

**PROPOSED TRANSFER OF INSURANCE BUSINESS**

by

**STONEBRIDGE INTERNATIONAL INSURANCE LIMITED**

to

**ADVENT INSURANCE PCC LIMITED – UIB CELL**

**EXPLANATORY CIRCULAR**

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## 1 INTRODUCTION

This Circular contains information about a proposed transfer of insurance policies by Stonebridge International Insurance Limited (**SIIL**).

The Transferor is proposing to transfer certain of its policies to Advent Insurance PCC Ltd – UIB Cell (**UIB Cell**) using a procedure called an insurance business transfer scheme, under Part VII of the Financial Services and Markets Act 2000 (the **Act**). The document which sets out the terms of the transfer is referred to as the **Scheme**.

Further information about the business to be transferred, the reasons for the transfer and the effect of the transfer is given at pages 4 and 5 of this Circular.

A summary of the Scheme is at Appendix 1 of this Circular.

A report on the terms of the Scheme has been prepared by Charl Cronje of Lane Clark & Peacock LLP (**Independent Expert**). Further information about the Independent Expert and his report is given at pages 6 and 7 of this Circular. A summary of the terms of the report is at Appendix 2 of this Circular.

Under English law, all insurance business transfer schemes must be approved by the Court before they can come into effect. SIIL and UIB Cell have made an application to Court seeking approval of the Scheme, which is expected to be heard on 14 October 2022. The Court will consider the Independent Expert's report, reports prepared by the United Kingdom's Prudential Regulation Authority (**PRA**) and Financial Conduct Authority (**FCA**), who are responsible for regulation and supervision of insurers in the UK, and any representations made by affected

parties, including policyholders. Notice of the hearing of the application is set out at Appendix 3 of this Circular.

It is anticipated that, if sanctioned by the Court the Scheme will take effect at 23:59 on 1 November 2022 (the **Effective Date**).

Information about the hearing and your right to attend, and how to raise any concerns or objections you have at or before the hearing, is given at pages 7 and 8 of this Circular.

You may contact us for further information by telephone (between 9am and 5pm London time Monday to Friday) or email us or write to us at:

39-51 Highgate Road  
London  
NW5 1RT  
United Kingdom  
Ref: PRTVII  
email: bserrano@uibuk.com  
telephone: 0203 227 4841

## 2 ABOUT SIIL

SIIL is an insurance company incorporated in England and Wales and authorised to carry on general insurance business in the United Kingdom. It was incorporated on 20 February 1997 under the name Ferrishawk Limited. On 18 June 1997, it changed its name to Stonebridge International Insurance Ltd. On 28 February 2021, SIIL was acquired by Global Premium Holdings Limited, a subsidiary of Embignell Limited, from its previous owners, the Aegon Group.

SIIL is authorised by the PRA and regulated by both the PRA (in relation to prudential matters) and the FCA (in relation to conduct of business matters). SIIL's insurance business includes

personal accident, sickness, unemployment and drivers protection plans underwritten for private individuals.

### 3 **ABOUT UIB CELL**

UIB Cell is one of the constituent cells of Advent Insurance PCC Limited (**Advent**). Its ultimate parent is by Embignell Limited, also the ultimate parent company of SIIL.

Advent is a protected cell company governed by the laws of Malta and was incorporated on 4 March 2011 with registered number C52394.

A protected cell company is a single legal entity comprising a non-cellular part (the **Core**) and a number of cells. While Advent has other cells, under Maltese law, UIB Cell cannot be required to meet the liabilities of any of those other cells. The financial security of UIB Cell's policyholders is therefore protected from any negative impact resulting from the liabilities of other cells. They also benefit from the additional security provided by the assets of the Core, which can be used to meet a cell's liabilities, if that cell's own assets are insufficient.

Advent is authorised by the Malta Financial Services Authority to write accident and sickness policies through UIB Cell, the same classes of business that SIIL proposed to transfer to it. UIB Cell currently underwrites accidental death, income protection, personal accident (including hospitalisation) and health cash plans.

