

*Supplementary Report of the Independent Actuary
on the proposed transfer of insurance business from
AmTrust International Underwriters Designated
Activity Company
to
Bothnia International Insurance Company Limited
in accordance with Section 13 of the Assurance
Companies Act 1909*

14 February 2023

Prepared by
Stewart Mitchell FIA
LCP



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1. Executive summary

1.1. The Proposed Transfer

The firms involved

AmTrust International Underwriters Designated Activity Company (AIUD or Transferor) is a non-life insurance company incorporated in Ireland in 1991 and registered under number 169384 and is part of the AmTrust group of companies.

Bothnia International Insurance Company Limited (Bothnia or Transferee) is a limited liability insurance company incorporated in Finland in 1993 and registered under number 0947118-3 and is part of the Compre group of companies.

Pallas Reinsurance Company Ltd. (Pallas Re) is a reinsurance company incorporated in Bermuda and registered under number 55121. Pallas Re currently reinsures the Transferring Business through a 100% quota share reinsurance arrangement with AIUD and is part of the Compre group of companies. It provides an 85% quota share agreement to Bothnia and this will include the Transferring Business post-transfer.

The Transferring Business

AIUD writes a number of insurance classes including a portfolio of French Medical Malpractice (FMM) business providing cover for around 200 French hospitals. The Proposed Transfer (Scheme), in accordance with Section 13 of the Assurance Companies Act 1909, is to transfer all of the FMM liabilities of AIUD (Transferring Business) to Bothnia. All rights and obligations of AIUD relating to the Transferring Business will also be transferred to Bothnia.

The FMM business was placed in run-off by AIUD in 2021, although there remains some unexpired exposure into 2023 due to the mandatory renewals of a number of policies. AIUD wishes to transfer this business as part of its overall plans to improve the capital efficiency of the company. Bothnia is a specialist writer of run-off portfolios.

Effective Date

The Effective Date is expected to be 1 April 2023, shortly after the Sanctions Hearing which is scheduled for 15 March 2023.

Reinsurance

In anticipation of the Proposed Transfer, the FMM business was 100% reinsured effective from 1 January 2022 via a quota share arrangement with Pallas Re. At the point of the Proposed Transfer, this reinsurance will be commuted.

On 1 October 2022, a quota share reinsurance agreement was agreed between Pallas Re and Bothnia whereby Pallas Re provides an 85% reinsurance of Bothnia's whole portfolio. This reinsurance will include the liabilities from the Transferring Business from the Effective Date.

This 85% quota share agreement replaced a prior reinsurance agreement between London & Leith SE (part of the Compre group) and Bothnia which was commuted on the same date the quota share agreement was put in place.

Claims handling

There will be continuity of claims handling and administration for the FMM claims as they will be handled by the same entity pre- and post-transfer (see section 9 of the Scheme Report for more details).

Claims handling for Remaining AIUD Policyholders and Existing Bothnia Policyholders will be unchanged as a result of the Proposed Transfer.

1.2. My role as Independent Actuary

AIUD and Bothnia have jointly appointed me to act as the Independent Actuary (IA) for the Proposed Transfer. The CBI has been notified of my appointment.

As IA my overall role is to assess whether:

- The security provided to policyholders of AIUD and Bothnia will be materially adversely affected by the implementation of the Proposed Transfer.
- The Proposed Transfer will have any adverse impact on service standards experienced by policyholders.

I provided my Scheme Report for the Proposed Transfer (dated 30 November 2022) ahead of the Directions Hearing, which was held on 12 December 2022.

The purpose of this Supplementary Report is to confirm and/or update my conclusions of the Scheme Report, based on any material new developments in the intervening period, ahead of the Sanctions Hearing. This Supplementary Report should be read in conjunction with the Scheme Report.

1.3. Summary of developments since the Scheme Report

The main activities in relation to the Proposed Transfer since the Scheme Report was issued on 30 November 2022 have been as follows:

Proposed Transfer

The Scheme Report and other associated scheme documents were presented to the Court at the Directions Hearing on 12 December 2022, where directions were made to start notifications in line with the communications plan.

Reserving

AIUD and Bothnia have provided updated provisions as at 30 September 2022. This is discussed further in section 4.

Capital

AIUD and Bothnia have provided updated projections of SCR coverage ratios based on more recent data. This is discussed further in section 5.

The projected SCR coverage ratios (the ratio of an insurer's available capital to the amount of capital that must be held in order to meet regulatory capital requirements) immediately pre- and post- the Proposed Transfer based on the updated projections are as follows:

- For Remaining AIUD Policyholders, the SCR coverage ratio is projected to increase from 150% to 160%.
- For Transferring AIUD Policyholders, the SCR coverage ratio is projected to increase from 150% to 175%.
- For Existing Bothnia Policyholders, the SCR coverage ratio is projected to decrease from 219% to 175%.

The table below includes a comparison to the ratios from my Scheme Report:

	SCR coverage ratios in Scheme Report			Updated SCR coverage ratios		
	Day 0	Day 1	Movement due to Transfer	Day 0	Day 1	Movement due to Transfer
Remaining AIUD Policyholders	151%	163%	+12%	150%	160%	+10%
Transferring AIUD Policyholders	151%	169%	+18%	150%	175%	+25%
Existing Bothnia Policyholders	219%	169%	-50%	219%	175%	-44%

I do not consider the updated SCR coverage ratios, and movements from Day 0 to Day 1, to be materially different to those set out in my Scheme Report and, as such, the changes in these figures have not changed my overall conclusions.

Reinsurance

Since the Scheme Report, AIUD has arranged additional reinsurance effective 30 September 2022 with AmTrust International Insurance Ltd. (AIIL), an AmTrust Group company. AIUD has reinsured 100% of any net retentions remaining on the 2019 and prior underwriting years and 100% of run-off business across all underwriting years. This additional reinsurance has not impacted my conclusions.

Bothnia is discussing the level of outwards reinsurance for any future UK books of business that transfer into Bothnia with the Prudential Regulation Authority. The current level of 85% quota share reinsurance with Pallas Re may be reduced for some books of UK business. This does not impact the FMM business as this is French, not UK business. This potential change does not impact my overall conclusions.

Policyholder communications

AIUD and Bothnia have communicated with policyholders and placed notices in all planned publications in line with the communication plan presented to the High Court at the Directions Hearing.

As at the date of this report, neither AIUD nor Bothnia have received any objections or complaints from policyholders in respect of the Proposed Transfer. Policyholder responses to communications are discussed further in section 7.

AIUD is aware of a notice from the Fédération hospitalière de France (FHF) to AIUD's policyholders. The FHF is a non-profit association and its main purpose is to promote and represent public hospitals. I comment further on this notice in section 7.

