I regard as relevant to the opinions I have expressed and I have considered all matters that I believe may be relevant to the Policyholders in their consideration of the Scheme. All the matters on which I have expressed an opinion lie within my field of experience.

The General Manager of PartnerRe, Laurent Rochat, and the Managing Director of Bothnia, Kari Mäki, have confirmed via email that the information contained in this Report which relates to PartnerRe and Bothnia respectively and to how the Scheme will be effected in practice, is factually correct, and that all material information has been provided and full access has been given to PartnerRe and Bothnia staff as necessary.

In the course of carrying out my work and preparing this Report I have considered various documents provided to me by PartnerRe and Bothnia. A summary list of the main documents I have considered is set out in Appendix 1.

All the data and information which I have requested has been provided to me by PartnerRe and Bothnia. I have relied upon the accuracy and completeness of this data and information, which has been provided to me both in written and oral form. I have not sought independent verification of the data or information provided to me by the Scheme Companies, nor does my work constitute an audit of the financial and other information provided to me. In addition, I have, where possible, reviewed the

information provided for reasonableness. Where critical information has been initially provided orally, I have requested and obtained written confirmation.

In my role as Independent Actuary I have contacted, or Scheme Companies have contacted on my behalf, the appropriate individuals within the CBI and the FIN-FSA. I have been made aware of relevant discussions between these regulators and the Scheme Companies, and specifically inquired of them whether there were specific issues I should be aware of.

1.5 Qualifications and Limitations

This Report must be read in its entirety. Reading individual sections in isolation may be misleading. A copy of this Report will be made available to the CBI and will be available to the Policyholders on request.

This Report has been produced for no other purpose other than to support my opinion as Independent Actuary.

This Report is prepared solely in connection with, and for the purposes of, informing the Court, the CBI and the FIN-FSA, any other relevant supervisory or regulatory authority, and the Policyholders of my findings in respect of the impact of the Scheme on the security of the Policyholders and may only be relied on for this purpose. This Report is subject to the terms and limitations, including the limitation of liability, set out in my firm's engagement letter dated 6 February 2020 (the "Engagement Letter"). An extract from the Engagement Letter describing the scope of my work is contained in Appendix 2.

This Report should not be regarded as suitable to be used or relied on by any party wishing to acquire any right to bring action against KPMG in connection with any other use or reliance. To the fullest extent permitted by law, KPMG will accept no responsibility or liability in respect of this Report to any other party.

In my role as Independent Actuary, I have, in the normal course of conducting this role, been provided with a significant and appropriate amount of information and data about the Scheme Companies' activities and performance. When forming my view as set out in this Report, these disclosures and information have formed a necessary and vital contribution.

This Report is based on information made available to me at or prior to the date of this Report and takes no account of developments after that date.

1.6 Limits of Liabilities and Legal Jurisdiction

This Report is subject to the terms and conditions, including limitation of liability and legal jurisdiction, set out in the Engagement Letter.

1.7 Commercial Sensitivities

Due to commercial sensitivities some of the information I have relied upon to reach my conclusions cannot be disclosed in a public report such as this. This approach has been discussed and agreed with the Scheme Companies and their legal advisors. I can confirm however that appropriate detailed information has been provided to me to enable me to form the opinions I express to the Court in this Report. If specifically required by the Court, I can comment in a private letter addressed to the High Court Judge only on specific areas of interest.

1.8 Terminology

In my discussion of the effects of the proposed Scheme on the Scheme Companies concerned, I use various technical terms. The definitions of these terms as used in this Report are contained in the Glossary in Appendix 4.

1.9 Currency

I have identified clearly the currency of figures presented throughout the Report. The figures are largely in Euros except where otherwise stated. Where relevant, the exchange rate used, is identified in the relevant table.

1.10 Policyholders Affected

I have considered the effects of the Scheme on three main groups of policyholders, together the Policyholders (as defined in section 1.3), namely:

- The policyholders of PartnerRe whose policies are to be transferred to Bothnia, being the Transferring Policyholders;
- The Remaining Policyholders of PartnerRe; and
- The Existing Policyholders of Bothnia.

1.11 Emerging Developments – COVID-19

At the time of writing this Report the global spread of the COVID-19 virus has emerged as a significant risk to financial companies across the world. This development adds to the uncertainty around the Technical Provisions as well as presenting increasing risk to asset valuations and operational risks to both companies.

We sought to get an understanding of the potential impact on the Scheme Companies through enquiries but note that this is a rapidly evolving risk with a very uncertain ultimate impact at this time. We expect to be in a position to provide a more informed update on this in the Supplementary Report and an assessment of the impact of Covid-19 on the conclusions in our report at that time.

1.12 Emerging Developments – Covea

French insurer Covéa announced on the 3 March 2020 that it has signed a memorandum of understanding to buy 100% of PartnerRe's ultimate parent, PartnerRe Ltd ("PRL"), from its current shareholder, Exor N.V. ("EXOR"). The transaction is expected to close in the fourth quarter of 2020, subject to various regulatory approvals and other customary closing conditions. While it is early in the sale process, Moodys rating agency have reaffirmed its credit ratings for PartnerRe on the expectation that the change in ownership will not have a meaningful impact on PartnerRe's business strategy and credit profile in the short-term, and that the current management will remain in place.

We expect to be able to provide a more informed update on this in the Supplementary Report and an assessment of the impact of the sale of PRL on the conclusions in our report at that time.

2 Executive Summary and Conclusion

2.1 Executive Summary

2.1.1 Overview

Following PartnerRe Group's acquisition by EXOR, the wholesale business was put into run-off. This segment offered Professional Indemnity ("PI") insurance for small and medium enterprises and specialist professionals such as dentists, brokers, architects etc. The business is distributed via MGAs, principally in Europoe. Some of the MGAs had multi-year contracts and continued to write new business until early 2019. PartnerRe now intends, subject to sanction by the Court, to transfer the wholesale run-off portfolio of PartnerRe to Bothnia.

As part of the agreement to transfer the portfolio from PartnerRe to Bothnia, the parties have entered into a Loss Portfolio Transfer Agreement ("LPTA") whereby Bothnia has agreed to provide 100% reinsurance of the Transferring Portfolio to PartnerRe from 1 July 2019. The reinsurance provided under the LPTA will remain in place even if the Transfer is unsuccessful/does not go ahead, or for part of the Portfolio that would, for any reason, be excluded from the Transfer.

Further background to the Scheme is included in section 6.

2.1.2 Motivation for Proposed Scheme

PartnerRe's motivation for the proposed Scheme arises from the decision to put the wholesale business into run-off following the acquisition by EXOR, and the strategic objective for the company to achieve finality on this business.

In relation to Bothnia's motivation for the proposed Scheme, the Transfer is in line with Bothnia's business and strategy of acquiring and managing discontinued non-life portfolios. Bothnia is used as a vehicle to accept run-off portfolios of re/insurance business.

2.1.3 Approach

My approach to assessing the likely effects of the Scheme on the Policyholders was to:

- Understand the businesses of the entities affected by the Scheme; and
- Understand the effect of the Scheme on the assets, liabilities and capital of the entities and businesses involved.

Having identified the effects of the Scheme on the various entities and businesses, I then:

- Identified the groups of Policyholders directly affected;
- Considered the impact of the Scheme on the security of each group of Policyholders; and
- Considered other Policyholder aspects of the impact of the Scheme.

In order to consider the effect of the proposed Scheme on each of the companies and groups of Policyholders concerned, I have been provided with financial information for each of the Scheme Companies, including PartnerRe and Bothnia's historical financial information.

In forming my opinion, I have raised queries with the key personnel responsible for core functions in the Scheme Companies, and I have placed reliance on, amongst other information, the projected financial information to support my assessment of financial strength.

In order to satisfy myself that these estimates are an appropriate basis on which to form an opinion, I have considered:

- The appropriateness of the methods used by the Scheme Companies to calculate the estimate of regulatory capital required – current and future; and
- Stress and scenario testing currently performed by the Scheme Companies to understand their respective regulatory capital strength and whether further testing is required.

Significant other information was provided as set out in Appendix 1.

2.1.4 Key Assumptions

I understand that:

- Bothnia intends to continue to manage PartnerRe's run-off portfolio in the same way that it has been managed prior to the Scheme;
- It is not intended that the Scheme will give rise to any changes to the following in respect of the affected Policyholders:
  - Administration and infrastructure arrangements; and
  - Policyholder terms and conditions.
- The reinsurance contracts will transfer by virtue of the Transfer; and
- Bothnia is authorised to service claims of the type and location of the Transferring Policyholders.

All of the above assumptions underlie the analysis and conclusions in my Report. If any of these assumptions were to change, my opinion may also change. I have circulated this Report to the management of PartnerRe and Bothnia respectively to ask for commentary on the detail within the Report including the underlying assumptions. No issues were noted with the commentary and detail presented in the Report by either set of management reflecting the fact that the key assumptions listed above correctly represent the current intentions, and that the information I have been provided with accurately reflects these businesses.

2.1.5 Findings

I have considered the proposed Scheme and its likely effects on the following groups of policyholders, together defined as the "Policyholders":

- The Transferring Policyholders of PartnerRe;
- The Remaining Policyholders of PartnerRe; and

- The Existing Policyholders of Bothnia.

The findings of my Report are summarised below.

- There are no changes planned in relation to the Policyholders terms and conditions.
- There are no changes planned in relation to how services are currently delivered to the Policyholders.
- The regulatory regime of the receiving entity, Bothnia, is Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 (the "Directive" or "Solvency II"), as transposed into Finnish law by the Insurance Companies Act 521/2008, as amended by the Statues of Finland 303-314/2015. PartnerRe is also regulated under the Solvency II regulatory regime, as transposed into Irish law, and therefore the Transferring Policyholders will be in a company with equivalent regulatory requirements after the Transfer.
- I have considered the relative capital strength of PartnerRe and Bothnia both pre and post the Transfer.
- I am comfortable that the Scheme does not materially impact the financial security of the Policyholders.
- I note for the Transferring Policyholders of PartnerRe:
  - They will become policyholders of Bothnia with solvency coverage of 167% post-Transfer, were it to take place at 31 December 2019, which in my opinion is a strong financial position and is in excess of the risk appetite of Bothnia;
  - I note that the solvency coverage of Bothnia may not be maintained post-Transfer as it would likely continue to operate within its Risk Appetite Statement ("RAS") releasing capital from the business in excess of the Strategic Solvency Target ("SST") of 120%. While the level of capital coverage in this case would be lower in Bothnia than in PartnerRe, the level of anticipated solvency coverage in Bothnia after the Transfer is in excess of the regulatory requirement. I note that the regulatory SCR coverage requirement is calibrated at the level of a one in 200 year event, and as a result a coverage ratio of 120% implies that a very extreme event (i.e. more than one in 200 year) would need to occur for the capital to be exhausted.
  - There will be an absolute level of eligible capital available to meet claims in stressed circumstances of €76.3m were the Transfer to take place on 31 December 2019 and solvency coverage of 167% to be maintained;
  - In the case where capital is released to target solvency coverage of 120% the absolute level of eligible capital available to meet claims in stressed circumstances would be approximately €55.0m; and
  - The change in risk profile for the Transferring Policyholders does not materially impact the security of benefits and I have been provided with stressed and scenario testing.
- I note for the Remaining Policyholders of PartnerRe:
  - Were the Transfer to take place at 31 December 2019, the level of solvency cover would increase from 176% before the Transfer to approx. 192% after the Transfer.

- I note for the Existing Policyholders of Bothnia:
  - Were the Transfer to take place at 31 December 2019, the level of solvency cover would increase from 156% to 167%; and
  - The change in risk profile by accepting the Transferring Policyholders does not materially impact the security of benefits and I have been provided with stress testing solvency coverage for the key drivers of risk-based capital.

2.1.6 Policyholders Communication

Section 13 of the 1909 Act requires that for the transfer of life insurance business, unless the Court otherwise directs, certain materials must be transmitted to the Policyholders.

While I understand that there is no equivalent legal requirement in the transfer of a non-life insurance business, it is proposed, by the Scheme Companies, that a notification letter, notifying MGA's and the relevant reinsurer of the Transfer and attaching a copy of this Report will be provided to the MGA's and the relevant reinsurer (the "Notification Letter"). The Notification Letter will also confirm the date the sanctions hearings will take place.

Notice of the proposed Transfer will also be placed in Iris Oifigiúil, the Irish Independent, the Irish Examiner and the Financial Times (International Edition), and in accordance with the local law requirements in in Austria, Belgium, Bulgaria, Republic of Cyprus, Croatia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovenia, Spain, Sweden, the UK, Iceland, Norway and Gibraltar (being the Member States where risks are situated in this instance), to the extent required by the laws of those Member States. In addition, the Petition (with Scheme annexed thereto) and this Report will be available free of charge to any policyholder of the Scheme Companies or any person having sufficient interest in the Transfer, who requests such copies and to any relevant parties on the Compre Group website, the PartnerRe website and at the registered offices of each of the Scheme Companies.

In addition to the proposed notifications outlined above, the notice will be published in certain additional medical journals widely read in Italy to ensure that notice of the Transfer is brought to the attention of the Italian Transferring Policyholders.

Given my findings above and with the agreement / non-objection of the CBI, the FIN-FSA and any other relevant supervisory authority and the Court, I am comfortable with this communication approach.

2.1.7 Supplementary Report

I will prepare a Supplementary Report containing an update on any developments that may have occurred in the period between the Directions hearing and the formal order sanctioning the Scheme to proceed. In any such Supplementary Report I will review my findings and opinion which will include consideration of the following, where available:

- Confirmation that regulators have not raised any issues with the proposed Transfer;
- Business performance in the period and updated financial information;
- Any relevant market developments in the period;

- Confirmation that Policyholders and reinsurers have not raised any issues with the proposed Transfer; and
- Updated regulatory capital figures and forecast projections.

2.2 Conclusions

It is my opinion, provided the proposed Scheme operates as intended, and I have no grounds for believing that it will not do so:

- The security of benefits to the Policyholders will not be materially adversely affected by the implementation of the Scheme on the Effective Date;
- The Scheme will not have a material adverse effect on the reasonable benefit expectations of the Policyholders; and
- The Scheme will not have an adverse impact on the policy servicing levels currently experienced by the Policyholders.