### 4 **WHY IS THE TRANSFER BEING PROPOSED?**

A substantial portion of the SIIL's business includes European business. That business was underwritten relying on rights SIIL previously enjoyed under European law (known as "passporting rights") to carry on insurance business throughout the European Economic Area (**EEA**) without requiring authorisation in any state other than the UK. As a result of the UK's withdrawal from the European Union (**Brexit**), UK insurers' entitlement to exercise passporting rights ended on 31 December 2020. As part of its Brexit contingency planning, SIIL sought to engage with the competent authorities in all EEA states and as a result has been continuing to renew policies, where permitted, with a view to securing the transfer of those policies to UIB Cell, which has the necessary passporting rights to carry on the business throughout the EEA. Where such renewals were not possible, SIIL was obliged to cancel policies to ensure that they would not renew after 31 December 2020. It is however continuing to pay claims under policies that have been cancelled.

SIIL is proposing to transfer all policies underwritten by SIIL where the policyholders were resident in an EEA state at the time the policy was taken out (**Transferring Policies**). The Transferring Policies comprise:

1. In force policies which are renewing on a monthly basis with the approval of the relevant EEA authority or where the policy period does not expire until 31 December 2022. Only policies with German or Spanish policyholders fall within this category.
2. Expired or cancelled policies where the policyholder has an outstanding claim at the time the transfer takes effect, or could potentially still notify a claim. This category comprises those policies with policyholders resident in Denmark, Finland, France, Germany, Ireland, Italy, Norway, Spain or Sweden.

As a Maltese incorporated and authorised insurer, UIB Cell is able to provide cross border insurance services across the EEA and will therefore be able to administer the business following the Effective Date relying on its passporting rights. Claims administration will continue to be carried out by the third party administrators who currently handle claims on behalf of SIIL, who are based in the EU. The transfer of the Transferring Policies under the Scheme (the **Transfer**) will therefore permit the continued administration of the Transferring Policies in compliance with legal and regulatory requirements in the EEA states where the policyholders reside, avoiding any disruption for policyholders.

UIB Cell has a substantial number of UK policyholders. Given that, similar to the position of SIIL, UIB Cell has lost the automatic right to underwrite insurance business in the UK as a result of Brexit, a process of renewing the policies of UK policyholders into SIIL is currently under way. If you are a policyholder of UIB Cell you will be informed of the scheduled date for renewal of your policy by SIIL. This process is expected to be completed by October 2022, before the transfer of European business from SIIL to UIB Cell takes effect.

## 5 **WHAT IS AN INSURANCE BUSINESS TRANSFER SCHEME AND HOW DOES IT BECOME BINDING?**

An insurance business transfer scheme is a mechanism provided for in Part VII of the Act which enables one insurer to transfer its insurance business to another insurer. The Scheme requires the approval of the Court, which has wide powers to authorise the transfer not only of insurance and reinsurance business underwritten by an insurer, but of any other assets or liabilities of the insurer.

While the UK ceased to be a member of the European Union on 31 January 2020, it remains possible under English law to transfer insurance business to an insurer based in the EEA, provided:

- (a) the independent expert, who is required under the Act to prepare a report to the Court, was nominated or approved by the PRA before 31 December 2020;
- (b) the PRA and FCA's application fees for the proposed transfer were paid before 31 December 2020; and
- (c) the transfer is approved by the Court before 31 December 2022.

In the case of the Transfer, the regulators' fees were paid, and the Independent Expert appointed, before 31 December 2020. The hearing of the application to sanction the Scheme is scheduled for 14 October 2022.

## 6 **WHAT HAPPENS IF THE TRANSFER BECOMES EFFECTIVE?**

A summary of the Scheme, the legal document which sets out the terms on which the Transfer will take effect, is provided at Appendix 1 to this Circular.

If the Transfer proceeds, SIIL's rights and obligations under the Transferring Policies will transfer without alteration to UIB Cell, and UIB Cell will replace SIIL as insurer under all of the Transferring Policies. All rights and obligations a policyholder has under their policy with SIIL will remain unchanged but will be exercisable against or owed to UIB Cell instead of SIIL. Valid claims will continue to be paid, although the party liable to make payment will be UIB Cell, rather than SIIL.

Personal data relating to the Transferring Policies will also be transferred from SIIL to UIB Cell, and UIB Cell will replace SIIL as the controller of any such transferring personal data.