Other issues

The projected €38m dividend to be paid by AIUD in Q4 2022 or Q1 2023 as per the Scheme Report has not been paid to date. AIUD now plan to pay a dividend of circa €25m by the end of Q1 2023 ie before the Proposed Transfer. The aim is to target a coverage ratio of 150% and so the dividend could be higher or lower than €25m depending on what is required to achieve this. Given the target coverage ratio has not changed this does not affect my conclusions.

AIUD has confirmed that it has addressed and closed the remaining issue from the management action following an internal audit report on reserving governance dated 2021 relating to enhanced oversight required over the process for processing data for one-off portfolios.

AIUD and Bothnia have confirmed there are no new transfers contemplated that could affect the Proposed Transfer or any changes to the detail of the Scheme.

1.4. Additional considerations for the Supplementary Report

In reaching my conclusions in this Supplementary Report, I have considered the following new information that has become available since the Scheme Report was issued on 30 November 2022:

- Updated booked provisions as at 30 September 2022 for AIUD and Bothnia;
- Recent claims experience and claim reserve movements;
- Updated SCR coverage ratios and balance sheet projections for AIUD and Bothnia immediately pre- and post-the Proposed Transfer;
- Any communications and/or objections related to the Proposed Transfer raised by stakeholders.

1.5. Summary of my conclusions

In forming my conclusions, I have considered the effect of the Proposed Transfer on the following three sets of policyholders:

- Remaining AIUD Policyholders, ie AIUD policyholders whose liabilities will remain with AIUD after the Proposed Transfer.
- Transferring AIUD Policyholders, ie AIUD policyholders whose liabilities will transfer to Bothnia as a result of the Proposed Transfer.
- Existing Bothnia Policyholders, ie policyholders of Bothnia immediately prior to the Proposed Transfer, who will remain with Bothnia after the Proposed Transfer.

In drawing my conclusions, I have considered the impact of the Proposed Transfer on all underlying Claimants and Beneficiaries.

My overall conclusions are unchanged from those set out in my Scheme Report.

Remaining AIUD Policyholders

All AIUD's current policyholders, other than the FMM policyholders whose liabilities are transferring to Bothnia (Transferring AIUD Policyholders), will remain with AIUD post-transfer (Remaining AIUD Policyholders). The Transferring Business represents 100% of AIUD's FMM business.

I have concluded that

- **the security provided to Remaining AIUD Policyholders will not be materially adversely affected by the Proposed Transfer.**
- **there will be no material impact on service standards for Remaining AIUD Policyholders following the Proposed Transfer.**

Summary rationale:

- The Remaining AIUD Policyholders will remain within AIUD and so will be subject to the same AmTrust group policies as before the Proposed Transfer.
- I am satisfied that the techniques and approaches used to calculate the Solvency II and GAAP technical provisions for the Remaining AIUD Policyholders are appropriate, and AIUD has confirmed that these will be materially unchanged post-transfer.
- I am satisfied that the best estimate liabilities of the Transferring Business as calculated by AIUD and Bothnia are within a reasonable range of best estimates.
- As the FMM business is currently 100% reinsured, there will be no change, for the Remaining AIUD Policyholders, to the net of reinsurance exposure as a result of the Proposed Transfer.
- The SCR coverage ratio for Remaining AIUD Policyholders is expected to increase from 150% to 160% as a result of the Proposed Transfer. I do not consider the security provided to Remaining AIUD Policyholders to be materially adversely affected as the coverage ratio increases and AIUD will remain well capitalised.
- AIUD is expected to remain well capitalised on an ongoing basis until at least December 2024. The planned dividend payments will be amended if necessary so that the target SCR coverage ratio remains above 150%.

- I am satisfied that AIUD is expected to remain able to pay claims under a range of plausible but relatively extreme scenarios
- The impact of the scenarios on Remaining AIUD Policyholders is not materially different pre- and post-transfer, although I note the impact is slightly less post-transfer.
- AIUD is not planning any material changes to how its non-FMM business is carried out. In particular, there are no plans to change how Remaining AIUD Policyholders are serviced following the Proposed Transfer.
- There will be no change in claims handling or service standards for Remaining AIUD Policyholders as a result of the Proposed Transfer.

Transferring AIUD Policyholders

AIUD has identified c. 580 FMM policies relating to the Transferring Business and Transferring AIUD Policyholders, which are all hospitals located in France or Saint-Barthélemy which is an overseas collectivity ie administrative division of France (French hospitals). The Transferring Business represents 17% of AIUD's total business based on gross booked provisions as at 30 September 2022. 100% of the Transferring Business is reinsured to Pallas Re so AIUD has no net of reinsurance booked provisions for the Transferring Business.

I have concluded that

- **the security provided to Transferring AIUD Policyholders will not be materially adversely affected by the Proposed Transfer.**
- **there will be no material impact on service standards for Transferring AIUD Policyholders following the Proposed Transfer.**

Summary rationale:

- I am satisfied that the techniques and approaches used to calculate the Solvency II and GAAP technical provisions by Bothnia are appropriate, and Bothnia has confirmed that these will be materially unchanged post-transfer.
- I am satisfied that the best estimate liabilities of the Transferring Business as calculated by AIUD and Bothnia are within a reasonable range of best estimates.
- The FMM liabilities are relatively large compared to Bothnia's liabilities as at 30 September 2022, but post-transfer the liabilities will be 85% reinsured with Pallas Re, who reinsure the business 100% pre-transfer.
- The Transferring Business is reinsured by the same reinsurer pre- and post-transfer, although the level of reinsurance drops from 100% to 85%. The reinsurance will continue to be collateralised.
- The SCR coverage ratio for Transferring AIUD Policyholders is expected to increase from 150% (AIUD pre-transfer) to 175% (Bothnia post-transfer) as a result of the Proposed Transfer. I do not consider the security provided to Transferring AIUD Policyholders to be materially adversely affected as the SCR coverage ratio increases and Bothnia will be well capitalised, as was AIUD pre-transfer.
- Further, Bothnia's SCR coverage ratio is projected to increase post-transfer until at least December 2024 when Bothnia will become very well capitalised. Bothnia has confirmed that it is not currently contemplating any other material transfers into Bothnia which do not require regulatory approval.
- I am satisfied that Bothnia is expected to remain able to pay claims under a range of plausible but relatively extreme scenarios, and also under a more extreme reverse stress test.
- Bothnia is an EEA entity so the Transferring AIUD Policyholders business will continue to be regulated in the EEA following the Proposed Transfer. I have concluded that the rights of policyholders in respect of access to compensation schemes, eg the Irish Insurance Compensation Fund which only covers risks located in Ireland, will not change as a result of the Proposed Transfer.
- As the claims handling and administration service to the FMM policyholders will be performed by the same team and entity pre-and post-transfer, then there will be no change to the level of service received by the Transferring AIUD Policyholders.

Existing Bothnia Policyholders

At the Effective Date of the Proposed Transfer, Existing Bothnia Policyholders are projected to represent 68% and 66% of Bothnia's projected post-transfer gross and net of reinsurance technical provisions respectively.