My opinion above is based on:

- My review of all the pertinent historical and current information provided by PartnerRe and Bothnia; and
- Discussions with the management of PartnerRe and Bothnia on what will happen post-Transfer.

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Noel Garvey, FSAI Date

Independent Actuary KPMG in Ireland

3 Regulation

3.1 Introduction

The Scheme proposes the transfer of the insurance business from PartnerRe, an Irish-domiciled company, to Bothnia, a company domiciled in Finland. In this section I describe the regulatory environments of each country.

Finland and Ireland are both located within the European Union and are therefore both subject to the EU-wide solvency regime known as Solvency II.

3.2 Solvency II

The Solvency II framework came into effect on 1 January 2016 and sets out strengthened requirements around capital, governance and risk management in all EU authorised re/insurance undertakings. Solvency II also introduces increased regulatory reporting requirements and public disclosure requirements and came into force on 1 January 2016.

Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 was transposed into Irish Law as S.I. 485 of 2015 and Spanish law 20/2015, of 15 July 2015, on the supervision of insurance and reinsurance entities, and Royal Decree 1060/2015, dated 20 November 2015.

The Insurance Companies Act 521/2008 is the primary law governing the insurance market in Finland, as amended by, inter alia, the Statute of Finland 303/2015 in order to transpose into Finnish national law the Directive and the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing the Directive (the “Delegated Acts”).

Solvency II is a principles-based regime based on three pillars:

- Under Pillar I, quantitative requirements define a market consistent framework for valuing the company’s assets and liabilities, and determining the Solvency Capital Requirement (“SCR”).
- Under Pillar II, insurers must meet minimum standards for their corporate governance, and also for their risk and capital management. There is a requirement for permanent internal audit and actuarial functions. Insurers must regularly complete an Own Risk and Solvency Assessment (“ORSA”).
- Under Pillar III, there are explicit requirements governing disclosures to supervisors and policyholders.

The Scheme Companies Technical Provisions as at 31 December 2019 will have been prepared in accordance with the statutory instruments referenced. Under Solvency II, the value of Technical Provisions are calculated as the sum of the probability-weighted average of future cashflows (the “Best Estimate”) plus an additional amount equal to that which another undertaking would require in order to take over and meet the re/insurance obligations (the “Risk Margin”).

The SCR under Solvency II is the amount of capital required to ensure continued solvency over a 1 year time frame with a probability of 99.5%. Bothnia calculate the SCR using the standard formula

specified in detail in the Solvency II legislation (the "Standard Formula"). The Standard Formula is designed to be applicable to all insurers and is not therefore tailored to the circumstances of an individual insurer. In plain terms, the basic SCR consists of 5 risk modules (non-life, life, health, market and counterparty) that are in turn further sub-divided into 18 sub-modules (e.g. premium and reserve risk, catastrophe risk and currency risk). The results for each sub-module are aggregated using a correlation matrix to arrive at a capital charge for each of the 5 main modules, which in turn are aggregated using a further correlation matrix to determine the basic SCR. A further module is used to calculate operational risk which is added to the basic SCR to produce the overall SCR.

The Minimum Capital Requirement ("MCR") under Solvency II, which is lower than the SCR, defines the point of intensive regulatory intervention. The MCR calculation is less risk sensitive than the SCR calculation and is calibrated to a confidence level of 85% over one year (compared to 99.5% for the SCR). The MCR is calculated as a linear function of Technical Provisions and written premium but must be between 25% and 45% of the firm's SCR.

3.3 Consumer Protection Schemes

The various consumer protection schemes that are in place in the countries where Scheme Companies are regulated cover natural persons and therefore the Transferring Policyholders i.e. Small and Medium Enterprises ("SMEs") and specialist professionals such as dentists, brokers, architects etc. will not typically have access to these services whether or not the Court sanctions the Scheme.

3.4 Dispute Resolution

Dispute resolution services are also only typically available to natural persons and therefore the Transferring Policyholders will not have access to these services whether or not the Court sanctions the Scheme.

3.5 Winding-up Regulations

If PartnerRe were to become insolvent pre-Transfer, the extent to which its Transferring Policyholders, would have their claims paid would be dependent upon winding-up regulations in Ireland. If the Scheme is sanctioned, the Transferring Policyholders will become policyholders of Bothnia, a Finnish based company and therefore in the event of the insolvency of Bothnia the extent to which the Transferring Policyholders would have their claims paid would depend upon the applicable winding-up regulations in Finland. I have therefore considered the differences between the winding-up regulations in Ireland and Finland in order to assess whether these differences may have any material effect on the Transferring Policyholders.

In the event of the winding up of an insurance company under Irish regulations, direct insurance claims take absolute precedence over any other claim on the insurer, with respect to assets representing the Technical Provisions (subject to certain rules e.g. with the exception of the expenses of the winding up, where these cannot be met out of other assets of PartnerRe).

In the event of the winding up or bankruptcy of an insurance company under Finnish regulations, direct insurance claims constitute priority claims ranking equivalent with claims secured by a pledge over specific property in accordance with the Finnish Insurance Companies Act 521/2008 (subject to certain rules e.g. with the exception of expenses of the winding up or bankruptcy).

While I consider the likelihood of liquidation or administration of either PartnerRe or Bothnia, either pre or post-Scheme, to be remote I have concluded that the applicable winding up regulations are broadly comparable and, as such, the security afforded to PartnerRe's Transferring Policyholders by the applicable winding up regulations is not adversely impacted by the Scheme. Existing Policyholder protections are unaffected by accepting the Transferring Policyholders. Remaining Policyholder protections are unaffected by the Transfer.

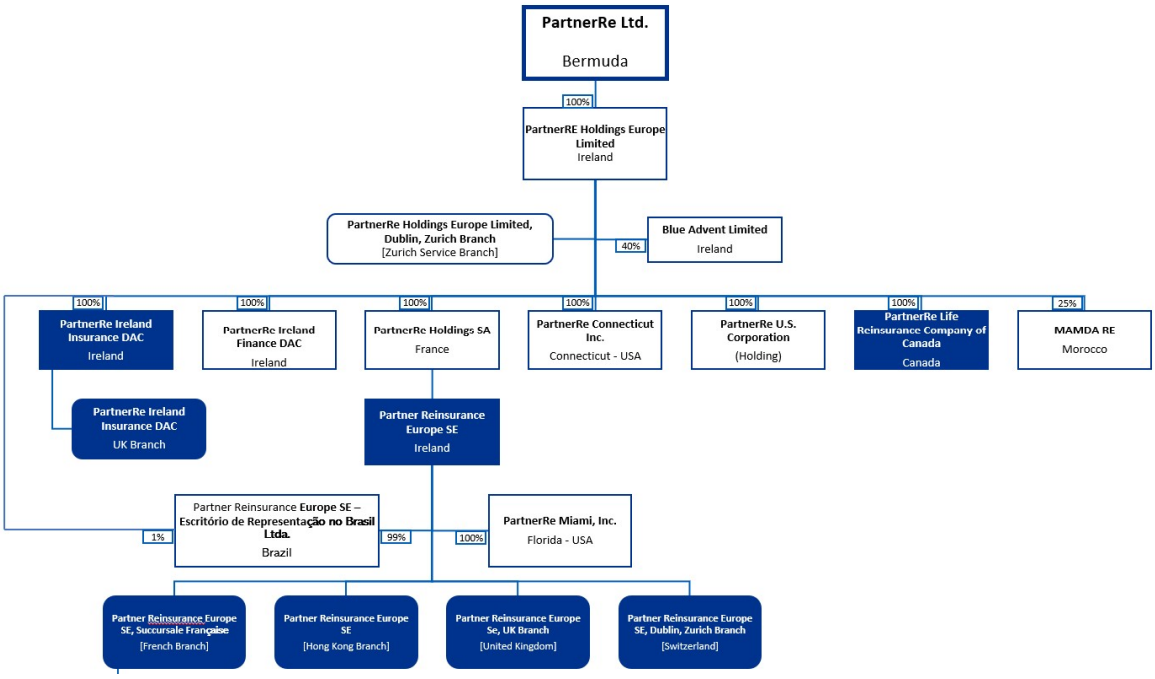
3.6 Conduct Regulation

The Transferring Policyholders are currently subject to the conduct of business regulations imposed by the CBI. If the Scheme is sanctioned by the Court the Transferring Policyholders will be subject to the conduct of business regulations imposed by the FIN-FSA.

Both regulators oversee the compliance with local conduct laws and regulations and all relevant EU Directives including the Insurance Distribution Directive ("IDD") which aims to enhance and harmonise conduct of business requirements including a duty to act in "customers' best interests". As regulation and supervision is being harmonised throughout the EEA, I am of the opinion that any differences in conduct regulations between the CBI and the FIN-FSA will not be so great as to materially impact the security or expectations of the Transferring Policyholders.

4 PartnerRe

4.1 Structure and Background



Partner Re is a non-life Insurance Undertaking registered by the Central Bank of Ireland ("CBI") and subject to Solvency II European Union (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485 of 2015), to carry on non-life Insurance business. PartnerRe was licenced to write insurance business by the CBI on 1 April 2005. PartnerRe writes a diverse portfolio of business.

4.2 Nature of the Business

4.2.1 PartnerRe Overview

PartnerRe is a multi-class insurance company capable of writing worldwide risks with multi-national access. PartnerRe had gross written premium of €173m during 2019, of which €153m was ceded to reinsurance companies.

PartnerRe Revenue €'millions	2019	2018	2017
Gross premiums written	173.4	138.8	186.4
Ceded premiums	(153.3)	(123.8)	(166.5)
Net Premiums Written	20.1	15.0	19.9

PartnerRe has comprehensive reinsurance protection in place, both internally within its own Group and externally, to ensure appropriate protection from underwriting risks including natural and man-made

catastrophe losses. PartnerRe's current reinsurance protections are not planned to be changed materially over the next 3 years.

PartnerRe underwrites non-life business within its main lines of business: casualty and marine, property and engineering, aviation, and energy. The following table shows the split of gross and net written premium by line of business:

PartnerRe Written Premium €'m	31 Dec 2019		31 Dec 2018	
	Gross	Net	Gross	Net
Marine, Aviation and Transport	25.7	3.9	26.3	2.0
Fire and other damage to property	43.1	5.8	22.1	2.4
General liability	104.4	10.4	90.4	10.6
Credit and suretyship	0.2	0.0	0.1	0.0
Total	**173.4**	**20.1**	**138.8**	**15.0**

4.2.2 Transferring Portfolio

The Transferring Portfolio consists of PartnerRe's Wholesale book of business, which relates to retail business which has now been put into run-off. The business consists of PI insurance for SMEs and specialist professionals such as dentists, brokers, architects etc. and was distributed through MGAs, principally in Europe.

The Transferring Portfolio consists of business primarily written throughout Europe, with some business written in other countries worldwide. At end of 2019 there were 2,040 reported outstanding claims relating to the Transferring Portfolio, across 24 jurisdictions. Most of the claims outstanding arise from the 2 main countries, United Kingdom and Italy. The other claims are from a range of countries, most of which are European countries and the United States.

Transferring Portfolio - Open Claims by Country 31 December 2019	Number of Open Claims	Outstanding Case Reserves €'m
United Kingdom	883	13.0
Italy	845	3.9
Other	312	2.6
Total	**2,040**	**19.6**

The majority of the outstanding claims are from the two main MGA's through which business was written, Nexus and Marintec, which together contribute to 1,889 of the 2,040 claims outstanding.

Transferring Portfolio - Open Claims by MGA 31 December 2019	Number of Open Claims	Outstanding Case Reserves €'m
Nexus	1,090	15.2
Marintec	799	3.7
IIG	89	0.5
Heca	45	0.2
Other	17	0.0
Total	**2,040**	**19.6**

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4.3 Financial Profile

4.3.1 Audited Irish GAAP Reserving Levels

The following table summarises PartnerRe's reserving levels on an Irish GAAP basis as at year end 2017, 2018 and 2019 which are the most recent available audited financial information.

PartnerRe booked GAAP reserves €'millions	2019	2018	2017
Reserves for unpaid losses and loss expenses			
Gross of Reinsurance	262.6	276.8	263.5
Ceded	(238.5)	(241.4)	(228.3)
Net of Reinsurance	**24.1**	**35.4**	**35.2**
Reserves for unearned premiums			
Gross of Reinsurance	140.6	120.1	109.6
Ceded	(123.9)	(105.8)	(96.1)
Net of Reinsurance	**16.7**	**14.3**	**13.5**
Total Gross of Reinsurance	403.2	396.9	373.1
Total Net of Reinsurance	**40.8**	**49.7**	**48.7**

The Financial Statements show profit on ordinary activities before taxation of €10.7m, €1.8m and €8.3m in 2019, 2018 and 2017 years respectively.

I will comment further in my Supplementary Report on available management information as at 30 June 2020.

4.3.2 Reserving Adequacy

I have been provided with details of the Solvency II Technical Provisions as at 31 December 2018 and 31 December 2019. I have not attempted to review in detail the calculations performed by PartnerRe's actuaries, instead I have reviewed the processes by which Technical Provisions were estimated, the approach followed, and assumptions made by PartnerRe's actuaries.

Charles Toli, Fellow of the French Institute of Actuaries, Head of Actuarial Function ("HoAF") for PartnerRe provided me with a number of actuarial reserving reports which detail outstanding claims provisions, the process by which the reserves were established and the key reserving assumptions and uncertainty. In addition to the review and discussion I have reviewed the movement of estimates from year to year. This has allowed me to get a sense of the accuracy of the actuarial estimates and volatility of the underlying business. I show a summary of this assessment in respect of gross of reinsurance reserves in the following table.