Claims will continue to be handled by the parties that currently handle claims following the Transfer, and policyholders will experience no difference in the approach to claims handling.

All policyholders currently have access to the Financial Ombudsman Service (**FOS**), which was established by the UK Parliament to settle unresolved complaints between consumers and firms that provide financial services, such as insurance companies. Policyholders will retain access to the FOS in respect of complaints arising from acts or omissions by the Transferor before the Effective Date, but not have access to the FOS in respect of acts and omissions taking place after the Effective Date. Policyholders will instead gain access to a similar insurance ombudsman in Malta (the Maltese Office of the Arbitrator of Financial Services) after the Effective

Date. The Independent Expert has concluded that policyholders are not materially disadvantaged from loss of access to the FOS.

Policyholders also currently have access to the Financial Services Compensation Scheme (**FSCS**) in respect of policies issued before 31 December 2020, and will continue to have this protection following the Effective Date. The FSCS meets claims of eligible policyholders under insurance contracts if the insurer is unable to do so.

The Scheme also transfers reinsurance policies to the extent that they protect Transferring Policies. Reinsurance is an arrangement between one insurer and another to share or pass on risk, and SIIL has reinsurance policies in place protecting both Transferring Policies and those remaining with SIIL. The Scheme summary at Appendix 1 provides further information on provisions included in the Scheme to ensure that reinsurers are not in a worse position as a result of reinsurance policies being split between SIIL and UIB Cell in this way.

SIIL also has arrangements with a number of third parties which are part of the Transferring Business, such as service agreements with third party service providers. The Scheme transfers any outstanding rights or liabilities under those arrangements to UIB Cell. Under the terms of the Court order approving the Scheme, those rights and liabilities will transfer even if there is a provision in the agreement prohibiting transfer without the consent of the counterparty. Any provision purporting to terminate the arrangement if consent to a transfer is not obtained will also not be triggered by the transfer of those rights and liabilities under the Scheme. As a result, the counterparty will not be entitled to terminate the arrangements as a result of the transfer under the Scheme. The contractual terms will however remain unchanged and any restrictions on transfers will continue to apply following the Scheme taking effect.

## **7 ABOUT THE INDEPENDENT EXPERT**

The Independent Expert, Charl Cronje of Lane Clark and Peacock LLP, is a Fellow of the Institute and Faculty of Actuaries with significant experience of non-life insurance actuarial work. He has acted as an independent expert in relation to three previous insurance business transfers under UK legislation and has been peer reviewer on a number of other such transfers. His appointment and the form of his report have been approved by the PRA (in consultation with the FCA).

The Independent Expert has an overriding duty of responsibility to the Court, and not to SIIL or UIB Cell, and is independent of SIIL and UIB Cell.

## **8 WHAT DOES THE INDEPENDENT EXPERT'S REPORT COVER?**

An independent expert's report must be impartial and based on a thorough scrutiny of the insurance business transfer scheme and the businesses of the parties to it. SIIL and UIB Cell have each provided the Independent Expert with access to key staff and any information he has requested, both private and public.

In his report, the Independent Expert has considered the likely effect of the Scheme on policyholders, including whether the Scheme will result in material detriment to any policyholders affected by the Scheme, relative to their current situation.

In summary, the Independent Expert's report concludes that:

- (a) The security provided to policyholders transferring to UIB Cell, the existing policyholders of UIB Cell and to non-transferring policyholders of SIIL will not be materially adversely affected by the Scheme.
- (b) No material impact on service standards is expected for any of these groups of policyholders as a result of the Scheme.

A full copy of the Independent Expert's report will be published on the website

[www.stonebridge-insurance.com/part-VII-transfer](http://www.stonebridge-insurance.com/part-VII-transfer) and will be provided in print free of charge on request to be made via the contact details given on page 3 of this Circular. A summary of the report prepared by the Independent Expert is at Appendix 2 to this Circular.

The Independent Expert will submit a supplemental report shortly before the hearing of the application to approve the Scheme explaining whether there have been any relevant developments since his initial report, and if so whether they affect his conclusions.