I have concluded that

- **the security provided to Existing Bothnia Policyholders will not be materially adversely affected by the Proposed Transfer.**
- **there will be no material impact on service standards for Existing Bothnia Policyholders following the Proposed Transfer.**

Summary rationale:

- The Existing Bothnia Policyholders will remain within Bothnia so will be subject to the same Compre group policies as before the Proposed Transfer.
- I am satisfied that the techniques and approaches used to calculate the Solvency II and GAAP technical provisions for Bothnia are appropriate, and Bothnia has confirmed that these will be materially unchanged post-transfer.
- The FMM liabilities are relatively large compared to Bothnia's liabilities as at 30 June 2022, but post-transfer the liabilities will be 85% reinsured with Pallas Re, who reinsure the business 100% pre-transfer.
- The SCR coverage ratio for Existing Bothnia Policyholders is projected to decrease from 219% to 175% after the Proposed Transfer but Bothnia remains well capitalised.
- The decrease in SCR coverage ratio from 219% to 175% would appear to be a significant reduction. However, the SCR is calibrated such that a 100% coverage ratio would equate to a 0.5% probability of insolvency over the next year. A 175% coverage ratio therefore equates to a more remote probability than 0.5% of insolvency. Since the probability of insolvency is already remote at 175%, the difference in capital coverage ratios of 175% and 219% does not, in my opinion, equate to a material difference in the probability of insolvency.
- Further, Bothnia's SCR coverage ratio is projected to increase post-transfer until at least December 2024 when Bothnia will be very well capitalised. Bothnia has confirmed that it is not currently contemplating any other material transfers into Bothnia which do not require regulatory approval.
- Therefore, I have concluded that the changes in SCR coverage ratios as a result of the Proposed Transfer will not lead to any material adverse changes in the strength of capital protection for the Existing Bothnia Policyholders.
- I am satisfied that Bothnia is expected to remain able to pay claims under a range of plausible but relatively extreme scenarios, and also under a more extreme reverse stress test.
- Bothnia is not planning any material changes to how its existing business is carried out. In particular, there are no plans to change how Existing Bothnia Policyholders are serviced following the Proposed Transfer.
- There will be no change in claims handling or service standards for Existing Bothnia Policyholders as a result of the Proposed Transfer.

1.6. COVID-19, Russia/Ukraine war and Inflation

There are no additional comments on these issues to those in my Scheme Report.

AIUD and Bothnia have confirmed that the scenarios provided for my Scheme Report regarding inflation remain appropriate.

2. Introduction

2.1. Background

Any transfer of business carried out by one Irish authorised insurance company to another Irish or EEA authorised insurance company is governed by 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.

Under Section 13 of the 1909 Act, any scheme that provides for a transfer, in whole or in part, of the business of an Irish authorised insurance company to another Irish or EEA authorised insurance company requires prior sanction of the High Court. The High Court will consider the scheme on the basis of a petition brought by the board of directors of the transferor (AIUD) supported by affidavit evidence of both the transferor and the transferee (Bothnia) and, while not mandatory for a non-life transfer such as the Proposed Transfer, in practice, the petition is accompanied by a report on the terms of the scheme by an Independent Actuary.

The purpose of the Independent Actuary's report is to provide an independent opinion for the Court on the likely effects of the scheme on the policyholders of the two companies concerned. The security of policyholders' contractual benefits, and the effects of the scheme on the fair treatment and reasonable expectations of policyholders are the main considerations of the report.

AIUD and Bothnia have jointly appointed Stewart Mitchell (I or me) of Lane Clark & Peacock LLP (LCP, we, or us) to act as the Independent Actuary for the Proposed Transfer. The Effective Date of the Proposed Transfer is 1 April 2023 ie shortly after the Sanctions Hearing which is scheduled for 15 March 2023.

The Scheme Report was issued on 30 November 2022 and was presented to the Court on 12 December 2022. In the Scheme Report I stated that, before the date of the Sanctions Hearing, I would prepare a Supplementary Report (this report), covering any relevant matters which have arisen since the date of the Scheme Report.

In particular, I have considered whether any developments since the Scheme Report cause my conclusions in the Scheme Report to change.

2.2. Scope of this Supplementary Report

This Supplementary Report must be read in conjunction with the Scheme Report as the Supplementary Report alone does not contain the full details of the work I have performed in considering the Proposed Transfer. Reading the Supplementary Report in isolation may be misleading.

In combination with the Scheme Report, this Supplementary Report complies with the professional actuarial guidance and standards set out in section 2.5. All terms used in the Supplementary Report are as defined in the Scheme Report.

The use of "I", "me" and "my" in this report generally refers to work carried out by me or by the team operating under my direct supervision. However, when it is used in reference to an opinion it is mine and mine alone.

The numbers in this report are shown in €.

2.3. Use of this Scheme Report

This Supplementary Report has been produced by Stewart Mitchell FIA of LCP under the terms of our written agreements with AIUD and Bothnia. It is subject to any stated limitations (eg regarding accuracy or completeness).

This Supplementary Report has been prepared for the purpose of accompanying the application to the Court in respect of the proposed insurance business transfer scheme described in this report, in accordance with Section 13 of the Assurance Companies Act. The Supplementary Report is not suitable for any other purpose. The Supplementary Report must be read in conjunction with the Scheme Report of 30 November 2022.

A copy of the Supplementary Report will be sent to the CBI and will accompany the evidence filed in Court at the Sanctions Hearing.

This report is appropriate only for the purpose described above and should not be used for anything else. No liability is accepted or assumed for any use of the Supplementary Report for any other purpose other than that set out above.

2.4. Reliances

I have based my work on the data and other information made available to me by AIUD and Bothnia. Appendix 1 contains a list of key data and other information that I have considered. I have also held discussions with the relevant staff of AIUD, Bothnia and their advisors.

Data

I have used data as at 31 December 2021, 30 June 2022 or 30 September 2022, where available, for my analysis.

Projected data as at the Effective Date

The Effective Date of the Proposed Transfer is expected to 1 April 2023 ie shortly after the Sanctions Hearing which is scheduled for 15 March 2023.

For this Supplementary Report I have reviewed the following items for AIUD and Bothnia immediately before and after the Proposed Transfer as at the Effective Date:

- Updated GAAP provisions as at 30 September 2022
- Updated projected SCR and coverage ratios
- Updated balance sheets
- Updated stress and scenario tests.

I have received all of the information that I have requested for the purposes of the production of my report. In this respect:

- Each of AIUD and Bothnia has provided a data accuracy statement confirming that the data and information provided to me regarding the Proposed Transfer is accurate and complete.
- AIUD and Bothnia have read this Supplementary Report and each has agreed that it is correct in terms of all factual elements of the Proposed Transfer.
- I have conducted basic checks on the data provided to me for internal consistency and reasonableness.
- My checks of the data have not revealed any cause for me to doubt that it is materially appropriate for me to rely on the integrity of the information provided for the purpose of this report.