PartnerRe Actual v's Expected €'m	Experience in 2018			Experience in 2019		
	Expected	Actual	Variance	Expected	Actual	Variance
2014 & Prior	14	6	-8	5	2	-3
2015	16	17	1	6	-1	-7
2016	25	21	-4	8	10	2
2017	37	42	5	16	14	-2
2018	4	37	33	15	13	-2
2019				7	6	-1
Total	**96**	**124**	**28**	**56**	**43**	**-13**

Overall, the total reported losses during 2018 were significantly higher than that expected. This was mainly driven by a significant level of large event losses on underwriting years 2017 and 2018, most notably the Bayernoil Refinery explosion (estimated losses of €24.2m at 31 December 2018). The experience during 2019 was significantly better than expected at the start of 2019 with favourable development across the majority of the years.

I have not reviewed in detail the calculations performed by the HoAF. Instead, by reviewing documents produced by him and through conversations with him I have become comfortable with the process by which reserves are set, the approach followed and the key areas of reserve uncertainty.

I have also reviewed an independent actuarial peer review of the PartnerRe's Technical Provisions, which includes the Transferring Policyholder liabilities, that was carried out by Willis Towers Watson ("WTW") at year end 2018. WTW concluded that the undiscounted best estimate gross earned and unearned claims reserves calculated by the HoAF to be within a range of reasonable best estimates.

Charles Toli's 2019 Actuarial Report of Technical Provisions ("ARTP") is not available as at the date of this Report and I expect to be able to review and comment on this further in my Supplementary Report.

4.3.3 Reserving uncertainty

The range of emerging risks to reserve volatility (both adverse and favourable) include but are not limited to the following:

- The level of future inflation compared to current expectations;
- The evolution in case law for future claims following a change in court awards;
- The current assumptions about market environment and pricing conditions happen to be incorrect; and
- Future claim activity differs from what was anticipated, due to the nature of the business covered.

The key theme in many of the emerging risks listed is increased claims inflation and higher levels of future claim settlements.

4.3.4 Audited Solvency II Reserving Levels

I have reviewed the Solvency II Technical Provisions at the same time as I considered the Irish GAAP reserving position. I have been provided with details of the Solvency II Technical Provisions as at year end 2018 and 2019, and the process by which the provisions were established.

PartnerRe Solvency II reserves €'millions	2019	2018
Claims Provision	261.9	265.3
Premium Provision	31.8	34.9
Total Gross Best Estimate	**293.7**	**300.2**
Claims Provision ceded	(231.3)	(227.4)
Premium Provision ceded	(31.4)	(31.9)
Total Reinsurance Recoveries	**(262.7)**	**(259.4)**
Claims Provision	30.6	37.9
Premium Provision	0.4	3.0
Total Net Best Estimate	**31.0**	**40.9**

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4.3.5 Audited Solvency Coverage Reported to CBI

The table below sets out the SCR for PartnerRe for the year ending 31 December 2018 and 31 December 2019.

PartnerRe Solvency II Coverage €'millions	2019	2018
Available Assets	491.7	419.2
Technical Provisions	304.6	307.7
Other Liabilities	84.8	18.1
Excess of Assets over Liabilities	102.3	93.5
Eligible funds to meet SCR	102.3	93.5
SCR	58.3	43.6
SCR Coverage %	**176%**	**215%**
MCR	14.6	10.9
Eligible funds to meet MCR	100.7	91.8
MCR Coverage %	**691%**	**843%**

The decrease in the SCR coverage (i.e. the ratio of eligible own funds to SCR) is due to an overall increase in SCR versus the level of own funds year on year. The table below sets out the SCR by risk for PartnerRe for the year ending 31 December 2018 and 31 December 2019.

PartnerRe SCR €'m	2019	2018
Non-Life Underwriting	25.4	18.9
Market	15.7	10.9
Counterparty Default	23.7	15.5
Diversification	(15.4)	(10.7)
Basic SCR ("BSCR")	**49.5**	**34.6**
Operational	8.8	9.0
LACDT	0.0	0.0
SCR	**58.3**	**43.6**

The increase in SCR from €43.6m to €58.3m is primarily driven by the following reasons:

- Market risk has increased by €4.8 million (before diversification) predominantly due to an increase of €5.4m in currency risk, mainly due to higher exposure to both USD and GBP. The main driver of the increased currency exposure is the impact of the Wholesale transaction entered into in Q4 2019 and changes in the currency composition of the assets/liabilities.
- Non-life underwriting risk has increased by €6.5 million (before diversification) mainly due to an increase in non-life CAT risk. This was driven by a change in the standard formula requirements in 2019 (new correlation factors, risk factors and new peril zones added).
- Counterparty default risk has increased by €8.2 million (before diversification) due to the counterparty for the reinsurance of the Wholesale business being unrated.

The SCR calculation is based on the aggregation of the different sub-modules of the SCR that have been calculated by the various departments responsible. PartnerRe has not made simplifications, approximations or undertaking-specific parameters in calculating the SCR.

4.3.6 Own Risk and Solvency Assessment

The Solvency II regime requires an annual ORSA process. The ORSA forms part of a re/insurance company's Risk Management Framework. One key purpose of preparing an ORSA is to identify plausible threats to a satisfactory financial condition, actions that lessen the likelihood of those threats, and actions that would mitigate a threat if it materialised.

I have considered the 2019 ORSA approved by PartnerRe's board of directors (the "PartnerRe Board") though I have not repeated the detail in this Report. The ORSA is useful in terms of understanding the risks inherent in the business and the stability of the capital position over time on a central scenario and a range of adverse sensitivities and scenarios.

The table below sets out the projected solvency coverage of PartnerRe over the projection period to 31 December 2022 for the base case business plan projections.

PartnerRe Projected SCR Coverage €'m	2019*	2020	2021	2022
Market Risk	10.8	10.5	10.4	10.3
Counterparty Default Risk	16.1	15.5	15.1	14.8
Non-Life Underwriting Risk	25.7	25.1	24.7	24.6
Diversification	(11.6)	(11.3)	(11.1)	(11.0)
LACDT	(0.1)	(0.1)	(0.1)	(0.1)
Operational Risk	10.0	9.5	9.2	9.0
SCR	**50.9**	**49.2**	**48.2**	**47.6**
Own Funds	96.0	101.0	107.3	114.5
Solvency Ratio	**189%**	**205%**	**223%**	**241%**

* 2019 figures were projected during 2019 and differ to actual closing figures

The SCR is projected to decrease over the projection period, driven by the repositioning of the investment portfolio and lower levels of Casualty business from 2020. This is partly offset by the projected growth in Property and Specialty business over the projection period.

Own Funds increase over the projection period mainly due to strong technical results forecasted and PartnerRe's intention to pay no dividend during the projection period and retain the profit in own funds. I have not considered how the sale of PartnerRe to Covea will impact these projections and will include updates, if available, in my Supplementary Report.

Note that the above projections do not include the impact of the Transfer.

The regulatory view of capital is expected to be comfortably in excess of 100% over the planning time horizon. As per its Risk Appetite Framework ("RAF") approved in December 2019, PartnerRe aims to maintain a buffer of 70% above the regulatory requirement by keeping the Solvency Ratio in excess of the SST of 170%. Section 4.5 contains further information on PartnerRe's risk profile and risk management.

Furthermore, the stress testing summarised in the table below, does not raise significant concerns regarding the resilience of PartnerRe to withstand the economic impact of shocks over the planning horizon.

PartnerRe Impact of Stress test €'m	Impact on SCR Ratio (percentage points)
Failure of Internal Reinsurance	Default
Liquidity Crisis	-36
Natural Catastrophe Event (200 years) and Default of External Reinsurance	-25
Outsourcing Failure	-23
Corporate Bond Default (LGD: 30%)	-18
Casualty Event (MGAs)	-13
FX Shock (25% EUR/USD)	-13
Natural Catastrophe Event (250 years)	-12
Mass Resignation in IT Security Team & Data Breach	-10
Interest Rate Shock (+100 bps)	-5
Spread Shock (+100 bps)	-3

PartnerRe has completed 11 short term stress test scenarios. Only one of these stress test scenarios would lead to PartnerRe breaching its SCR coverage ratio. The scenario relates to a failure of Partner Reinsurance Europe SE ("PRESE") and a default on PartnerRe's internal reinsurance as a result.

PartnerRe's internal reinsurance consists of an 85% whole account quota share (90% for special acceptances) with PRESE and that PRESE itself is protected by Partner Reinsurance Company Ltd ("PRCL") through a 65% whole account quota share which includes business ceded from PartnerRe to PRESE. At the time of writing both PRCL and PRESE has an S&P and A.M. Best rating of A+.

PartnerRe has also considered 5 long term stress test scenarios which could potentially develop over the course of a number of years. None of the scenarios considered result in a breach of the PartnerRe SST of 170%.

4.4 Reinsurance

PartnerRe uses internal and external reinsurance agreements to reduce its exposure on certain underwriting risks assumed and to mitigate the effect of any single major event or the frequency of medium-sized events. These agreements provide for the recovery of a portion of losses and loss expenses from reinsurers.

External reinsurance agreements cover most of non-life classes of business and are bought on a proportional and non-proportional basis.

The reinsurance cover in place with other Group companies as at 31 December 31 2019 can be summarised as follows:

- 85% quota-share with PRESE (or 90% for specific business) (2015 to 2019 underwriting years);
- 70% quota-share with PRESE (2011 to 2014 underwriting years);
- 85% quota-share with PRESE (2010 and prior underwriting years);
- 100% line slip with PRESE (2010 underwriting year for business recommended by Paris Re, an affiliate company, which was merged with PRESE in 2010); and
- A Whole Account Stop Loss with PRCL. The Stop Loss cover attaches after the Quota Share retention at a loss ratio of 120% with a limit of 870%. This cover has been in place for a number of years with a consistent attachment and coverage.

External retrocession inures to the benefit of internal retrocession. The main objectives of this retrocession cover are to reduce the capital requirements and associated cost of capital for the Company, to ensure the Company is in a position to be a well-capitalised insurer for its policyholders, and to ensure the Company receives and maintains an appropriate rating from the rating agencies.

4.5 Risk Profile and Management

4.5.1 Risk Management

PartnerRe has a Risk Management Function, under the direction of the Chief Risk Officer, which has independent oversight of risk management activities including identifying, assessing, monitoring and reporting existing and emerging risks. The Risk Management Function will monitor the risk profile of the Company's position against risk appetite statements and tolerances and report deviations in line with agreed reporting procedures. The Chief Risk Officer and Risk Management Function report to the Risk Committee and the PartnerRe Board. The Chief Risk Officer is also a member of the management Team.

4.5.2 Risk Appetite

The RAF for the Company provides the context for risk management, from the articulation of a risk strategy set by the PartnerRe Board through to the detailed monitoring of the risk exposure relative to pre-set limits or triggers.

Risk appetite is an integral part of an effective risk management system. Risk appetite is defined as the overall level of risk the Company is prepared to accept in pursuit of its strategic objectives. Within the RAF, the RAS defines the level and type of risk that the Company is prepared to take in order to achieve its goals, defining related limits and tolerances.

Compliance with risk appetite as expressed in the RAS is monitored by Risk Management and reported to the Risk Committee.

4.5.3 Risk Overview

PartnerRe is exposed to a range of risks as highlighted in the 2019 Solvency Financial Condition Report ("SFCR"). The principal risks and uncertainties it faces are identified as follows:

- Underwriting risk – PartnerRe manages this risk through its underwriting and pricing guidelines, underwriting and pricing processes and reinsurance arrangements.
- Market risk – PartnerRe mitigates this risk by maintaining a portfolio of liquid, high quality, standard publicly traded investment grade fixed income assets and matching investments and liabilities by currency and duration.
- Credit risk - PartnerRe's Credit, Investment and Reinsurance Risk Policies set out procedures to mitigate exposure to credit risk, including monitoring and reporting of breaches. PartnerRe has exposure to Bothnia, through the 100% reinsurance agreement for its Casualty Wholesale portfolio. This credit exposure has been mitigated as it is reinsured on a funds held basis.
- Liquidity risk - PartnerRe manages liquidity risks by maintaining a high-quality, well-balanced and liquid investment portfolio, and by managing the duration of its investments with that of its net insurance liabilities.

- Operational risk – The Company minimises these risks through robust operating risk management procedures and internal controls, which Internal Audit periodically evaluates.
- Group Risk - Through its intra-group reinsurance transactions, PartnerRe is dependent upon the financial soundness of the Group in general and some of its affiliates in particular. Monitoring of the financial condition of each related company is performed on a regular basis.

PartnerRe carries out a number of tests to assess the above risks including stress testing, sensitivity analysis, "Own View" analysis and SCR analysis. PartnerRe has determined their SCR using the Standard Formula which broadly reflects the risks that it is exposed to.

4.6 Other Legal and Regulatory Matters

The Italian MGA Marintec S.r.L has served a preliminary letter before action (to be brought in the English Courts) against PartnerRe to recover what it believes to be unpaid profit commission and missed business opportunity-related losses in relation to certain Italian Policies forming part of the proposed transfer to Bothnia. PartnerRe has appointed external lawyers based in London and has responded to the letter before action, with a more fulsome rebuttal of Marintec's claim to be issued in due course. If the matter is not able to be resolved commercially beforehand, it is unlikely that any court hearing will take place before early 2021. I understand however that this claim (and any resultant legal proceedings) will not transfer as part of the transfer to Bothnia and will not have any effect on the transfer of the Italian Policies to which these legal proceedings relate.

I am not aware of any other regulatory matters and it has been confirmed to me that there are no other material litigation or complaints in progress at the date of this Report.

4.7 Operational Arrangements

PartnerRe and Bothnia signed an agreement in November 2019 ("Administration Agreement") agreeing that, subject to Central Bank of Ireland approval, Bothnia will be appointed as PartnerRe's agent for the purposes of the administration of the Transferring Policyholders, including the handling of claims.

Under this agreement, the scope of the authority granted by PartnerRe to Bothnia shall include managing, supervising and overseeing PartnerRe's obligations and responsibilities under the Claims Handling Agreements with Nexus. The claims handling agreements in question were entered into by PartnerRe and Nexus for Nexus MGA claims and non-Nexus MGA claims respectively on 25 October 2016.

As a result of this agreement, Bothnia is currently responsible for managing the claims handling for the Transferring Policyholders, and this position will be unchanged as a result of the Transfer. As a result, I expect the Transfer to have no impact on the claims servicing levels of the Transferring Policyholders.