## 9 **WHERE AND WHEN WILL THE COURT HEARING TAKE PLACE?**

The Court hearing is scheduled to take place on 14 October 2022 at the High Court – Business and Property Courts of England and Wales, The Rolls Building, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL. Formal notice of the hearing is at Appendix 3 to this Circular. Any change to this date will be published on the website [www.stonebridge-insurance.com/part-VII-transfer](http://www.stonebridge-insurance.com/part-VII-transfer).

Due to the COVID 19 pandemic it is possible that the hearing may be a remote hearing, and that no one will attend in person. The position will be confirmed on the website [www.stonebridge-insurance.com/part-VII-transfer](http://www.stonebridge-insurance.com/part-VII-transfer) prior to the hearing.

## 10 **WHO CAN ATTEND?**

Any person may attend the hearing, although as noted above it may be that attendance will be remote, rather than in person. Policyholders, and any other party who believes they may be adversely affected by the Scheme, are entitled to be heard at the hearing and to raise objections to the Scheme by stating how they may be adversely affected. Further details of what to do if you wish to raise objections at the hearing are given in the “Next Steps” section below.

## 11 **LIAISON WITH REGULATORS**

SIIL and UIB Cell have liaised closely with the PRA and the FCA in relation to the Transfer.

The form of the notice at Appendix 3 to this Circular has been approved by the PRA. The appointment of Charl Cronje as independent expert and the form of the Scheme Report were approved by the PRA having consulted the FCA.

The PRA will also consult the competent authorities in the EEA states where policyholders with Transferring Policies are resident about the Transfer. Consent or non-objection of the supervisory authorities in each of those is required before the Transfer can proceed in relation to the policyholders in that state. If the competent authority in a particular state does not respond within 3 months of being consulted, it is deemed to have consented.

## 12 **NEXT STEPS**

We hope this document provides you with the information you need to understand what is proposed. If you have any questions, you can contact us via the contact details on page 3 of this Circular.

If you do not think you are adversely affected and have no objections to the Scheme you do not have to do anything.

However, if you consider you may be adversely affected by the Scheme or you object to the Scheme or if you need any further information, then please let us know. You can call us between 9am and 5pm Monday to Friday, email us or write to us at the contact details provided on page 3 of this Circular.

**If you have an objection to the proposals or if you believe you may be adversely affected as a result of the Scheme, you can also attend (in person or by a legal representative), and make representations at the Court hearing.** If you intend to do

so, you are requested (though are not required) to notify Bryan Cave Leighton Paisner LLP, the solicitors acting for the Transferor and the Transferee, of your intention and the reasons why you consider you may be adversely affected by the Scheme. You should contact them by writing as soon as possible and ideally before 30 September 2022 to:

Bryan Cave Leighton Paisner LLP  
Governor's House,  
5 Laurence Pountney Hill,  
London EC4R 0BR,  
United Kingdom

(Reference GQUI/ZHP/2033521.000012)

This will allow us to keep you informed of any changes to the hearing date and where possible address your concerns.

If you do not give the requested notice you will still be entitled to attend and make representations at the hearing, or to instruct someone to appear and make representations on your behalf.

If you would rather make representations in writing, these will be drawn to the attention of the PRA, the FCA and the Independent Expert prior to the hearing, and will be submitted to the Court at the hearing. You are requested to send any written representations to Bryan Cave Leighton Paisner LLP at the address and contact details given above before the hearing, and ideally by 30 September 2022.

We will keep a careful record of all the objections and representations received and will include these in the evidence to be considered by the Court at the hearing. We will also share them with the PRA and FCA.

### **Contact details**

You can call us, email us or write to us at the contact details given on page 3 of this Circular.

You may also contact the PRA or FCA at the following address:

Prudential Regulation Authority  
Bank of England  
20 Moorgate  
London  
EC2R 6DA

Ref: The Insurance Risk and Transactions Team

Financial Conduct Authority  
12 Endeavour Square  
London

E20 1JN Ref: Transfers of Business Team / Authorisations

## **Appendix 1 Summary of the Scheme**

This summary sets out the principal provisions of the Scheme. Unless otherwise defined in this summary, capitalised terms used in this summary have the meanings given to them in this Circular.