The conclusions in my report take no account of any information that I have not received, or of any inaccuracies in the information provided to me.

I have not needed to take any third-party legal advice on any aspects of the Proposed Transfer. AIUD and Bothnia have confirmed that they have received no other specific legal advice relevant to my role as IA for the Proposed Transfer.

Figures in this report may be subject to small rounding differences and so totals within the tables may not equal the sum of the rounded components.

2.5. Professional standards

I have considered the Code of Professional Conduct as issued by the Society of Actuaries in Ireland (SAI) while producing this report. This report has been prepared in accordance with the following Actuarial Standards issued by the SAI and the Financial Reporting Council (FRC) in the UK:

- SAI: Actuarial Standard of Practice PA-2 (ASP-PA-2) General Actuarial Practice;
- SAI: Actuarial Standard of Practice LA-6 (ASP-LA-6) Transfer of Long-Term Business of an Authorised Insurance Company (although, strictly speaking, this guidance is required to be followed only in the case of a scheme which relates to long-term business, ie life assurance);
- FRC: Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100); and
- FRC: Technical Actuarial Standard 200: Insurance (TAS 200).

This report has been subject to independent peer review prior to its publication, in line with ASP PA-2. This peer review has been undertaken by another Partner at LCP. The peer reviewer was not involved in the production of the report. They have appropriate experience and expertise to act as peer reviewer of this report.

2.6. Materiality

I have considered matters are material if they could, individually or collectively, influence the decisions to be taken by users of this report. An assessment of such materiality is a matter of reasonable judgement that requires consideration of both the users of the report and the context for which it is prepared.

I have applied this concept in planning, performing and reporting the work described in this Scheme Report. In particular, I have applied this concept of materiality when using my professional judgement to determine the risks of material misstatement or omission and to determine the nature and extent of my work.

In complying with the reporting requirements of ASP-PA2 and TAS 100, I have made judgements on the level of information to include in this Scheme Report. For example, to make the report easier to read, I have not included all the details that would normally be included in a formal actuarial report, such as details of the methodologies and assumptions underlying the reserve and capital assessments.

2.7. Definition of materially adverse

In order to determine whether the Proposed Transfer will have a materially adverse impact on any group of policyholders, it has been necessary for me to exercise my judgement in the light of the information that I have reviewed.

The Proposed Transfer will affect different policyholders in different ways and, for any one group of policyholders, there may be some effects of the Proposed Transfer that are positive, and others that are adverse. When assessing whether the Proposed Transfer will have a materially adverse impact, I have considered the aggregate impact of these different effects on each group of policyholders.

Throughout the report, I have provided the rationale for my judgements and conclusions. These explain why, in each case, I have concluded whether policyholders are materially adversely affected or otherwise.

3. My approach as IA

My approach to assessing the Proposed Transfer, as set out in the Scheme Report, was to perform five steps analysing evidence provided by AIUD and Bothnia to support the Proposed Transfer.

My approach for the Supplementary Report has been to revisit each of these five steps and to consider whether any of the updated analysis or information available now would cause me to change my conclusions in that report.

The five steps and my considerations are detailed in the sections as follows:

- Step 1: Assessing the provisions of AIUD and Bothnia – considered in section 4.
- Step 2: Assessing the capital positions of AIUD and Bothnia – considered in section 5.
- Step 3: Assessing overall policyholder security – considered in section 6.
- Step 4: Assessing policyholder communications – considered in section 7.
- Step 5: Assessing potential impact on customer service and other considerations that might affect policyholders – considered in section 8.

A list of all information considered is included in Appendix 1. Further details on my approach as IA are set out in section 4 of the Scheme Report.

4. Reserving considerations

As IA, my overall assessments related to reserving are:

- whether an appropriate level of provisions is maintained for all relevant policyholders, ie Remaining AIUD Policyholders, Transferring AIUD Policyholders and Existing Bothnia Policyholders; and
- whether any aspects of the reserving may lead to policyholders being materially adversely affected by the Proposed Transfer.

These assessments were considered in section 5 of the Scheme Report, based on data and provisions as at 30 June 2022. I have been provided with updated data and provisions as at 30 September 2022 and an update of any material changes to provisions since 30 June 2022.

AIUD and Bothnia have each confirmed that the approach and basis for calculating the GAAP technical provisions and Solvency II technical provisions have not changed since the Scheme Report.

4.1. Summary of GAAP booked provisions for AIUD

The following tables show a summary (showing the Transferring Business separately) and a breakdown of the level of booked provisions for AIUD as at 30 September 2022 (the latest available figures at the time of my writing of my Supplementary Report) and an update from the figures as at 30 June 2022 in my Scheme Report.

Summary of GAAP booked provisions for AIUD

€m	As at 30 June 2022		As at 30 September 2022		Movements since 30 June 2022	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
AIUD ex-FMM	843.1	290.4	842.2	158.7	-1.1	-131.7
FMM	165.9	37.8	172.1	0.0	+6.2	-37.8
Total	1,009.0	328.1	1,014.3	158.7	+5.3	-169.4

Source: AIUD

AIUD's FMM gross provisions are 17% of AIUD's total gross provisions as at 30 September 2022 (16% at 30 June 2022). There are no net provisions for FMM due to the 100% quota share reinsurance with Pallas Re. The gross written premium for the FMM business was €175.1m, net written premium was €42.4m.

The FMM booked gross provisions have increased since 30 June 2022 due to increases in the case estimates for claims in the 2015 to 2018 years of account.

The total net of reinsurance provisions have reduced significantly due to the additional reinsurance with AIL and the increase to 100% quota share reinsurance for the FMM business which was arranged after the Scheme Report effective 1 October 2022.

Breakdown of gross GAAP booked provisions for AIUD

€m	As at 30 June 2022		As at 30 September 2022		Movements since 30 June 2022	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Outstanding claims reserve	286.8	77.1	294.2	6.0	+7.4	-71.1
Incurred but not reported	365.7	99.0	376.7	52.5	+11.0	-46.5
Unearned premium reserve	310.5	137.5	294.6	93.9	-15.9	-43.6
Unallocated loss adjustment expenses	3.9	3.5	3.4	3.2	-0.5	-0.3
Margin for uncertainty	42.1	11.0	45.4	3.1	+3.3	-7.9
Total	1,009.0	328.1	1014.3	158.7	+5.3	-169.4

Source: AIUD

AIUD's provisions are made up of earned claims reserves and unearned premium reserves for business that has not yet been earned.

The changes in booked provisions since June 2022 have not led me to change my conclusions regarding reserving.

4.2. Breakdown of GAAP booked provisions for Bothnia

The following table shows the level of booked provisions (as per the latest available figures at the time of writing) for Bothnia.