4.8 Treating Customers Fairly

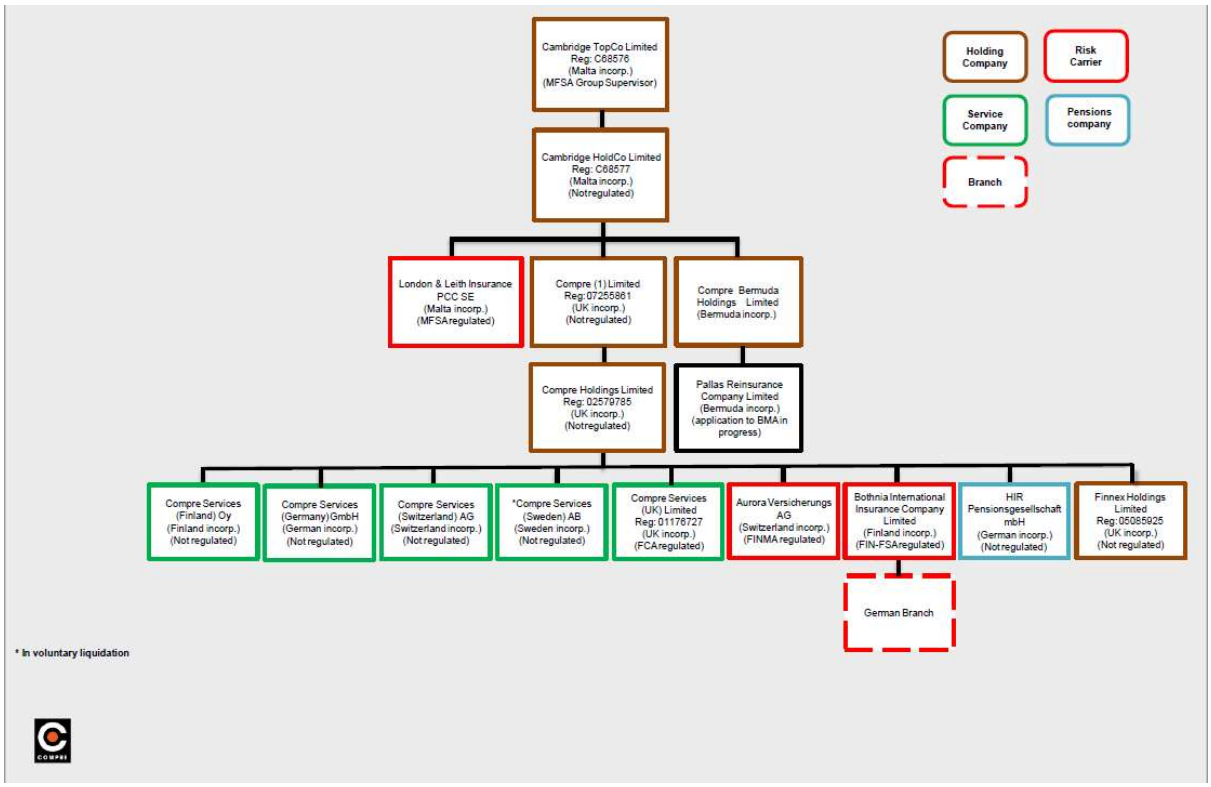
PartnerRe is committed to the fair treatment of customers, and to ensure that fair outcomes are delivered to customers. This is primarily achieved through its complaints handling procedures. These are applied in accordance with Irish regulatory guidelines, but are applied across all policyholders, not just individuals and small businesses. The PartnerRe Board receives quarterly reports of all customer complaints.

5 Bothnia

5.1 Structure and Background

The immediate parent company of Bothnia is Compre Holdings Limited, a company registered in the UK. The ultimate holding company of Compre Group is Cambridge TopCo Limited, a company registered in Malta. Cambridge TopCo Limited holds 84% shareholding (68% voting rights) in Cambridge HoldCo Limited. The remaining balance is held by the ultimate controlling party (described below) and Management. All other subsidiaries in Compre Group are 100% owned.

The Group's ultimate controlling party is CBPE Capital LLP. CBPE Capital LLP is controlled by a discretionary trust and consequently there is no controlling individual. CBPE Capital LLP holds 86% of the ordinary shares in Cambridge TopCo Limited with 67% of the voting rights. The remaining shareholding in Cambridge Topco Limited is held by Management.



Bothnia is authorised and registered by the FIN-FSA to carry out contracts of non-life insurance business under Classes 1 – 17, as well as reinsurance business in all non-life insurance classes within the European Economic Area and outside of it, except for the following:

- Classes 1 and 10 as concerns insurance meant in the Third Party Motor Liability Insurance Act (279/1959).

- Class 13 as concerns insurance meant in the Patient Injury Act (585/1986) or meant in the Nuclear Liability Act (484/1972).
- Bothnia does not have a licence to transact insurance business meant in the Employment Accidents Insurance Act (608/1948).

Bothnia was acquired in 2006 and is administered by the run-off management service companies of the Compre Group. Bothnia's role in the Compre Group is the acquisition of legacy business portfolios and the provision of legacy business reinsurance solutions.

5.2 Nature of Business

The Company's and the Group's business model is based on the acquisition of discontinued insurance and reinsurance portfolios for a risk premium to net liabilities acquired and seeks to proactively manage these portfolios going forward.

At 31 December 2019 Bothnia was exposed to the following material lines of business from its claims liabilities:

- General liability insurance and proportional reinsurance;
- Marine, aviation and transport insurance and proportional reinsurance;
- Fire and other damage to property insurance and proportional reinsurance;
- Non-proportional casualty reinsurance;
- Non-proportional marine, aviation and transport reinsurance; and
- Non-proportional property reinsurance.

The main portfolios added since Bothnia's acquisition by CHL in 2006 are shown in following table.

Transaction year	Summary of Portfolios Assumed
2009	The international energy insurance portfolio from TRYGVESTA Forsikring A/S (also known as Tryg Forsikring A/S and/or Baltica Forsikring A/S), covering underwriting years 1985 up to 1990, was transferred into Bothnia on 13 November 2009.
2013	The direct energy and inwards reinsurance portfolios from SPAREBANK 1 Skadeforsikring AS (also known as Samvirke Forsikring), covering underwriting years 1960-1990, were transferred into Bothnia via a demerger-merger process on 30 September 2013.
2013	The direct marine and energy insurance business from UNISON Forsikring AS (also known as Bluewater Insurance AS and/or Zurich Protector), covering underwriting years 1992-2008, was transferred into Bothnia via a demerger-merger process on 30 September 2013.
2014	Insurance business from Atlantic Mutual International Limited, covering underwriting years 2002-2003, and the UK Branch of Atlantic Mutual Insurance Company, covering underwriting years 1968-2001, was assumed by Bothnia via a quota share reinsurance agreement. The legal liability for this business was transferred to Bothnia by way of a Part VII transfer effective 18 May 2018 and sanctioned by the High Court of England and Wales on 8 May 2018.

2015	Insurance business from LVM Landwirtschaftlicher Versicherungsverein Münster A.G., covering underwriting years 1996-1999, was assumed by Bothnia via a quota share reinsurance agreement. This business was subsequently transferred to Hamburger Internationale Rückversicherung AG ("HIR") pursuant to a European directive insurance
2016	Gibbon Underwriting Pool business from A G Belge d'Assurances, covering underwriting years 1950-1972, was assumed by Bothnia via a quota share reinsurance agreement. This business was subsequently transferred to Bothnia pursuant to a European directive insurance business transfer approved by Nationale Bank van Belgie on 22 March 2017.
2016	Gibbon Underwriting Pool business from Swiss Re International SE, covering underwriting years 1950-1972, was assumed by Bothnia via a quota share reinsurance agreement.
2016	All insurance and reinsurance business from Stockholm Re was assumed by Bothnia via merger on 31 December 2016.
2016	The involvement of GAN in Ridgwell, Fox & Partners ("RFP") pool business, that share having been transferred via a portfolio transfer to HIR, was assumed by Bothnia pursuant to a European directive insurance business transfer approved by BaFin on 7 November 2016.
2016	The involvement of Wuestenrot und Wuerttembergische AG in RFP was assumed by Bothnia pursuant to a European directive insurance business transfer approved by BaFin on 14
2017	The involvement of AGF in RFP, that business having been reorganised into Allianz, was assumed by Bothnia via a quota share reinsurance agreement in advance of a European directive insurance business transfer. This was approved by ACPR on 12 October 2017.
2017	A legacy portfolio from major Norwegian insurer Gjensidige Forsikring ASA. The portfolio comprises US Asbestos, Pollution and Health-Hazard ("APH") risks underwritten between 1983 and 1985. The legal transfer of this portfolio was completed and approved by the Finnish and Norwegian Regulators in 2017.
2017	In September 2017, Bothnia provided a legacy solution to a portfolio of the Swiss company AXA Insurance Ltd, formerly Winterthur Swiss Insurance Company Ltd. The acquired portfolio of insurance and reinsurance business in run-off was underwritten by RW Gibbon (Underwriting Agencies) Ltd and RW Gibbon & Son Ltd (the Gibbon pools) between 1962 and 1964.
2017	Towards the end of 2017, Bothnia completed its largest acquisition to date after emerging as the successful bidder in a legacy transaction undertaken by Assicurazioni Generali S.p.A ("Generali"). The two portfolios of business from the respective UK and US branches of Generali mainly comprise APH risks and some UK Employers Liability business. These portfolios have been in run-off since the early 2000s.
2017	The involvement of QBE and Moorgate in RFP was assumed by Bothnia via a quota share reinsurance agreement in advance of a Part VII transfer. This received the sanction of the High Court of England and Wales on 17 November 2017 and became effective 30 November 2017.
2017	A portfolio of certain reinsurance contracts of Hannover Rück SE and E&S Rückversicherung AG (Hannover Rück) was assumed by Bothnia via a quota share reinsurance agreement in advance of a European directive insurance business transfer. This transfer received the approval of BaFin on 10 July 2018.
2018	A novation agreement of the RW Gibbon & Son Limited and RW Gibbon (Underwriting Agencies) Limited business of Helvetia Swiss Insurance Company Limited and Helvetia (former Swiss National Insurance company Limited)

2018	Part VII transfer of the entire portfolio of Atlantic Mutual International Limited and the UK branch of Atlantic Mutual Insurance Company
2018	A transfer of certain reinsurance treaties of Hannover Ruckversicherung SE and E & S Ruckversicherung AG
2018	IVASS approved the transfer of 2001 and prior portfolio of Assicurazioni Generali SpA UK Branch. IVASS bulletin was published 10.01.19 confirming the approval.
2018	The entire insurance portfolio of Dublimont dac approved by the Irish High Court
2019	A novation agreement of the RW Gibbon & Son Limited and RW Gibbon (Underwriting Agencies) Limited business of Fidelidade

Bothnia signed deals with the following companies in 2019 and these deals are in progress at the time of time of writing this Report:

- Basler Versicherung AG: Proposed transfer of UK branch and London market portfolio of Swiss office to Bothnia requiring consideration by FCA/PRA, Independent Expert and the High Court;
- On 10 March 2020, BaFin approved the transfer of certain Hannover Ruckversicherung/Eisen & Stahl ("Hannover Re") portfolios to Bothnia;
- The National Bank of Belgium approved the transfer of certain portfolios of AG Assurance sa ("AG") to Bothnia on 17 March 2020. The transfer will become effective on 30 April 2020

We will provide an update on outstanding deals and the impact of any deals approved, including those with Hannover Re and AG, in our Supplementary Report.

5.3 Financial Profile

5.3.1 Audited GAAP Reserving Levels

The following table summarises Bothnia's Best Estimate reserves compared to Finnish GAAP reserves as at 31 December 2018 and 2019.

Bothnia best estimate and booked GAAP reserves €'m	31 December 2019		31 December 2018	
	Gross	Net	Gross	Net
Best Estimate	228.6	105.0	185.2	143.8
Held Reserves*	251.5	115.8	198.1	150.9
Surplus/(Deficit)	**22.9**	**10.8**	**12.9**	**7.1**

*excludes ULAE and EP

The total gross and net Finnish GAAP reserves held at 31 December 2019 are €251.5m and €115.8m respectively. This is a significant increase in held reserves from year end 2018 following the completion of new acquisitions summarised in the previous section.

5.3.2 Reserve Adequacy

Mark Lawson FIA, Fellow of the Institute of Actuaries, Group Actuarial Director of Compre Group has provided me with a number of actuarial reserving reports which detail outstanding claims provisions, the process by which the reserves were established and the key reserving assumptions and uncertainty.

I have not reviewed in detail the calculations performed by Mark. Instead, by reviewing documents produced by him and through conversations with the Compre Group actuarial team I have reviewed the process by which reserves are set, the approach followed and the key areas of reserve uncertainty.

In addition to the review and discussion I have reviewed the movement of estimates from year to year. These movements were provided to me by the Compre Group actuarial team and are based on audited figures. This has allowed me to get a sense of the accuracy of the actuarial estimates and volatility of the underlying business. I show a summary of this assessment in respect of gross of reinsurance reserves in the following table.

Year	2015	2016	2017	2018	2019
US APH	(2.1)	(0.2)	(6.4)	5.9	(10.7)
UK EL Asb			(5.4)	1.8	(1.2)
UK EL NIHL			(0.1)	(3.9)	2.0
Other UK EL			0.1	(0.0)	(0.2)
Motor		2.3	(0.1)	(0.3)	(1.8)
Med mal					0.1
PI				0.6	3.6
Decennial				(0.0)	0.7
Other		(2.9)	0.5	(3.9)	(3.3)
Total	**(2.1)**	**(0.9)**	**(11.3)**	**0.2**	**(10.9)**

I understand from discussions with the Compre Group actuarial team that the figures in the above table are compiled as follows:

- On a gross of intra-group reinsurance and net of external reinsurance basis; and
- For each year the prior year's position has been adjusted for paid claims and currency exchange rates to provide a consistent reflection of the movement in the ultimate claims position over time.