It is anticipated that, if sanctioned by the Court the Scheme will take effect at 23:59 on 1 November 2022 (the **Effective Date**).

The Transferring Business is defined in the Scheme and, in summary, means:

1. The general insurance business comprising the effecting of general accident and health insurance policies where the risk is located in an EEA state and the carrying out of obligations liabilities arising under or by virtue of the Transferring Policies and all activities carried on in connection with, or for the purposes of, such business (the **Business**);
2. The rights, claims and liabilities arising under or by virtue of or in connection with the Transferring Policies including for the avoidance of doubt relating to the renewal of the Transferring Policies;
3. Any outstanding rights, claims and liabilities (if any) arising under or by virtue of the agreements between the Transferor and the parties listed in the Schedule to the Scheme to extent that any legal obligations (whether present, future, actual or contingent) remain to be performed by either party at the Effective Date (the **Third Party Contracts**);
4. The right, claims and liabilities arising under or by virtue of any reinsurance policy under which the Transferor is reinsured in respect of a Transferring Policy (the **Transferring Outwards Reinsurance**);
5. SIIL's Transferring Assets (as defined below); and
6. All documents, files, books and other records (held in whatever medium) relating to the **Business** in the possession or control of SIIL up to the Effective Date including (but not limited to) any books and records relating to underwriting and outstanding claims and all accounting and financial records relating to the Transferring Policies or the Transferring Outwards Reinsurance (the **Records**).

SIIL's reinsurances cover both the Transferring Policies and policies which are remaining in SIIL. As a result, the effect of the Scheme will be to split the reinsurance so that the reinsurer has a contract with each of SIIL and UIB Cell. While it is not expected that there will be any claims under the reinsurance, the Scheme provides that the terms and conditions of the reinsurance (including, where applicable, the deductibles, limits and any other applicable policy limitations) will apply in aggregate across SIIL and UIB Cell so that the reinsurer is no better or worse off in respect of such contractual terms and conditions as a result of the Scheme and, as far as possible, SIIL and UIB Cell are jointly able to enjoy the benefit of the reinsurance. It also provides that, where applicable, SIIL and UIB Cell will agree the method of allocating rights to claim against the reinsurer.

The Transferring Assets comprise:

1. The Reserve Assets, being cash and investments in an aggregate amount equal to the reserves held by SIIL as at 31 March 2022 (**Valuation Date**) to meet current and future liabilities under Transferring Policies (**Reserves**) adjusted to take account of claims paid and Recoveries received between the Valuation Date and the date the Scheme becomes effective (**Effective Date**);

2. All recoveries including in the form of premiums, subrogation recoveries and other receivables that relate to the Transferring Policies (other than reinsurance recoveries);
3. All causes of action against third parties relating to the Business whatsoever and howsoever arising; and
4. All goodwill associated with the Business.

On the Effective Date, all of the Transferring Business will be transferred to UIB Cell.

Following the Effective Date:

1. SIIL must account to UIB Cell for all sums or benefits received after the Effective Date in respect of the Transferring Business.
2. Any proceedings for the resolution of a dispute or claim brought against or by SIIL, and any complaint or claim to any ombudsman, in each case relating to the Transferring Business (**Proceedings**) will be deemed to have been commenced against UIB Cell.
3. Any order, judgment or award made in any Proceedings (including proceedings before any ombudsman) against SIIL which remains outstanding at the Effective Date or which is made after the Effective Date will be deemed to have been made and will be enforceable against UIB Cell.
4. Where any complaint is subject to the jurisdiction of the United Kingdom Financial Ombudsman Service (**FOS**) (the body which settles unresolved complaints between consumers and firms that provide financial services) UIB Cell will comply with the complaints handling procedures of the FOS.
5. Where proceedings against SIIL ongoing at the Effective Date in a jurisdiction outside the UK, or commenced in such a jurisdiction after the Effective Date, UIB Cell will have the authority to conduct these proceedings on behalf of SIIL.
6. SIIL and UIB Cell are obliged to cooperate to make any application that may be required in any jurisdiction outside the UK where proceedings are ongoing or commenced to effect the substitution of UIB Cell for SIIL as a party to those proceedings.