Breakdown of GAAP booked provisions for Bothnia

€m	As at 30 June 2022		As at 30 September 2022		Movements since 30 June 2022	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Outstanding claims reserve	109.1	51.8	117.7	52.6	2.6	0.8
Incurred but not reported	81.6	32.1	79.3	27.8	-2.2	-4.3
Unearned premium reserve	0.1	0.0	0.1	0.0	0.0	0.0
Unallocated loss adjustment expenses	5.4	5.4	5.0	2.4	-0.3	-2.9
Margin for uncertainty	0.0	0.0	0.0	0.0	0.0	0.0
Total	196.1	89.2	196.1	82.8	0.0	-6.4

Source: Bothnia (excludes Finnish GAAP equalisation provision)

The transferring FMM liabilities represent 88% of Bothnia's gross liabilities. These were reinsured 100% to Pallas Re at Q3 2022.

Bothnia's provisions are made up of earned claims reserves and a small unearned premium reserve as the business is almost all in run-off.

The method for calculating Unallocated Loss Adjustment Expenses (ULAE) changed as at Q3 2022. Previously ULAE costs were allocated across the Compre group proportional to the gross of reinsurance reserves for each entity. This is now done based on net of reinsurance reserves and Bothnia's share of ULAE costs has fallen since June 2022 due to the 85% quota share reinsurance with Pallas Re.

The changes in booked provisions since June 2022 have not led me to change my conclusions regarding reserving.

4.3. Key uncertainties when setting provisions

The ultimate costs of settling general insurance claims are subject to uncertainty in terms of both the frequency (ie how many valid claims there will be) and severity (ie the cost of settling each claim) including exposure to inflation in claim amounts over time. Therefore, there are uncertainties when setting the corresponding provisions.

4.4. Overall conclusion: reserving considerations

I am satisfied that my conclusions remain unchanged from the Scheme Report. In summary:

I have concluded that the Remaining AIUD Policyholders, the Transferring AIUD Policyholders and the Existing Bothnia Policyholders will not be materially adversely affected by the reserving aspects of the Proposed Transfer.

5. Capital considerations

As IA, my overall assessments related to capital are:

- whether the projected capital requirements have been calculated appropriately for both AIUD and Bothnia;
- whether there are expected to be any material adverse changes in the strength of capital protection for any group of policyholders (I have assessed this by comparing the projected SCR coverage ratios pre- and post-the Proposed Transfer); and
- whether any other aspects of the capital considerations may lead to policyholders being materially adversely affected by the Proposed Transfer.

These assessments were considered in section 6 of the Scheme Report.

In this Supplementary Report, I have also considered the updated SCR coverage ratio and balance sheet projections, based on data as at 30 September 2022 for AIUD and Bothnia.

5.1. Components of capital requirements

AIUD and Bothnia have provided actual SCR calculations as at 30 September 2022, and projected SCR calculations at the time of the Proposed Transfer. I have summarised the key risks as a percentage of the total SCR, both pre- and post-transfer, below.

AIUD: Projected breakdown of SCR risk components pre- and post-transfer

Risk components €m	As at 30 September 2022		Pre-transfer		Post-transfer	
	Value	Percentage	Value	Percentage	Value	Percentage
Underwriting risk	107.7	72%	109.6	73%	109.1	76%
Market risk	34.9	24%	33.2	22%	33.6	23%
Counterparty default risk	15.8	11%	18.1	12%	14.8	10%
Diversification/Deferred Tax liability	(33.6)	(23%)	(32.7)	(22%)	(31.6)	(22%)
Operational risk	24.1	16%	22.2	15%	17.6	12%
SCR	149.0	100%	150.4	100%	143.5	100%

Source: AIUD

For AIUD, the most material component of the projected SCR is underwriting risk, which represents around 72% of the projected SCR as at 30 September 2022, which is typical for most insurers. The profile of the key risks is similar pre- and post-transfer.

As at 30 September 2022, AIUD's own funds were €248.0m and so the SCR coverage ratio was 166%.

The projected total SCR has fallen by 4-5% pre- and post-transfer compared to the Scheme Report but the breakdown by component is broadly unchanged.

Bothnia: Projected breakdown of SCR risk components pre- and post-transfer

Risk components €m	As at 30 September 2022		Pre-transfer		Post-transfer	
	Value	Percentage	Value	Percentage	Value	Percentage
Underwriting risk	19.8	91%	10.9	64%	16.9	66%
Market risk	6.2	29%	7.7	45%	8.7	34%
Counterparty default risk	2.9	13%	0.7	4%	0.7	3%
Diversification/Deferred Tax liability	(11.0)	(51%)	(6.8)	(40%)	(7.2)	(28%)
Operational risk	3.7	17%	4.6	27%	6.4	25%
SCR	21.7	100%	17.1	100%	25.5	100%

Source: Bothnia

For Bothnia, the most material component of the SCR is underwriting risk, which represents 91% of the SCR as at 30 September 2022. Market risk is also a material contributor to the SCR, representing 29% of the SCR as at 30 September 2022, and which increases pre- and post-transfer.

For Bothnia, there is reduced exposure to underwriting risk pre-transfer as the business written is in run-off. Underwriting risk remains the key risk component post-transfer.

As at 30 September 2022, Bothnia's own funds were €43.3m and so the SCR coverage ratio was 200%.

The projected total SCR and the breakdown by component are virtually unchanged pre- and post-transfer compared to the Scheme Report.

5.2. Projected SCR coverage ratios for AIUD and Bothnia

Projected SCR coverage ratios pre- and post-transfer

For the purposes of this report and the Scheme Report, I describe a company as having “sufficient capital” if the SCR coverage ratio is between 100% and 150%. I describe a company as “well capitalised” if the SCR coverage ratio is between 150% and 200% and “very well capitalised” if the SCR coverage ratio is in excess of 200%.

Since providing my Scheme Report, AIUD and Bothnia have updated their analysis of projected SCR coverage ratios based on more recent data as at 30 September 2022.

The table below sets out the updated projected SCR and coverage ratios, as prepared by AIUD and Bothnia, immediately before and after the Proposed Transfer.