The table shows that at an overall level the actuarial best estimates have consistently reduced over time.

5.3.3 Reserving Uncertainty

The estimation of future claim payment amounts on insurance and reinsurance business is an inherently uncertain exercise. This is particularly true for the types of liabilities that Bothnia is exposed to. The main sources of uncertainties identified by Bothnia are as follows:

- Longer tailed claims in general - such liabilities can produce claims deterioration many years after policy underwriting periods, in particular liability type exposures due to legal changes and court disputes;
- Asbestos claims specifically - uncertainty surrounding these claims is driven by uncertain future costs including the future legal environment and any limitations of the available data;
- Future insureds - there is the potential for future new insureds to develop and significantly impact the portfolios;
- Australian motor claims – there is potential for claims to develop significantly due to deteriorating circumstances of underlying claimants leading to increased care requirements and therefore costs;

- Miscellaneous loss type reserves - the reserves in this cohort are subject to greater uncertainly given the largely unknown nature of the underlying loss types; and
- French construction which is very longed tailed and together with low volumes of historical data will add to the uncertainty of ultimate loss projections.

5.3.4 Solvency II Technical Provisions

I have reviewed the Solvency II Technical Provisions at the same time as I considered the Finnish GAAP reserving position.

I have been provided with details of the Solvency II Technical Provisions as at 31 December 2018 and 31 December 2019. I have not attempted to review in detail the calculations performed by Bothnia's actuaries, instead I have reviewed the processes by which Technical Provisions were estimated, the approach followed and assumptions made by Bothnia's (or Compre Group) actuaries.

The following table shows the transition from local non-life GAAP net reserves to non-life Solvency II net Claims Provisions as at 31 December 2019. Note that there is no unexpired exposures or Premium Provisions.

Bothnia Solvency II Net Claims Provisions at 31 December 2019 €'m	Best Estimate	ENIDs	Expense Adj	Discounting	Risk Margin	SII TPs
All excl RFFs	88.8	0.9	3.8	(8.8)	17.9	102.6
Cello US	15.5	0.2	0.0	(2.1)	3.1	16.6
Gibbon	0.2	0.0	0.0	0.0	0.1	0.3
Orange	0.2	0.0	0.0	(0.0)	0.1	0.4
Dresden	0.3	0.0	0.0	(0.1)	0.4	0.6
Total	**105.0**	**1.1**	**3.8**	**(11.0)**	**21.6**	**120.5**

One of the most significant adjustments in the transition of GAAP reserves to Solvency II Technical Provisions is the allowance for discounting of €11.0m. The reserving segments are all long tailed with the average weighed duration to settlement of 9.1 years.

The Risk Margin calculation considers the undiversifiable Market risk, the Underwriting risk with respect to the obligations in force, Counterparty Default risk in regard to reinsurance and Operational risk. The 31 December 2019 Risk Margin is €21.6m and is consistent with our expectations based on experience of similar risks and SCR run-off.

5.3.5 Solvency Coverage Reported to the FIN-FSA

I have been provided with details of the Solvency II Own Funds, SCR and Capital Coverage Ratios as at 31 December 2018 and 31 December 2019, based on annual submissions to the FIN-FSA.

The table below sets out the solvency coverage of Bothnia for the year ending 31 December 2018 and for 31 December 2019.

Bothnia SCR Coverage €'m	2019	2018
Eligible funds to meet SCR	73.2	78.3
SCR	46.8	57.3
SCR Coverage	**156%**	**137%**

As at 31 December 2019, all own funds items were classified as Tier 1 Unrestricted Basic Own Funds, with the exceptions of €24.0m subordinated debt that are recognised as Tier 2 capital.

The SCR coverage ratio as at 31 December 2019 is 156% i.e. eligible Funds divided by SCR. The SCR coverage ratio has increased from 137% at 31 December 2018 to 156% at 31 December 2019 which is primarily driven by the reduction in the SCR from the de-risking of the balance sheet through the settlement of claims and favourable claims development over the year. This was partially offset by a reduction in own funds, which was mainly driven by the payment of a dividend of €6.8m from Bothnia to Compre Group. The table below sets out the SCR by risk for Bothnia for the year ending 31 December 2018 and 31 December 2019.

Bothnia Solvency Capital Requirement €'m	2019	2018
Non-Life Underwriting	34.4	47.0
Market	9.4	11.2
Counterparty Default	6.6	6.9
Diversification	(5.9)	(10.2)
Basic SCR ("BSCR")	**44.4**	**54.9**
Operational	5.4	4.8
LACDT	(3.1)	(2.4)
SCR	**46.8**	**57.3**

The reserve risk sub-module (i.e. a component of the Underwriting risk) has the highest impact on the overall SCR of Bothnia and makes up 62% of Bothnia's undiversified SCR. The non-life underwriting risk reduces from 2018 to 2019 in line with the reduction in net claims provision. The material lines of business to which Bothnia is exposed to are outlined in section 5.2.

5.3.6 Own Risk and Solvency Assessment

The Solvency II regime requires an annual ORSA process. The ORSA forms part of a re/insurance company's Risk Management Framework. One key purpose of preparing an ORSA is to identify plausible threats to a satisfactory financial condition, actions that lessen the likelihood of those threats, and actions that would mitigate a threat if it materialised.

Bothnia provided me with the 2019 ORSA approved by Bothnia's board of directors (the "Bothnia Board") though I have not repeated the detail in this Report. The ORSA is useful in terms of understanding the risks inherent in the business and the stability of the capital position over time on a central scenario and a range of adverse sensitivities and scenarios. The 2019 ORSA used the financial position at 31 December 2018 as the base position for projection purposes. I will update the projections in the Supplementary Report for the 2020 ORSA projections, if available at that time.

The table below sets out the projected solvency coverage of Bothnia over the projection period to 31 December 2022 for the base case business plan projections.

Bothnia Projected SCR Coverage €'m	2020	2021	2022
Total Assets	273.3	282.6	292.9
Technical Provisions	196.3	202.2	208.9
Other Liabilities	33.8	34	34.2
Excess Assets over Liabilities (tier 1 capital)	43.2	46.4	49.8
Subordinated Loans (tier 2 capital)	24	24	24
Eligible Funds to meet SCR	67.2	70.4	73.8
SCR	**56**	**58.7**	**61.5**
SCR Coverage	**120%**	**120%**	**120%**
Surplus Own Funds	**11.2**	**11.7**	**12.3**

In determining the above projections, Bothnia combines an understanding of the deal pipeline, key projects and past outcomes to help to ensure that business plan assumptions are realistic.

The plans allow for new acquisitions over the projection horizon which add total net Technical Provisions of €78.8m to the Balance Sheet. The Technical Provisions in the table above include the run-off of existing and newly added portfolios.

The plans include total dividend payments of €1.0m in 2020, and thereafter the projected dividend payments are such that the SCR coverage ratio equals 120% over the projection horizon.

The regulatory view of capital is expected to be comfortably in excess of 100% over the planning time horizon. Furthermore, the stress testing summarised in the table below, does not raise significant concerns regarding the resilience of Bothnia to withstand the economic impact of shocks over the planning horizon.

Bothnia Impact of Stress Tests €'m	Impact on Own Funds	Impact on SCR Ratio (percentage points)
Net Technical Provisions up 20%	(31.0)	(67.0)
Risk free yield curves decrease 150 bps	(10.3)	(33.0)
Credit spreads widen 150bps	(4.0)	(7.0)
Risk Free Curve - 150bps and credit spreads +75bps	(12.5)	(36.0)
Default of Nordea Bank and Bank of New York Mellon - 50% LGD	(16.7)	(28.0)
Risk Free - 400 bps and Spreads +800 bps	(68.1)	(125.0)
Net TPs +10%, Bond values -10%	(34.5)	(67.0)
Net TPs +52%	(78.3)	(137.0)
Bond values -45%	(78.3)	(137.0)

Bothnia has completed nine stress tests, which include 5 forward stress tests and 4 reverse stress tests. The stress tests compare the Solvency II balance sheet impact of the stress event on the level of Own Funds and the SCR coverage ratio as at 31 December 2018.

Stress numbers 6 and 7 were calibrated to be significantly more severe than stresses 1 to 4 and are included for information purposes. Stresses 8 and 9 have been calibrated to exhaust own funds and are more severe than 1-in-200.

With the exception of the reverse stresses Bothnia has sufficient available capital to withstand all of the selected stresses. Under all of the scenarios, Bothnia would retain adequate assets to cover the Best Estimate and the Technical Provisions, so that adequate resources would exist for Bothnia to commute its liabilities into another risk carrier.

5.4 Reinsurance

Bothnia's business wholly comprises acquired re/insurance portfolios that are in run-off, and its reinsurance programme comprises those outwards reinsurances that were acquired by or transferred to Bothnia at the same time as Bothnia acquired the gross liabilities.

Bothnia entered into an intra-group reinsurance arrangement with London & Leith Insurance PCC SE ("LLSE"), a Compre Group Maltese risk carrier, in Q3 2018 whereby Bothnia cedes 100% of distinct portfolios. The Transferring Policyholders liabilities were ceded to LLSE on 31 December 2019 and this reinsurance arrangement will continue post-transfer. The premium due to be paid from Bothnia to LLSE is held by LLSE on a collateralised basis to minimise Bothnia's counterparty exposure to LLSE.

5.5 Risk Profile and Management

5.5.1 Capital Policy and Risk Appetite

The Compre Group Capital Management Policy applies to all of its subsidiaries including Bothnia. The objectives in managing its capital are:

- To document how members of the Compre Group are capitalised to meet both their and the regulator's requirements in terms of capital;
- To describe the process of monitoring and review of capital levels; and
- To describe the framework for preventing and/or rectifying appropriately any capital shortfall in an orderly way.

As part of the ORSA process, CHL assesses compliance of the Compre Group members with the capital management policy on a continuous basis. They have defined thresholds and specific actions upon the breach of a threshold, as follows:

Threshold	Action
> 120% SCR	Monitor capital levels quarterly
110% - 120% SCR	Confirmation that Solvency ratio is expected to return normally to above 120% in next two quarters otherwise a detailed analysis of all possible actions to ensure capital coverage exceeds 110% of SCR.
100% - 110% SCR	Analysis of possible actions to ensure the solvency ratio exceeds 110%. Board to agree the action to implement.
< 100% SCR	Emergency board meeting to be convened to approve immediate action to be taken to restore threshold to above 100%

Bothnia conducts its ORSA which covers its overall solvency needs, considering the current and future business plan, risk profile, overall business strategy and approved risk appetite and tolerance limits.

In order to ensure the risk appetite remains aligned with Bothnia strategy, risk appetite and risk policies are reviewed annually and updated as part of the ORSA process.

5.5.2 Risk Overview

Bothnia is exposed to a range of risks as highlighted in the 2019 SFCR The principal risks and uncertainties it faces are identified as follows:

- Underwriting risk - Bothnia manages this risk through its claims handling process, reserving governance including documented policy and processes, quarterly actuarial reserve review, periodic external actuarial peer review and its reinsurance arrangements.
- Market risk – Bothnia manages this risk through continuous monitoring, asset / liability matching and rebalancing of the investment portfolio.
- Credit risk - Bothnia's Credit, Investment and Reinsurance Risk Policies set out procedures to mitigate exposure to credit risk, including monitoring and reporting of breaches.
- Liquidity risk - It is Bothnia's policy that all funds are held in cash or in readily marketable fixed income securities.
- Operational risk – Bothnia manages operational risk through the three lines of defence governance model (risk ownership, risk control and risk assurance).
- Acquisition risk – This is not identified within the Standard Formal SCR and is the risk associated with lack of or unsuitable acquisitions. Bothnia manages this risk through due diligence, financial modelling and detailed integration programmes.
- Regulatory risk – Another risk not included in the SCR. Bothnia manages this risk through external advice where necessary, recruitment in compliance function, processes to ensure timely submission of regulatory returns and regular circulation of regulatory updates.
- Reputational risk – Another risk not included in the SCR. Bothnia manages this risk through use of PR agencies and staff training including reinforcement of the Compre Group values.

Bothnia carries out a number of tests to assess the above risks including stress testing, sensitivity analysis, "Own View" analysis and SCR analysis. Bothnia has determined its SCR using the Standard Formula which broadly reflects the key risks Bothnia is exposed to.

5.5.3 Risk Management Framework

Bothnia has a well-established governance framework that complies with the requirements under Solvency II, taking into account the nature, scale and complexity of the risks inherent in its business.

The Bothnia Board has the responsibility for setting and monitoring adherence to the strategy and risk framework and is made up of four executives and one non-executive. The duties and responsibilities include:

- To oversee overall business performance of Bothnia;
- To set business objectives and strategy and ensure that the objectives are met;
- To set and monitor adherence to the risk strategy, risk appetite and risk management framework; and
- To monitor and ensure that SCR and MCR requirements are met by Bothnia at all times.

The Bothnia Board has established a risk management model that separates the business's risk management responsibilities into "three lines of defence."

The Company generally operates with a three lines of defence model.

- The first line of defence owns and manages risks, and is responsible for implementing internal control measures to ensure compliance with all applicable laws and regulations.
- The second line of defence comprises of the Compliance and Risk functions. They are responsible for:
  - Developing risk management frameworks and policies;
  - Identifying, assessing and communicating known and emerging issues and risks;
  - Identifying shifts in the Company's risk profile;
  - Communicating compliance and regulatory risk scenarios;
  - Assisting management in developing processes and effective controls to manage risks;
  - Monitoring the implementation of risk management processes and internal controls;
  - Monitoring the adequacy and effectiveness of internal controls;
  - Providing guidance and training on risk management processes; and
  - Managing the timely remediation of deficiencies.
- The third line of defence is Internal Audit. It is responsible for providing oversight and assurance to the Company.

5.6 Other Legal and Regulatory Matters

Bothnia have confirmed to me that they do not have any open legal disputes which would impact the transfer.

5.7 Operational Arrangements

PartnerRe and Bothnia signed an agreement in November 2019 ("Administration Agreement") agreeing that, subject to CBI approval, Bothnia will be appointed as PartnerRe's agent for the purposes of the administration of the Transferring Portfolio, including the handling of claims.