In addition, the Scheme provides for the possibility that certain liabilities or assets may not be, or may not be capable of being, transferred on the Effective Date (**Retained Business**). Retained Business will transfer subject to the terms of the Scheme if and when the impediment to transfer is removed. In the meantime, UIB Cell will be under an obligation to indemnify SIIL in respect of any losses or liabilities arising out of the Retained Business, and to perform SIIL's obligations under the Retained Business, where legally possible. SIIL will be obliged to account to UIB Cell for any sums or benefits received in respect of the Retained Business. It is not anticipated that there will be any such business, but in the event that there is, SIIL and UIB Cell will seek to agree individual novations of the relevant policies.

The Reserve Assets transferred to UIB Cell will be a sum equal to an estimate of the Reserves less claims paid and recoveries received between the Valuation Date and the Effective Date. Following the Effective Date, SIIL will calculate actual amount of the Reserves Assets as at the Effective Date and notify UIB Cell of that valuation. If SIIL and UIB Cell are unable to reach an agreement on the calculation of the Reserve Assets within 10 Business Days of the Effective Date, the value of the Reserve Assets will be determined by an independent actuary (whose determination will be binding to the extent permitted by law). If the amount transferred on the

Effective Date is lower than the value of the Reserve Assets as agreed or as determined by the independent actuary, SIIL will transfer the shortfall to UIB Cell. If the amount transferred on the Effective Date is higher, UIB Cell will refund the difference to SIIL.

There will be no change in the terms and conditions of the insurance cover provided under the Transferring Policies.

The Court may approve minor changes to the Scheme proposed by SIIL and UIB Cell at the hearing of the application to approve the Scheme, or the Court may proposed such changes itself, and SIL and UIB Cell may agree to such changes on behalf of all parties affected by the Scheme. If the changes are material, the consent of the PRA and the FCA will also be required. The Transferors are required to notify the PRA and the FCA of any application by them to modify the Scheme whether before or after the Effective Date

The Scheme will be governed by and construed in accordance with English law.

**Appendix 2**  
**Summary of the Independent Expert's Report**

*Summary Report of the Independent Expert on the  
proposed transfer of insurance business from*

***Stonebridge International Insurance Ltd  
to***

***Advent Insurance PCC Ltd (UIB Cell)***

*in accordance with Part VII of the Financial  
Services and Markets Act 2000*

**For the High Court of Justice of England and Wales**

2 May 2022

Prepared by  
**Charl Cronje FIA**  
LCP



# *Stonebridge International Insurance Ltd to Advent Insurance PCC Ltd (UIB Cell) Transfer of insurance business*

## *Summary of the Independent Expert's Scheme Report for the High Court of Justice of England and Wales*

### 1. Glossary

**IFRS** – a set of accounting rules for the financial statements of public companies that are intended to make them consistent, transparent, and easily comparable around the world.

**GAAP** – A collection of commonly followed accounting rules and standards for financial reporting. GAAP specifications include definitions of concepts and principles, as well as industry-specific rules.

**Solvency II** – The system for establishing (among other things) minimum capital requirements for EEA insurers under the Solvency II Directive 2009/138/EC.

**Technical provisions** – under Solvency II, the technical provisions cover the ultimate costs of settling all claims arising from events occurring up to the balance sheet date plus the provisions for future claims (and premiums) arising on unexpired periods of risk.

**Own Funds** – The capital in excess of provisions available to meet the required capital (SCR) under Solvency II.

**SCR coverage ratio** – the ratio of available capital to required capital (SCR). This is a measure of the capital strength of the insurer – the higher the ratio, the stronger the insurer.

### 2. The Proposed Transfer

#### The firms involved

Stonebridge International Insurance limited (SIIL) is a UK insurer which was acquired by Global Premium Holdings Ltd on 28 February 2021. SIIL, prior to Brexit, operated across the UK and the European Economic Area (EEA). Its current in-force policies are located in the UK, Germany, and Spain. Its operations across the EEA have utilised the EEA's Freedom of Services (FoS) arrangement.

Advent Insurance PCC Ltd (Advent) is a Protected Cell Company (PCC) which is a single legal entity consisting of a 'core' around which several 'cells' are created. Created cells are legally separated from each other with regards to their assets, liabilities and tax positions and can be owned by independent organisations whilst operating under the PCC corporate structure.