Projections before and after the Proposed Transfer €m	Own Funds	SCR	Own Funds less SCR	SCR coverage ratio	Movement in coverage ratio
Day 0 – before Transfer					
AIUD	225.2	150.4	74.8	150%	
Bothnia	37.3	17.1	20.3	219%	
Day 1 – after-Transfer					
AIUD	229.3	143.5	85.8	160%	+10%
Bothnia	44.7	25.5	19.2	175%	(44%)

Source: AIUD and Bothnia

In summary:

- Remaining AIUD Policyholders: the SCR coverage ratio for liabilities remaining in AIUD is projected to increase from 150% to 160% and AIUD remains well capitalised. Therefore, I have concluded that the changes in SCR coverage ratios as a result of the Proposed Transfer will not lead to any material adverse changes in the strength of capital protection for this group of policyholders.
- Transferring AIUD Policyholders: the SCR coverage ratio for liabilities transferring from AIUD to Bothnia is projected to increase from 150% to 175% and so the policyholders are still in a well capitalised company. Therefore, I have concluded that the changes in SCR coverage ratios as a result of the Proposed Transfer will not lead to any material adverse changes in the strength of capital protection for this group of policyholders.
- Existing Bothnia Policyholders: the SCR coverage ratio for these policyholders is projected to decrease from 219% to 175% after the Proposed Transfer but remains well capitalised.
- The decrease in SCR coverage ratio from 219% to 175% would appear to be a significant reduction. However, the SCR is calibrated such that a 100% coverage ratio would equate to a 0.5% probability of insolvency over the next year. A 175% coverage ratio therefore equates to a more remote probability than 0.5% of insolvency. Since the probability of insolvency is already remote at 175%, the difference in capital coverage ratios of 175% and 219% does not, in my opinion, equate to a material difference in the probability of insolvency.
- Therefore, I have concluded that the changes in SCR coverage ratios as a result of the Proposed Transfer will not lead to any material adverse changes in the strength of capital protection for the Existing Bothnia Policyholders.

Projected SCR coverage ratios post-transfer

AIUD has provided projections for the SCR coverage ratio for a number of years after the Proposed Transfer. The SCR coverage is expected to remain above 150% ie well capitalised until the end of 2024, including after planned dividends at the end of 2023 and 2024.

Any future portfolio transfers in or out of AIUD would require a report from an Independent Actuary and approval of the High Court as part of a separate Section 13 transfer.

Bothnia has provided projections for the SCR coverage ratio for a number of years after the Proposed Transfer. The SCR coverage is expected to increase from 175% after the Proposed Transfer and become very well capitalised by the end of 2024.

Bothnia has confirmed that they are not currently contemplating any other material transfers into Bothnia which do not require regulatory approval.

In practice, AIUD's and Bothnia's average coverage ratios may be higher or lower than these projections depending on the claims and other experience, and any dividend payments. Both companies will regularly monitor the capital, and projected capital, position in line with their capital management policy (see section 6.6 of the Scheme Report). This could also lead to the coverage ratios being higher or lower than projected.

5.3. SCR scenario analysis

In section 6.10 of my Scheme Report, I considered the impact of a range of adverse scenarios on the Transferring Business, based on projections prepared by AIUD and Bothnia. The purpose of such scenario analysis is to assess whether the companies can withstand plausible adverse experience and whether, under these circumstances, they can still provide appropriate security to all policyholders.

AIUD and Bothnia have provided updated scenario analysis based on data as at 30 September 2022. More details on the scenarios can be found in my Scheme Report.

AIUD – impact of adverse scenarios on SCR coverage ratios

AIUD has provided updated stress and scenario tests as at Day 0 and Day 1 ie immediately before and after the Proposed Transfer. The tests are provided assuming a projected circa €25m dividend during Q1 2023 (in my Scheme Report a €38m dividend in Q4 2022 or Q1 2023 was contemplated) which is aimed at targeting a SCR coverage ratio of 150%. The actual dividend paid could be higher or lower than €25m depending on what is required to target 150%.

Projected as at 31 March 2023 (Day 0) and 1 April 2023 (Day 1)	Day 0: Pre-Transfer		Day 1: Post-Transfer	
	SCR coverage ratio	Impact on SCR coverage ratio	SCR coverage ratio	Impact on SCR coverage ratio
SCR coverage ratio - AIUD				
Base	150%		160%	
1. Reserve stress: 1 in 20 year loss ratios	107%	(43%)	115%	(45%)
2. Investment stress: 30% fall in the value of investments	79%	(71%)	86%	(74%)
3. Reinsurance stress: AFSI default	47%	(103%)	51%	(109%)
4. Reverse stress test: Extreme market crisis	-13%	(163%)	-12%	(172%)

The table above shows the impact of the stress and scenario tests immediately before and after the transfer. The scenarios demonstrate that in all cases, other than for the reverse stress test, AIUD would be able to pay claims to policyholders. Also, the Remaining AIUD Policyholders are slightly better off post-transfer compared to pre-transfer.

These scenarios do not allow for the impact of any mitigating actions from AIUD eg securing additional capital support from the wider group, considering external sources of capital or strategic reinsurance protections or not paying out dividends.

Scenarios 3 and 4 have deteriorated since the Scheme Report as a result of the additional reinsurance with AILL. However, this has no impact on the Transferring AIUD Policyholders or Existing Bothnia Policyholders and so has not changed my conclusions.

Bothnia – impact of adverse scenarios on SCR coverage ratios

Projected as at 31 March 2023 (Day 0) and 1 April 2023 (Day 1)	Day 0: Pre-Transfer		Day 1: Post-Transfer	
	SCR coverage ratio	Impact on SCR coverage ratio	SCR coverage ratio	Impact on SCR coverage ratio
SCR coverage ratio - Bothnia				
Base	219%		175%	
1. Reserve stress: deterioration of 20% in net of reinsurance TPs (1 in 35 year event)	156%	(63%)	114%	(61%)
2. Investment stress: 20% reduction in the value of bonds	119%	(100%)	87%	(88%)
3. Reinsurer stress: 10% haircut on collateral, 30% haircut on largest external reinsurer	99%	(120%)	48%	(127%)
4. Reverse stress test: 15% increase in net TPs, 12% drop in bond values, 7%/30% haircut	46%	(173%)	1%	(174%)

The table above shows the impact of the stress and scenario tests immediately before and after the transfer. The scenarios demonstrate that in all cases, including the reverse stress test, Bothnia would be able to pay claims to policyholders, even though the scenarios have more impact post-transfer.

These scenarios do not allow for the impact of any mitigating actions from Bothnia eg securing additional capital support from the wider group or considering external sources of capital or strategic reinsurance protections.

There has been no material changes to the scenarios since the Scheme Report and so my conclusions in this respect are unchanged.

Impact of stress and scenario tests on policyholders

Remaining AIUD Policyholders

The scenarios demonstrate that, other than scenario 4, AIUD would be able to pay claims to policyholders. The SCR coverage ratio for Remaining AIUD policyholders is higher post-transfer compared to pre-transfer and so they are not materially adversely affected by the Proposed Transfer.

Transferring AIUD Policyholders

The SCR coverage ratio is higher for all scenarios for Transferring AIUD Policyholders post-transfer (Bothnia) compared to pre-transfer (AIUD). In my Scheme Report the SCR coverage ratio decreased for the reinsurer and reverse stress tests but this has changed due to the additional reinsurance arranged by AIUD with AIL since the Scheme Report. I have concluded that Transferring AIUD Policyholders are not materially adversely affected by the Proposed Transfer.