Under this agreement, the scope of the authority granted by PartnerRe to Bothnia shall include managing, supervising and overseeing PartnerRe's obligations and responsibilities under the Claims Handling Agreements with Nexus. The claims handling agreements in question were entered into by PartnerRe and Nexus for Nexus MGA claims and non-Nexus MGA claims respectively on 25 October 2016.

As a result of this agreement, Bothnia is currently responsible for managing the claims handling for the Transferring Policyholders, and this position will be unchanged as a result of the Transfer. As a result, I expect the Transfer to have no impact on the claims servicing levels of the Transferring Policyholders.

5.8 Treating Customers Fairly

Bothnia is committed to the fair treatment of customers, and to ensure that fair outcomes are delivered to customers. This is primarily achieved through its Compre Services (UK) Limited complaints handling procedures. These are applied in accordance with UK regulatory guidelines, but are applied across all

policyholders, not just individuals and small businesses. The Bothnia Board receives quarterly reports of all customer complaints.

6 The proposed Scheme

6.1 Background and Motivation to the Proposed Scheme

Assuming that the Court approves the Scheme as proposed, PartnerRe's insurance business (as outlined below), supporting assets (including those outwards reinsurance agreements in respect of that business) and liabilities will be transferred under the Scheme.

The non-life insurance business being transferred includes:

- The portfolio of PartnerRe's Wholesale insurance business, predominantly Professional Indemnity and Directors & Officers Liability of Small to Medium Enterprises. It also contains Italian Medical Malpractice.
- All liabilities of the Transferring Policyholders above as at the Effective Date.

The motivation for the Scheme is in line with the CHL's business and strategy i.e. acquisition and management of discontinued insurance and reinsurance business and proactively managing the claims liabilities acquired. Bothnia is used as a vehicle to accept run-off portfolios of re/insurance business.

PartnerRe had previously targeted the retail segment, offering PI insurance for SMEs and specialist professionals such as dentists, brokers, architects etc., distributed via MGAs, principally in Europe. With the strategic repositioning following the acquisition by EXOR, this segment was put into run-off. Some of the MGAs PartnerRe was partnering with had multi-year contracts and continued to write new business until early 2019. The Scheme will provide finality to PartnerRe in relation to the retail segment.

6.2 Licence and Branch Extensions

The process requires a number of approvals from the CBI, the Court, the FIN-FSA and other regulators within the EEA.

Bothnia is currently authorised by the FIN-FSA to service classes in respect of the Transferring Business. Bothnia has received authorisation from the respective supervisors to service the Transferring Business in each of the following Member States France, Ireland, Italy, Spain, Sweden and the United Kingdom on a FoS basis and in the United Kingdom on a FoE basis, for the Transferring Business.

6.3 Transfer of Assets and Liabilities

If the Court approves the Scheme as proposed, the liabilities of the Transferring Policyholders and the Transferring Assets will be transferred to Bothnia from PartnerRe on or with effect from 31 October 2020.

6.4 Continuity of Proceedings

I understand that any judicial, quasi-judicial, disciplinary, administrative, arbitration or other proceedings pending by or against, or commenced by or against, PartnerRe in relation to the Transferring Business

shall, from the Effective Date, be continued by or against Bothnia and Bothnia shall be entitled to any defences, claims, counterclaims and rights of set off that would have been available to PartnerRe.

6.5 Rights and Obligations

Every policyholder who is a holder of a PartnerRe insurance policy being transferred will be entitled to the same contractual rights against Bothnia as he or she may have had against PartnerRe, so there are no changes to the policy terms and conditions as a result of the Scheme.

6.6 Maintenance of Existing Reinsurance Arrangements

The following reinsurance contract will be transferred to Bothnia, and therefore will continue to operate in the same way as currently:

- The ANV MGU Quota Share Reinsurance contract (Risk Reference 560-3-15-00-00) between (1) PartnerRe and (2) ANV Syndicate 1861 in respect of the Binding Authority Agreement between PartnerRe and ANV Global Services Limited (both contracts with UMR B110004580615000).

The reinsurance counterparties will be informed as part of the policyholder communication process. I note that the reinsurance contracts under the Transfer are specific to the Transferring Policyholders, and that all of the clauses in the relevant insurance contracts applicable to the Transferring Policyholders are governed by the laws of EEA states. As the Transfer derives from an EEA-wide process, this Transfer is fully enforceable in all EEA states for all reinsurance contracts governed by the laws of an EEA state.

6.7 LPTA Arrangement

As part of the agreement to transfer the portfolio from PartnerRe to Bothnia, the parties have entered into a LPTA whereby Bothnia has agreed to provide 100% reinsurance of the Transferring Portfolio to PartnerRe. This agreement was signed in November 2019, with an effective date of 1 July 2019.

The reinsurance provided under the LPTA will remain in place even if the Transfer is unsuccessful/does not go ahead, or for part of the Portfolio that would, for any reason, be excluded from the Transfer.

The reinsurance premium was paid into a Custody Account of PartnerRe, from which Bothnia will pay portfolio related reinsurance claims. The Custody Account is pledged to Bothnia under an Account Pledge Agreement.

As part of the LPTA, Bothnia is required to place collateral to the minimum value of 120% of the Agreed Ultimate Loss for the Transferring Portfolio, as agreed between PartnerRe and Bothnia, into the Custody Account.

Upon completion of the Transfer, and subject to an agreed premium adjustment mechanism, the reinsurance related monies held in the Custody Account will be transferred to Bothnia as final consideration for the Transfer.

In the event of Bothnia's insolvency, the LPTA will terminate and the funds held in the Custody Account will revert to PartnerRe.

6.8 Administration Arrangements

Until completion of the Transfer, PartnerRe has appointed Bothnia as its agent to manage the existing Transferring Policyholders related Claims Handling Agreement between PartnerRe and Nexus.

From discussion with Bothnia, I understand that post-Transfer, Bothnia intends to continue using Nexus for managing the claims handling for the Transferring Policyholders. As a result of this I expect the Transfer to have no impact on the claims servicing levels of the Transferring Policyholders.

6.9 Costs of the Proposed Scheme

The costs and expenses incurred in connection with the preparation of the Scheme and application of the sanction of the Scheme, including the costs of this Report and complying with the Order made by the Courts arising from the Directions hearing or the Sanctions Hearing will be met by the shareholders of Bothnia.

No costs or expenses shall be borne by any policyholder of either Bothnia or PartnerRe.

6.10 Effective Date

The effective date of the Scheme is expected to be 31 October 2020.

6.11 The Approach to Communication with Policyholders

Section 13 of the 1909 Act requires that for the transfer of life insurance business, unless the Court otherwise directs, certain materials must be transmitted to the Policyholders.

While I understand that there is no equivalent legal requirement in the transfer of a non-life insurance business, it is proposed, by the Scheme Companies, the Notification Letter will be provided to the MGA's and any relevant reinsurers. The Notification Letter will also confirm the date the Sanctions Hearing will take place.

Notice of the proposed Transfer will also be placed in Iris Oifigiúil, the Irish Independent, the Irish Examiner and the Financial Times (International Edition), and in accordance with the local law requirements in Austria, Belgium, Bulgaria, Republic of Cyprus, Croatia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovenia, Spain, Sweden, the UK, Iceland, Norway and Gibraltar (being the Member States where risks are situated in this instance), to the extent required by the laws of those Member States. In addition, the Petition (with Scheme annexed thereto) and this Report will be available free of charge to any policyholder of the Scheme Companies or any person having sufficient interest in the Transfer, who requests such copies and to any relevant parties on the Compre Group website, the PartnerRe website and at the registered offices of each of the Scheme Companies.

In addition to the proposed notifications outlined above, the notice will be published in certain additional medical journals widely read in Italy to ensure that notice of the Transfer is brought to the attention of the Italian Transferring Policyholders.

Given my findings above and with the agreement / non objection of the CBI, the FIN-FSA and any other relevant supervisory authority and the Court, I am comfortable with this communication approach.

6.12 Operational Plans and Changes in Assets and Liabilities up to the Effective Date

I expect that the current activities of PartnerRe and Bothnia will continue between 31 December 2019 and the Effective Date. PartnerRe and Bothnia will continue to manage their respective portfolios settling claims and reassessing reserves in the light of experience. I do not consider that any material additional risk to the Policyholders will emerge as a result of the continuation of normal business.

6.13 What Would Happen Were the Scheme Not to Proceed?

If the Scheme is not sanctioned the Transferring Policyholders would remain with PartnerRe and would continue to be administered in the same way as it is currently. The reinsurance provided under the LPTA will remain in place even if the Transfer is unsuccessful/does not go ahead, or for part of the Portfolio that would, for any reason, be excluded from the Transfer. I have shown in section 4.3.5 and 4.3.6 that the policyholders of PartnerRe currently benefit from the security afforded by a sufficiently capitalised company and this will not change if the Scheme is not sanctioned.

If the Scheme is not sanctioned, Bothnia would likewise continue to operate as currently. I have shown in section 5.3.5 and 5.3.6 that the policyholders of Bothnia currently benefit from the security afforded by a well-capitalised company and this will not change if the Scheme is not sanctioned.

7 General considerations of the proposed Scheme

7.1 Introduction

Whilst no guidance exists in respect of the transfer of non-life business in Ireland, in compiling my Report I have had regard to Actuarial Standard of Practice LA-6 "Transfer of long-term business of an authorised insurance company – role of the Independent Actuary", to the extent I have determined relevant in the context of a non-life transfer.

In particular, I have determined that I need to give my views on:

- The effect of the Scheme on the security of the Policyholders' contractual rights, including the likelihood and potential effects of the insolvency of the insurer; and
- The likely effects of the Scheme on Policyholder servicing levels (e.g. claims handling).

7.2 Policyholders Affected

I have considered the effects of the Scheme on three main groups of policyholders, together the Policyholders (as defined above), namely:

- The policyholders of PartnerRe whose policies are to be transferred to Bothnia, being the Transferring Policyholders;
- The Remaining Policyholders of PartnerRe; and
- The Existing Policyholders of Bothnia.

7.3 Materiality

After considering the effects of the Scheme on each group of Policyholders, I have concluded whether I believe the Scheme will materially adversely affect the Policyholders. It should be recognised that the Scheme will affect different Policyholders in different ways, and, for any one group of Policyholders, there may be some effects of the Scheme that are positive, and others that are adverse. If some effects of the Scheme are adverse, that does not necessarily mean that the Scheme is unreasonable or unfair, as those adverse effects may be insignificant, or they may be outweighed by positive effects.

In order to determine whether any effects of the Scheme on any group of Policyholders are materially adverse it has been necessary for me to exercise my professional judgement in the light of the information that I have reviewed.

When assessing the financial security of the Policyholders, I have looked at the solvency position of the companies involved in the Scheme, on both pre and post-Transfer bases, relative to regulatory solvency requirements. It should be noted that a company may have capital considerably in excess of its regulatory requirements, but that the board of directors of a company could legitimately reduce that level of capital (for example through the payment of dividends) and still leave the company appropriately capitalised. In circumstances where the Scheme has adversely affected the financial security of a group

of Policyholders, in order to determine whether that impact is material, I have considered whether the degree of financial security afforded after the Transfer would have been acceptable and permissible before the Transfer had taken place. I would determine that any adverse impact to a particular group of Policyholders is material if the level of financial security afforded to them after the Transfer would not have been acceptable under the normal constraints under which the company's capital position was managed before the Transfer.

7.4 Security of the Policyholders' Benefits

In considering and commenting upon Policyholder security I shall consider the financial strength of each entity. Financial strength is provided by adequacy of Technical Provisions, by the shareholder capital and by any specific arrangements for the provision of financial support. In considering the Policyholders' security it is also necessary to take into account the potential variability of future experience. Security is also affected by the nature and volume of future acquisition of run-off portfolios.

The main factors that determine the risks to which a Policyholder is exposed are:

- Size of company;
- Amount of capital held, other calls on that capital and capital support currently available to the company;
- Reserve strength;
- Investment strategy;
- Mix of business written; and
- Company strategy – for example, whether it is open or closed to new business.

I also need to consider the impact on the Policyholders' security in the event of the default of an insurer (and the role of financial compensation schemes).

7.5 Levels of Service Provided to the Policyholders

I have considered the impact of the Scheme on levels of service provided to the Policyholders, including those resulting from changes in administration, claims handling and expense levels.

Furthermore, I have considered the proposals in the context of applicable conduct rules/regulation, e.g. the fair resolution of complaints between an insurer and its customers (policyholders).

7.6 Other Considerations

APS LA-6 also requires the Independent Actuary to consider the likely effects of the Scheme on matters such as investment management, new business strategy, administration, expense levels and valuation bases insofar as they might affect the ability of companies to meet the reasonable expectations of policyholders. It also requires the Independent Actuary to consider the cost of the Scheme and the tax effects of the Scheme insofar as they might impact on the security of Policyholders' contractual rights. I have given consideration to all of these items to the extent I have determined them to be relevant in the context of a non-life Transfer.

7.7 Development of the Scheme

In the following sections I comment on the Scheme as it will be presented to the Court.

8 Impact of the Scheme

8.1 Introduction

I have considered the proposed scheme and its likely effects on the following groups of Policyholders:

- the Transferring Policyholders;
- the Remaining Policyholders; and
- the Existing Policyholders.

The main issues affecting the Policyholders as a result of the Scheme arise from relative differences in:

- The financial strength of Scheme Companies after the Transfer compared with that currently. Financial strength is derived from:
  - The strength of the reserves held;
  - Excess assets or capital; and
  - Specific financial support arrangements.
- The risk exposures in Bothnia compared with those in PartnerRe; and
- The policy servicing levels provided by Bothnia after the Transfer compared with those currently enjoyed by the policyholders of Bothnia.

In this section I address each of the issues.

8.2 Security of Policyholders' Benefits

Aspects of the business and the Scheme which could impact on the security of Policyholders' benefits and should therefore be considered when reviewing the Scheme include:

- Financial security following implementation of the Scheme for the different groups of Policyholders through consideration of the regulatory capital position.
- Other elements impacting on financial security involves consideration of:
  - Business planning outlook;
  - Stress and Scenario tests on a plausible basis to understand how robust the regulatory capital position is to such tests;
  - Whether the different groups of Policyholders are faced with new risks arising from the Scheme; and
  - Quality of capital including any capital support arrangements.
- External reviews / audit findings on material areas.
- Continuation of reinsurance arrangements and any potential issues with reinsurance counterparties.

- Other elements including custody of assets, compensation schemes; CHL financial support; and any other aspects worthy of consideration e.g. expenses, outsourcing etc.

8.2.1 Remaining Policyholders – Financial Security

In assessing the impact of the Transfer on the Remaining Policyholders, I reviewed PartnerRe's assessment of the impact of the Transfer on its SCR coverage ratio, based on figures at 31 December 2019:

- Own funds are expected to increase by €1.7m as a result of the Transfer, arising from a deferred gain from the LPTA transaction; and
- The counterparty risk charge of €4.2m post diversification, that was established in recognition of the exposure to Bothnia arising from the LPTA, will no longer be required post-Transfer.

PartnerRe identified these as the two main impacts on the SCR coverage ratio, with the combined effect of these two impacts leading to an increase in the SCR coverage ratio of approximately 16%, from 176% to 192%. I note that the SCR coverage of 192% may not be maintained as PartnerRe would likely continue to operate within its RAS releasing capital from the business in excess of the SST of 170%.

PartnerRe expects the Transfer to have other secondary impacts, such as interest rate, spread risk and currency risk, which were not quantified as part of their analysis but which are expected to lead to a further increase in the SCR coverage ratio.

The following table outlines the results of PartnerRe's analysis:

PartnerRe Impact of Transfer €'m	Pre-Transfer	Post-Transfer
SCR	58	54
Own Funds	102	104
Surplus Own Funds	44	50
Solvency II Ratio	**176%**	**192%**

I note that the security of the Remaining Policyholders will be improved when measured on a solvency II regulatory capital basis as a result of the Transfer.

I also considered PartnerRe's assessment of the key risks within their ORSA and the short and long term scenario tests and reverse stress tests. The solvency capital position is shown to be robust under a range of scenarios considered with the only scenario considered by the Company to lead to a breach of the solvency capital position being a default scenario on the inter-group reinsurance.

Based upon my review of PartnerRe's financial information I have no cause to doubt the reasonableness of the solvency coverage as at 31 December 2019 or the projected solvency coverage and I therefore conclude that the Remaining Policyholders security would not be adversely impacted by the proposed Scheme.

8.2.2 Existing Policyholders – Financial Security

In assessing the impact of the Transfer on the Existing Policyholders, I have reviewed Bothnia's assessment of the impact of the Transfer on the SCR coverage ratio, based on figures at 31 December 2019:

- The SCR will reduce marginally following the Transfer. The impact is marginal, rather than being more significant, as the LPTA has been in place during 2019, and has led to the economic transfer of the business at that point. In effect, the Existing Policyholders are already financially exposed to the financial performance of the Transferring Policyholders, regardless of whether or not the Transfer takes place; and
- The Surplus Own Funds increases as a result of the Transfer. The reason for this is a change in the treatment of the Transferring Policyholders within Bothnia's solvency calculations as a result of the Transfer, as follows:
  - Before the Transfer takes place, the Transferring Policyholders are covered by Bothnia under the LPTA. As the assets used to support the Transferring Policyholders are held in an account by PartnerRe, the assets supporting the Transferring Policyholders liabilities are treated as a ring-fenced fund. The effect of this is that there is no allowance made for diversification between the Transferring Policyholders and Bothnia's other business.
  - After the Transfer takes place, the Transferring Policyholders are assumed into Bothnia's business and the solvency calculations allow for diversification between the Transferring Policyholders and Bothnia's other business, which reduces the SCR requirement. In effect the Existing Policyholders benefit from a more diversified portfolio of business after the Transfer.

The following table outlines the results of Bothnia's analysis:

Bothnia - Impact of Transfer €'m	Pre-Transfer	Post-Transfer
SCR	**46.9**	**45.8**
Own Funds	73.1	76.3
Surplus Own Funds	26.3	30.5
Solvency II Ratio	**156%**	**167%**

I note that the security of the Existing Policyholders will be improved when measured on a solvency II regulatory capital basis as a result of the Transfer.

I also considered Bothnia's assessment of the key risks within their ORSA and the scenario and reverse stress testing. The solvency capital position is shown to be robust under a range of scenarios considered.

Based upon my review of Bothnia's financial information I have no cause to doubt the reasonableness of the solvency coverage as at 31 December 2019 or the projected solvency coverage and I therefore conclude that the Existing Policyholders security would not be adversely impacted by the proposed Scheme. I note that the SCR coverage of 156% pre-Transfer may not be maintained as Bothnia would likely continue to operate within its RAS, irrespective of whether the Transfer was Sanctioned by the Court, releasing capital from the business in excess of the SST of 120%.

8.2.3 Transferring Policyholders - Financial Security

In assessing the impact of the transfer on the Transferring Policyholders, I reviewed the position of the Transferring Policyholders before and after the Transfer. The impact on the financial security of the Transferring Policyholders, using the SCR coverage ratio analysis of the Scheme Companies as 31 December 2019, is as follows:

- Pre-Transfer: The Transferring Policyholders are in a company with surplus own funds of €44m and an SCR coverage ratio of 176%.
- Post-Transfer: The Transferring Policyholders will be in a company with surplus own funds of €30.5m and an SCR overage ratio of 167%.

The Transferring Policyholders will be in a company with an SCR ratio of 167% after the Transfer, which is well in excess of the regulatory coverage requirement. The following table shows the impact of the Transfer on the SCR coverage ratios:

Transferring Policyholders - Impact of Transfer €'m	Pre-Transfer	Post-Transfer
SCR	**58.3**	**45.8**
Own Funds	102.3	76.3
Surplus Own Funds	44.0	30.5
Solvency II Ratio	**176%**	**167%**

Based on the calculations shown above Bothnia post-Scheme is expected to remain well capitalised and the Transfer has a limited impact on the financial security of the Transferring Policyholders, using the SCR and Surplus Own Funds as a measure of security.

As noted above the SCR coverage of 167% post-Transfer may not be maintained as Bothnia would likely continue to operate within its RAS releasing capital from the business in excess of the SST of 120%. While the level of capital coverage is lower in Bothnia than in PartnerRe, the level of anticipated solvency coverage in Bothnia after the Transfer is in excess of the regulatory requirement. I note that the regulatory SCR coverage requirement is calibrated at the level of a one in 200 year event, and as a result a coverage ratio of 120% implies that a very extreme event (i.e. more than one in 200 year) would need to occur for the capital to be exhausted.

In addition to the regulatory capital buffers, Bothnia has risk management processes in place to manage the risks to which the company is exposed. I considered Bothnia's assessment of the key risks within its ORSA and the scenario and reverse stress testing. Bothnia's solvency position is projected in their ORSA to be 120% over time and to continue to meet its regulatory capital requirements and internal capital targets in a wide range of adverse scenarios.

Based upon my review of Bothnia's financial information I have no cause to doubt the reasonableness of the solvency coverage as at 31 December 2019 or the projected solvency coverage and I therefore conclude that the Transferring Policyholders security would not be adversely impacted by the proposed Scheme.

Inter Group Reinsurance

I note that the liabilities in respect of the Transferring Policyholders are 100% reinsured to a Compre Group company LLSE. As a result, the security of the Transferring Policyholders is impacted by the financial security of this company. Bothnia provided me with a pro-forma calculation outlining the financial security of LLSE at 31 December 2019, and the impact had the Transfer taken place at that date.

The following table sets out the position of LLSE both before and after the Transfer:

LLSE - Impact of Transfer €'m	Pre-Transfer	Post-Transfer
SCR	**48.7**	**48.7**
Own Funds	65.6	65.6
Surplus Own Funds	16.9	16.9
Solvency II Ratio	**135%**	**135%**

I conclude from the pro-forma provided that the Transfer has no impact on the SCR coverage ratio of LLSE. The reason for this is that LLSE is already reinsuring the Transferring Policyholders before the Transfer and there is no change to this arrangement after the Transfer. For the Transferring Policyholders the available funds to meet liabilities will include excess funds at Bothnia reinsurer i.e. €16.9m which is in addition to surplus own funds of €30.5m held by Bothnia.

Other Policyholder Protections

Pre-Scheme, were Bothnia to become insolvent, the Transferring Policyholders would continue to benefit from the remaining assets of PartnerRe.

Post-Scheme were Bothnia to become insolvent, the Transferring Policyholders would not have any recourse to PartnerRe. This would appear to be a potential disadvantage of the Scheme from the point of view of the Transferring Policyholders. However, given the reserve strength and the level of excess assets within each company, the insolvency of either Bothnia or PartnerRe would presently appear to be a remote possibility, and one that would not be materially affected by the Scheme.

I also set out in section 3.6 that in the remote event of insolvency or administration I believe that Irish and Finnish winding up regulations are sufficiently similar so as not to disadvantage the Transferring Policyholder.

Conclusion – I am satisfied that the Scheme will not have a materially adverse impact on the financial strength for the Transferring Policyholder, the Remaining Policyholders in PartnerRe and the Existing policyholders of Bothnia compared to both their current position and their projected position at the Effective Date.

8.2.4 Change in Risk Exposure

If the Scheme is sanctioned, the Transferring Policyholders will become part of a smaller re/insurance Group and will be exposed to the risks of the existing business of Bothnia.

There are differences between the risk exposures in PartnerRe relative to those in Bothnia, in particular relating to the types of business written and investments held.

PartnerRe's has a multi-class insurance portfolio with worldwide risks with multi-national access. The Company actively underwrites non-life business within its six main lines of business: aviation, energy, property, engineering, marine and casualty as well as, marginally, credit and agriculture.

Bothnia forms part of Compre Group, a leading European insurance legacy specialist with over 30 years' experience in the acquisition and management of insurance and reinsurance companies and portfolios in run-off. Bothnia continues to expand its business and is actively seeking opportunities across Europe to further acquire companies and/or portfolios.

If the Scheme is sanctioned, the Transferring Policyholders will be in a company that is part of a smaller insurance group and exposed to a greater level of reserve run-off risk. It will also become exposed to

future acquisition risks, discussed in more detail in section 5.5, as the future strategy, business plan and financial position of Bothnia may impact the security of Transferring Policyholders' benefits.

On the other hand, the Transferring Policyholders will benefit by being part of a company which specialises in the run-off of insurance portfolios. Bothnia has shown to have a stable run-off of insurance liabilities over the past number of years and as it does not write new business will have a lower exposure to catastrophic events or large event losses discussed in section 4.3.2.

I have considered the change in risk profile and am satisfied that the ORSA stress testing demonstrated that Bothnia, with additional legacy re/insurance portfolios, is sufficiently resilient to these risks.

Based on my review of changes in risk exposures as outlined above, the Scheme creates both potential positives and negatives for the Transferring Policyholders. Nonetheless, given the financial strength of Bothnia, as discussed and shown above, I do not consider that the Transferring Policyholders will be materially adversely affected by the changes in risk exposures.

Conclusion - I am satisfied that, although the proposed Scheme will lead to a change to the risk exposures of the Transferring Policyholders, the Existing Policyholders and the Remaining Policyholders, this will not have a materially adverse impact on the security of the Policyholders' benefits.

8.3 Policy Servicing, Information Systems, Governance, Internal Controls and Other Matters

In relation to the Scheme the guiding principles adopted by CHL in respect of policy servicing, information systems, governance structures and internal controls are that no changes, so far as possible, arise as a result of the Scheme. The following paragraphs set-out the results of my (non-financial) analysis (as at the date of this Report) for each of these key areas.

8.3.1 Policy Servicing

The Transferring Policyholders should experience little, if any, change to the policy servicing arrangements as a result of the Scheme, insomuch that the policyholder and claims administration is carried out by Nexus. There is expected to be no change to this if the Court sanctions the Scheme.

The Transferring Policyholders are currently subject to the conduct of business regulations, including consumer protection rules, as imposed by the CBI. If the Scheme is sanctioned the Transferring Policyholders will become policyholders of a Finnish entity and the FIN-FSA will oversee the compliance with its conduct laws and regulations. As both the CBI and the FIN-FSA have both implemented relevant EU Directives, we do not expect there to be a material change in the regulation that applies to how the Transferring Policyholder are treated and how business is conducted.

8.3.2 Information Systems

PartnerRe, together with its MGAs and Third Party Claims Managers use a mixture of bespoke and 'off the shelf' information technology (IT) systems for the management of polices, claims and customer information (and the passing of such information between them) that are the subject of the Scheme. However, notwithstanding that each party may have a slightly different IT system, all of the original policy and claims information is provided to PartnerRe by its MGAs and Third Party Claims Managers (respectively) by way of a standard form bordereaux in basic Microsoft Excel spreadsheet format (with

MGAs showing their policy placement for the preceding month; and the Third Party Claims Managers showing details of all claims activity for the preceding month), which is easily readable/useable by all parties. These monthly Microsoft Excel spreadsheet policy/claims bordereaux are then passed on to (and constitute the original / reference data used by) Bothnia in relation to its assessment of the Portfolio the subject of the Scheme. Again, given this standard format, this information is easily readable/useable by Bothnia.

8.3.3 Governance

The governance structures of both PartnerRe and Bothnia comply with the Solvency II requirements and both operate with a three lines of defence model. Based on my (non-financial) analysis, I am satisfied that the structure and operation of corporate governance at Bothnia (post-Scheme) as planned is reasonable and the Transferring Policyholders will not be adversely impacted by the Scheme.

8.3.4 Limitation on Review of Change in Policy Servicing due to the Scheme

It should be noted that for all the systems, processes and policies outlined above, my views are based on the assumption that they will operate as intended (now and in the future) and I have no grounds for believing they will not do so. Fundamental to the satisfactory on-going operation of the above systems, processes and policies is the Internal Audit function and the tests it performs to ensure they operate as intended.