Existing Bothnia Policyholders

The SCR coverage ratio in all scenarios is lower for Existing Bothnia Policyholders post-transfer compared to pre-transfer. However, the scenarios considered are plausible, but extreme and do not allow for any mitigating management actions. I note that in all cases, even for the reverse stress test, Bothnia would be able to pay claims to policyholders. I have concluded that Existing Bothnia Policyholders are not materially adversely affected by the Proposed Transfer.

5.4. Overall conclusion: Capital considerations

I am satisfied that my conclusions related to capital remain unchanged from the Scheme Report. In summary:

- **The standard formula is appropriate and the process followed to calculate the SCR is reasonable for both AIUD and Bothnia.**
- **Following the Proposed Transfer, there will be no materially adverse changes in the strength of capital protection for any group of policyholders.**

6. Policyholder security

As IA, my overall assessments related to policyholder security are:

- whether the likelihood of valid policyholder claims being paid is maintained following the Proposed Transfer for Remaining AIUD Policyholders, Transferring AIUD Policyholders and Existing Bothnia Policyholders.
- whether any change in policyholder security results in policyholders being materially adversely affected by the Proposed Transfer.

These assessments were considered in section 7 of the Scheme Report. In this Supplementary Report, I have also considered the following updated projected balance sheets of AIUD and Bothnia immediately pre- and post- the Proposed Transfer.

6.1. Impact on the balance sheets of AIUD and Bothnia

I have updated the analysis set out in section 7.2 of the Scheme Report to reflect AIUD and Bothnia's updated projections. This updated analysis is based on projected balance sheets immediately pre- and post- the Proposed Transfer, on the anticipated Effective Date.

Solvency II balance sheets of AIUD and Bothnia

€m	Pre-Transfer		Post-Transfer		Movement due to Proposed Transfer	
	AIUD	Bothnia	AIUD	Bothnia	AIUD	Bothnia
Reinsurer's share of TPs	630.7	217.4	482.1	320.6	-148.6	+103.3
Investments	395.8	121.7	395.8	146.0	-	+24.3
Cash	54.4	14.3	53.9	13.5	-0.5	-0.8
Debtors	119.8	15.0	117.7	15.0	-2.1	-
Other	23.9	10.7	23.3	10.7	-0.6	-
Total assets	1,224.5	379.1	1,072.7	505.8	-151.8	+126.8
Technical provisions	759.3	259.9	606.5	384.7	-152.8	+124.8
Creditors	50.6	66.2	47.6	65.4	-3.0	-0.8
Other	189.4	24.0	189.4	24.0	-	-
Total liabilities	999.3	350.1	843.4	474.1	-155.9	+124.0
Adjustment to own funds		8.3		12.9		+4.6
Own funds	225.2	37.3	229.3	44.7	+4.1	+7.3
SCR	150.4	17.1	143.5	25.5	-6.9	+8.5
SCR coverage ratio	150%	219%	160%	175%	+10%	-44%

Source: AIUD, Bothnia

Key movements – AIUD

The key movements in the balance sheet for AIUD as a result of the Proposed Transfer are as follows:

Assets transferred

- €151.8m decrease in total assets driven mainly by the reinsurer's share of technical provisions (€148.6m) as a result of the assets backing the FMM portfolio transferring

Liabilities transferred

- €155.9m decrease in total liabilities driven mainly due to technical provisions (€152.8m) due to the transferring FMM liabilities

Therefore, AIUD's own funds increase by €4.1m.

Key movements – Bothnia

The key movements in the balance sheet for Bothnia are as follows:

Assets transferred

- €126.8m increase in total assets driven mainly by the reinsurer's share of technical provisions (€103.3m)

Liabilities transferred

- €124.0m increase in total liabilities driven mainly due to technical provisions (€124.8m)

Therefore, Bothnia's own funds increase by €7.3m due to the change in assets/liabilities of €2.8m, together with an increase of €4.6m due to the adjustment to own funds (due to subordinated debt, see section 6.9 of the Scheme Report).

The difference in the fall in value of AIUD's liabilities and the increase in value of Bothnia's liabilities is due to the differences in the projected value of the technical provisions for the FMM liabilities at the point of transfer. The best estimate reserves of AIUD and Bothnia are broadly similar, but there are differences in the valuation of Events Not In Data (ENID) loads, expenses and in particular the discounting of the technical provisions.

The difference in the fall in value of AIUD's assets and the increase in value of Bothnia's assets is due in part to the level of reinsurance pre- (100%) and post-transfer (85%) and therefore the reinsurers' share of technical provisions.

The balance sheet numbers are broadly unchanged from the Scheme Reports. The reduction in Bothnia's technical provisions as a result of the Proposed Transfer from €394.1m in the Scheme Report to €384.7m. This is due to a re-reserving exercise as at Q4 2022 which has reflected the experience since the previous reserving exercise.

The changes in the balance sheets for AIUD and Bothnia since the Scheme Report has not led me to change my conclusions in respect of Policyholder Security.

6.2. Impact on the solvency positions of AIUD and Bothnia

The projected solvency positions of AIUD and Bothnia pre- and post-transfer are summarised in the following table.

Projected solvency positions of AIUD and Bothnia immediately before and after the Proposed Transfer

	AIUD	Bothnia
Pre-transfer		
Total own funds eligible to meet SCR	225.2	37.3
SCR	150.4	17.1
SCR coverage ratio	150%	219%
Post-transfer		
Total own funds eligible to meet SCR	229.3	44.7
SCR	143.5	25.5
SCR coverage ratio	160%	175%

AIUD is well capitalised immediately before and after the Proposed Transfer, Bothnia is very well capitalised before and well capitalised after the Proposed Transfer (as described in section 5.2).

6.3. Reinsurance arrangements

The FMM portfolio is 100% reinsured by Pallas Re before the Proposed Transfer and 85% reinsured by Pallas Re after the Proposed Transfer (along with the rest of Bothnia's business).

Pallas Re's Bermuda SCR coverage ratio was 258% as at 30 June 2022 (\$294.9m available economic capital and surplus, \$114.5m enhanced capital requirement), which is very well capitalised.

6.4. Overall conclusion: Policyholder security

Based on the analysis set out above, I am satisfied that my conclusions remain unchanged from the Scheme Report. In summary:

Based on the work and rationale described above, I have concluded that policyholders will not be materially adversely affected by the Proposed Transfer from a policyholder security standpoint.

7. Policyholder communications

As IA, my overall assessments related to policyholder communications are:

- the appropriateness of AIUD and Bothnia's communication strategy to inform policyholders of the Proposed Transfer.
- whether the policyholders are to be provided with sufficient and clear enough information so that they can understand how the Proposed Transfer may affect them.

These assessments were considered in section 8 of the Scheme Report.