The administration of the existing business of Bothnia will be unchanged as a result of the Scheme. Bothnia is subject to FIN-FSA conduct rules on policy servicing (including claims handling). In relation to the Scheme, there would not be a change in the conduct regulation that applies to how the existing policyholders of Bothnia are treated.

8.3.5 Liquidity and Transfer of Assets / Liabilities

On the Effective Date, all the assets and liabilities of the transferring portfolio will be assigned to Bothnia in Finland. As a result of the Scheme I do not anticipate any material change to the liquidity position of Bothnia. I therefore conclude that the liquidity position of Bothnia is not likely to be adversely affected as a result of the Scheme.

8.3.6 Impact on Reinsurers

It is proposed under the Transfer that the reinsurance arrangements be included and will therefore automatically transfer from PartnerRe to Bothnia and continue to protect the Transferring Policyholders. I note that the reinsurance contracts under the Transfer are specific to the Transferring Policyholders, and that all of the clauses in the relevant insurance contracts applicable to the Transferring Policyholders are governed by the laws of EEA states. As the Transfer derives from an EEA-wide process, this Transfer is fully enforceable in all EEA states for all reinsurance contracts governed by the laws of an EEA state, and as such CHL is of the view that all of the reinsurance contracts relevant to PartnerRe will transfer by virtue of the Transfer.

The amount of the liabilities of each reinsurer of PartnerRe or Bothnia will not change as a result of the Transfer. For this reason, I do not consider the existing reinsurers to be materially impacted by the Scheme.

8.3.7 Expenses

Other than the initial costs of the Scheme, the ongoing expenses of Bothnia are not expected to change after the Scheme. I therefore conclude that the Policyholders are not likely to be adversely affected by a change in ongoing expense levels as a result of the Scheme.

8.3.8 Tax

I am informed that the Scheme is not expected to have tax implications that would materially adversely affect any Policyholders impacted by the Transfer under the Scheme.

I have therefore assumed that the Scheme will not give rise to a tax liability of a material amount (in the context of transferring assets).

8.3.9 Operational Plans up to Effective Date

Based on the information provided to me by CHL on the planned activities of the Compre Group, I believe that it is unlikely that any events occurring between 31 December 2019 and the Effective Date would affect any conclusion that I reach based on my review as at 31 December 2019.

A short time before the final Court hearing, I will consider the extent to which the operational plans of Bothnia and PartnerRe have altered (relative to the position at the Date of this Report) and the actual changes in assets and liabilities (relative to the position as at 31 December 2019) and hence whether there have been any changes (including those associated with current economic conditions) that would affect my overall opinion, and if necessary, I will report on these separately.

Conclusion – I believe that, provided the on-going continuance of the systems, processes and policies operate as intended, and I have no grounds for believing they will not do so, the proposed Scheme will not have a materially adverse effect on the policy servicing levels enjoyed by the Transferring Policyholders, the Existing Policyholders and the Remaining Policyholders compared to both their current position and their projected position at the Effective Date.

Appendix 1 - Data

In addition to a number of telephone conversations, email exchanges and meetings I have received a large amount of information. A summary of the key documents is shown below:

PartnerRe

Document Type	File Name
Financial Statements	— 2019 PRIIdac Financial Statements r290.pdf — Signed PRIID FS 2018.pdf — PartnerRe Ireland Insurance dac_31 Dec 2017.pdf — PartnerRe Ireland Insurance dac 2016- signed financial statements.pdf
ORSA and Risk	— PRIIdac ORSA 2019 final.pdf — PRIIdac Risk Assessment v2.0.pdf — PRESE PRIIdac ERM Framework Document v4.pdf — PRIIdac Risk Appetite Framework v2.1.pdf
Project Orange	— Sale of the Wholesale Portfolio.pdf
Reserves	— Actuarial Opinion on TPs PRIIL 2019 draft v0.2.pdf — PRIIdac NL HOAF report Q4 2018 Final.pdf — PRIIdac NL HOAF report Q4 2017 FINAL.pdf — WTW_Final PRIIdac SII Peer Review 31Dec2018_Report (002).pdf
Solvency II	— PRIIdac SFCR 2019 r257.pdf — 2018 SFCR.pdf — C37529_20191231_SolvencyIIQuarterlyReturn_Individual - PRIIdac Q4 2019.xlsx — C37529_20181231_SolvencyIIAnnualReturn_Individual.xlsx — C37529_20171231_SolvencyIIAnnualReturn_Individual.xlsx — C37529_20161231_SolvencyIIAnnualReturn_Individual.xlsx

Bothnia

Document Type	File Name
Financial Statements	— Bothnia Financial Statement and Auditor Report 2018 English translation.pdf
ORSA and Risk	— FINAL Bothnia ORSA 2019_Board Approved.pdf — Bothnia ORSA report for 2018.pdf — Compre Group Risk Management Policy 2.0.pdf — Compre Group Capital Management Policy 2.0.pdf
Project Orange	— Orange summary.xlsx — Appendix 1 Claims report Final Pricing.pdf — Appendix 2 Risk Paper.pdf — Appendix 3 Transaction Summary.pdf — Appendix 4 Legal Agreements Summary.pdf
Reserves	— Bothnia – Q4 19 reserve review – FINAL.docx — Compre - PWC reserve review 2019 - Final 23102019.pdf — Compre Group Reserving Policy 2.0.pdf — L&L - Q4 19 reserve review – FINAL.docx — Project Orange Claims Review Final.pdf
Solvency II	— Bothnia - SII report Q4 19 – FINAL.docx — Bothnia Q419.xlsx — Bothnia SFCR 2018 — Bothnia RSR 2018 supporting figures.xlsx

Appendix 2 - Scope

The role of Independent Actuary will be to consider and to report to the Court on the proposed Transfer, primarily from the perspectives of the transferring policyholders of PartnerRe, the remaining policyholders of PartnerRe and the existing policyholders of Bothnia and to opine as to whether any policyholders' interests could be in any way (either directly or indirectly) adversely affected by the proposed Transfer.

In order to form my opinion, we will expect the tasks that will be carried out will include the following:

- Review of existing company documentation (in particular, documentation sent to policyholders);
- Review the proposed Transfer considering the effect on policyholders covering their contractual rights, benefit security, and benefit expectations;
- Review regimes in place for the business from a security of benefit and fair treatment of policyholders perspective;
- Review the status and proposed resolution around policyholder complaint/ data issues;
- Review any changes to reinsurance arrangements in connection with the Transfer;
- Review projected comparative solvency levels and an assessment of the estimated Solvency II SCR coverage for Bothnia before and after the proposed Transfer; and
- Liaise and raise issues and questions as necessary with your advisers, including legal and tax advisers.

We will provide a detailed information request list to you setting out our information requirements.

You agree to provide me with such information as I may reasonably require in order to carry out my role, including providing access to your relevant staff members to deal with questions and queries. You agree to use all reasonable endeavours to ensure that the information you provide is accurate and complete and that any caveats relating to such information are made clear to me.

We will expect to have access to the Head of Actuarial Function or Chief Actuary of both PartnerRe and Bothnia and have access to relevant technical staff in both Companies as appropriate.

We will also review the complete documentation to be sent to policyholders in order to check that everything is in accordance with my understanding of the Scheme.

For the avoidance of doubt, we will not perform any SCR calculation or financial projections and we will be relying on your actuarial and finance functions to provide us with all financial and capital calculations / projections including scenario and stress testing.

Our final deliverable will be the report addressed to the High Court. We will issue drafts of the report at appropriate stages for comment by each of you and your legal advisers. Before finalising the report, we will request and will expect you (or as appropriate your colleagues) and your advisers to confirm in

writing factual accuracy in relation to any facts which we need to rely on and/ or where there is no specific evidence available to us.

The terms of this engagement do not extend to the delivery of legal advice, which you will obtain as required from legal advisers under separate terms and conditions. We will not be responsible for facilitating the supply of legal advice to either or both of you, nor will we be responsible for monitoring or managing the quality or timing of legal or any other advice that either or both of you may obtain from other advisers in connection with matters relevant to the subject of our work. We will have no responsibility or liability in connection with the performance of any other suppliers advising either or both of you.

As indicated above, it is envisaged that, subject to the qualification noted below, our tasks will include the review of the Scheme documentation and the suggestion of drafting changes where appropriate. The qualification in respect of advice on the Scheme documentation is that our advice will be limited to issues of principle relating to actuarial considerations but will not extend to advice on drafting points. We will assist in identifying from the information provided to us areas of uncertainty in the relevant provisions of documentation and suggest amendments for consideration. However, the precise wording of the Scheme documentation is primarily a matter for lawyers and will reflect legal matters outside our expertise. Our comments and suggestions should not be relied upon as being suitable for incorporation into any documentation without further consideration by your legal advisers.

In my capacity as the Independent Actuary, I may receive correspondence from PartnerRe and Bothnia policyholders or policyholder groups but there is no requirement on me to, and it is not expected that I will, enter into any form of communication with such policyholders. Accordingly, I will forward such correspondence to PartnerRe and Bothnia (as appropriate, depending on the insurer with which any relevant correspondent policyholder(s) holds a policy (or policies)). In those circumstances, you agree that each Company and as relevant will, as a minimum, send a letter of acknowledgement to the relevant policyholder(s) indicating that the Independent Actuary has seen their letter and is aware of its contents but is not required to (and will not) respond to it. In addition, if any letters of objection to the proposed Transfer are sent directly to either of you, copies of these letters will be sent to me for my consideration.

Appendix 3 - Curriculum vitae

Noel is a Managing Director in Actuarial Consulting at KPMG and is responsible for heading up the non-life actuarial services practice in Dublin. He is a qualified actuary and has over 20 years' experience in the non-life insurance industry. His recent roles include:

- Responsibility for all actuarial advice in relation to non-life insurance and reinsurance audit clients
- Acting as the Pre-Approval Controlled Function Head of Actuarial Function for Zurich Insurance Plc the only Ultra High PRISM rated entity. ZIP has 12 branches across Europe;
- Noel has previously acted as the Head of Actuarial Function for more than 15 non-life re/insurance entities regulated by the CBI; and
- Carrying out the formal External Reviewing Actuary role to several senior Head of Actuarial Function in Irish regulated entities including Allianz, FBD, Liberty and Vhi.

Noel has carried out a number of major assignments in the Irish market including acting as the Court appointed Independent Actuary for a number of the largest most high-profile non-life insurance portfolio transfers.

He has also been recently engaged by the Department of Business, Enterprise and Innovation to assist in the validation and benchmarking of soft tissue injury claims cost to other jurisdictions. This investigation is based on recommendation from the Department of Finance's Cost of Insurance Working Group.

Prior to joining KPMG, Noel was the Chief Actuary and a member of the senior management team of an international non-life reinsurance company. He was responsible for setting adequate level of reserves, performing the financial reporting function, capital management, setting business plans, managing the actuarial team, pricing personal accident business and assisting the CFO in raising capital by liaising with investment bankers and preparing investor presentations.

Noel began his career as a Pricing Actuary for Aviva Insurance Europe SE – formally Hibernian Insurance Limited. His key responsibilities were to make pricing recommendations to the private motor steering committee, developing and maintaining multivariate pricing models for personal lines business, designing and maintaining multivariate prediction models used to understand the effect rating actions may have on renewal and new business levels and performing return on capital calculations.

He is a member of various subcommittees and working parties of the Society of Actuaries in Ireland.

KPMG

Appendix 4 - Table of Abbreviations

Abbreviation	Meaning
1909 Act	Assurance Companies Act 1909
1989 Ac	Insurance Act 1989
2015 Regulations	European Union (Insurance and Reinsurance) Regulations 2015
AG	AG Assurance sa
APH	Asbestos, Pollution and Health-Hazard
ARTP	Actuarial Report of Technical Provisions
ASP	Actuarial Standard of Practice
Bothnia	Bothnia International Insurance Company Limited
Bothnia Board	Bothnia's board of directors
BSCR	Basic SCR
CBI	Central Bank of Ireland
CHL	Compre Holdings Limited
Court	High Court of Ireland
Delegated Acts	Commission Delegated Regulation (EU) 2015/35 of 10 October 2014
Directive	Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009
Effective Date	PartnerRe's insurance business, incorporating contracts of insurance underwritten by or on behalf of PartnerRe via a PartnerRe Wholesale Managing General Agent will be transferred to Bothnia.
Engagement Letter	KPMG engagement letter dated 6 February 2020
Existing Policyholders	existing policyholders of Bothnia
EXOR	Exor N.V.
FIN-FSA	Finanssivalvonta Finansinspektionen Financial Supervisory Authority
FSCS	Financial Services Compensation Scheme
Generali	Assicurazioni Generali S.p.A
Hannover Re	Hannover Ruckversicherung/Eisen & Stahl
HIR	Hamburger Internationale Rückversicherung
HoAF	Head of Actuarial Function
ICF	Insurance Compensation Fund
IDD	Insurance Distribution Directive
IFSO	Irish Financial Services Ombudsman
KPMG	KPMG Ireland
LPTA	Loss Portfolio Transfer Agreement

LLSE	London & Leith Insurance PCC SE
MCR	Minimum Capital Requirement
MGA	Managing General Agent
Notification Letter	Notification letter, notifying MGA's and the relevant reinsurer of the Transfer and attaching a copy of this Report
ORSA	Own Risk and Solvency Assessment
PartnerRe	PartnerRe Ireland Insurance dac
PartnerRe Board	PartnerRe's board of directors
PI	Professional Indemnity
Policyholders	Transferring Policyholders, Remaining Policyholders and Existing Policyholders
PRCL	Partner Reinsurance Company Ltd
PRESE	Partner Reinsurance Europe SE
PRL	PartnerRe Ltd
RAF	Risk Appetite Framework
RAS	Risk Appetite Statement
Remaining Policyholders	remaining policyholders of PartnerRe
RFP	Ridgwell, Fox & Partners
SAI	Society of Actuaries in Ireland
Scheme Companies	PartnerRe and Bothnia
SCR	Solvency Capital Requirement
SFCR	Solvency Financial Condition Report
SST	Strategic Solvency Target
Transfer	portfolio transfer
Transferring Policyholders	transferring policyholders of PartnerRe
UK	United Kingdom
WTW	Willis Towers Watson