In this Supplementary Report, I have also considered the following:

- Policyholder responses to AIUD and Bothnia's communications; and
- Policyholder objections to the Proposed Transfer.

7.1. Publicity and policyholder communications

AIUD and Bothnia have confirmed that communications with policyholders have been carried out in line with the communications plan presented to the High Court at the Directions Hearing on 12 December 2022.

AIUD has confirmed that it:

- Has written to each Transferring AIUD Policyholder in French (with an English translation available if requested);
- Notified any brokers or intermediaries relating to the Transferring Business of the Proposed Transfer;
- Notified Pallas Re of the Proposed Transfer;
- Published details of the Proposed Transfer in Iris Oifigiuil, the Irish Examiner and the Irish Independent in January 2023;
- Complied with the requirements to publish notices in the relevant jurisdictions ie France (the ACPR published a notice in December) and Finland (there is no pre-transfer publication requirement in Finland); and
- Placed the relevant documents on their website (<https://amtrustinternational.com/legal/portfolio-transfers>) following the Directions Hearing and made them available for inspection in AIUD's and their solicitor's office.

Bothnia has confirmed that it:

- Will announce the Proposed Transfer in the Finnish Official Gazette (Virallinen Lehti) and in one newspaper in Ireland within one month of the Effective Date;
- Will place announcements in periodicals in Finland, Ireland and France in the respective languages and also by issuing a welcome letter to Transferring AIUD Policyholders following the Effective Date; and
- Has placed documents relating to the Proposed Transfer on their website (<https://compre-group.com/notices/amtrust-international-underwriters-dac/>) following the Directions Hearing and made these documents available for inspection in Bothnia's and their solicitor's office.

7.2. Policyholder objections to the Proposed Transfer

As at the date of this Supplementary Report, no policyholder objections or complaints have been received.

AIUD and Bothnia are aware of a notice to the FMM policyholders from the Fédération hospitalière de France (FHF) raising the issue of continuity of service and claims handling expertise and the financial security of Bothnia in relation to the Proposed Transfer. For the avoidance of doubt, FHF is not a policyholder.

In my opinion, I have addressed both these issues in the Scheme Report and this Supplementary Report and this notice has not caused me to change my conclusions.

I understand that policyholders have until 14 February 2023 to raise any issues regarding the Proposed Transfer with the French regulator, ACPR (French Prudential Supervision and Resolution Authority). As at the date of this

report I am not aware of any issues having been raised. To the extent any issues are raised I will deal with these by separate letter.

7.3. Overall conclusion: Policyholder communications

The communications have been carried out in line with the communications plan presented to the High Court at the Directions Hearing on 12 December 2022. I have not identified any objections or complaints that have caused me to change my overall conclusions related to the Proposed Transfer. I am, therefore, satisfied that my conclusions remain unchanged from the Scheme Report. In summary:

Based on my review of the communication strategy, I have concluded the planned communications strategy will ensure adequate coverage of affected parties.

I have also concluded that the planned communication is sufficiently clear for policyholders to understand the effects of the Proposed Transfer and that AIUD and Bothnia have sufficient resources to deal with any objections, enquiries or complaints received following the communication exercise.

8. Customer service and other considerations

The assessments related to the customer service and other considerations were considered in section 9 of the Scheme Report. There have been no changes related to these assessments since my analysis included in the Scheme Report.

8.1. Overall conclusion: Customer service and other considerations

Since the Scheme Report, there have been no material changes to the Proposed Transfer that affect my analysis on customer service and other aspects of the Proposed Transfer. I am, therefore, satisfied that my conclusions remain unchanged from the Scheme Report. In summary:

I have concluded that there will be no material impact on service standards, or any other considerations within this section of the report, following the Proposed Transfer.

9. Conclusions and Statement of Truth

9.1. Conclusion

I have considered the Proposed Transfer and its likely effects on Remaining AIUD Policyholders, Transferring AIUD Policyholders and Existing Bothnia Policyholders.

- In reaching the conclusions set out below, I have applied the principles as set out in relevant professional guidance, being the Actuarial Standards of Practice (ASPs): ASP-PA-2 General Actuarial Practice and ASP-LA-6 Transfer of Long-Term Business of an Authorised Insurance Company and Technical Actuarial Standards (TASs) TAS 100: Principles for Technical Actuarial Work and TAS 200: Insurance.

I have concluded that:

- The security provided to Remaining AIUD Policyholders will not be materially adversely affected by the Proposed Transfer. There will be no material impact on service standards for Remaining AIUD Policyholders following the Proposed Transfer.
- The security provided to Transferring AIUD Policyholders will not be materially adversely affected by the Proposed Transfer. There will be no material impact on service standards for Transferring AIUD Policyholders following the Proposed Transfer.
- The security provided to Existing Bothnia Policyholders will not be materially adversely affected by the Proposed Transfer. There will be no material impact on service standards for Existing Bothnia Policyholders following the Proposed Transfer.

9.2. IA duty and declaration

My duty to the Court overrides any obligation to those from whom I have received instructions or paid for this Report. I confirm that I have complied with that duty.

I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.



Stewart Mitchell FIA
Partner

14 February 2023

Professional standards

Our work in preparing this document complies with the following actuarial professional standards.

Issued by the Society of Actuaries in Ireland: ASP PA-2 General Actuarial Practice and ASP LA-6 Transfer of Long-Term Business of an Authorised Insurance Company.

Issued by the Financial Reporting Council: Technical Actuarial Standard 100: Principles for Technical Actuarial Work, together with Technical Actuarial Standard 200: Insurance.

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Appendix 1 – Summary of data provided

The following is a list of the key data items I have requested and received in assessing the Proposed Transfer for the purpose of this Supplementary Report. I continue to also rely on all data items received that are listed in Appendix 4 of the Scheme Report. All data I have requested has been provided to me as described below.

Data accuracy statement

- AIUD and Bothnia have each provided a data accuracy statement confirming that the data provided to me regarding the Proposed Transfer is accurate and complete.
- AIUD and Bothnia have read this IA Scheme Report and each has confirmed that it is correct in terms of all factual elements of the Proposed Transfer.

Documents relating to AIUD

- Updated technical provisions, balance sheet and capital projections including SCR coverage ratios
- Updated stress and scenario tests
- Details of policyholder queries and objections (as at 10 February 2023)
- Details of changes to reinsurance

Documents relating to Bothnia

- Updated technical provisions, balance sheet and capital projections including SCR coverage ratios
- Updated stress and scenario tests

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Lane Clark & Peacock LLP
London, UK
Tel: +44 (0)20 7439 2266
enquiries@lcp.uk.com

Lane Clark & Peacock LLP
Winchester, UK
Tel: +44 (0)1962 870060
enquiries@lcp.uk.com

Lane Clark & Peacock Ireland Limited
Dublin, Ireland
Tel: +353 (0)1 614 43 93
enquiries@lcpireland.com

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