Advent was established in Malta in 2011 and was approved and is regulated by the Malta Financial Services Authority. It is capitalised under EU Directive requirements. It is licensed for all Classes of General Insurance Business and has the ability to write business in all EU and EEA territories.

The transfer will be to Advent Insurance PCC Ltd, acting in respect of UIB Cell ("UIB Cell").

As a Maltese incorporated and authorised insurer, UIB Cell is able to provide cross border insurance services across the EEA and will therefore be able to administer the business following the Effective Date relying on rights granted to EEA authorised insurers under EU Directives.

The UIB Cell is a constituent cell of Advent Insurance PCC Ltd and is owned by UIB Holdings (Malta) Ltd, which is 100% owned by GPH, and ultimately by Embignell.

#### The Transferring Business

The business to be transferred by SIIL comprises general accident and health insurance policies, predominantly accidental death and accident cash plans where the location of risk is an EEA state. The book is a closed book, in that no policies have been issued to new policyholders since 2014. In-force policies are therefore renewal policies only. The Transferring Policies comprise expired or cancelled policies where SIIL has outstanding liabilities plus renewal policies that remain in force at the date on which the transfer becomes effective.

The purpose of the Proposed Transfer is to provide certainty that EEA policyholders of SIIL can continue to receive the benefit of their policies going forward notwithstanding the UK's departure from the EU and SIIL's resulting loss of passporting rights. The Proposed Transfer will also remove the risk of disruption to SIIL's operating model and the administration and handling of its customers' claims under existing policies should any available transitional regimes come to an end before the business has been fully run off.

All rights and obligations of SIIL relating to the Transferring Business will also be transferred to UIB Cell.

As at the Effective Date of the Proposed Transfer, there are projected to be 70,094 Transferring Policyholders with in-force policies and 54,978 Transferring Policyholders with expired

policies under which claims are ongoing or may still be made.

### Effective Date

The Effective Date (the date when the Proposed Transfer is expected to occur) is 1 November 2022.

### Claims handling

Claims administration will continue to be carried out by the third-party administrators who currently handle claims on behalf of SIIL, and who are based in the EU. The Proposed Transfer will therefore permit the continued administration of the Transferring Policies in compliance with legal and regulatory requirements in the EEA States where the policyholders reside, avoiding any disruption for policyholders.

### My role as Independent Expert

In order to proceed, the Proposed Transfer will need to be approved by the High Court of Justice of England and Wales (the Court). To assess the Proposed Transfer, the Court requires a Scheme Report to be prepared by a suitably qualified independent person, the Independent Expert (IE).

SIIL and UIB Cell have jointly appointed me to act as the IE for the Proposed Transfer. The Prudential Regulation Authority (PRA), in consultation with the Financial Conduct Authority (FCA), has approved my appointment.

I am a Fellow of the Institute and Faculty of Actuaries (IFoA) and am a holder of Chief Actuary (non-Life with Lloyd's) practising certificate. I am a Partner in the Insurance Consulting practice at LCP and have experience in a wide range of areas of general insurance actuarial work.

As IE, my overall role is to assess whether:

- The security provided to policyholders of SIIL and UIB Cell 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.
- Any reinsurer of SIIL and UIB Cell covering the Transferring Business will be materially adversely affected by the Proposed Transfer.

### 3. Summary of my conclusions

To assess the effect of Proposed Transfer, I have considered it from four perspectives:

#### 1. “Non-transferring Policyholders”, who will remain with SIIL after the Proposed Transfer:

- I have concluded that the security provided to Non-transferring Policyholders will not be

materially adversely affected by the Proposed Transfer.

- I have concluded that no material impact on service standards is expected for Non-transferring Policyholders following the Proposed Transfer.

#### 2. “Transferring Policyholders”, who will transfer from SIIL to UIB Cell as a result of the Proposed Transfer :

- I have concluded that the security provided to Transferring Policyholders will not be materially adversely affected by the Proposed Transfer.
- I have concluded that no material impact on service standards is expected for Transferring Policyholders following the Proposed Transfer.

#### 3. “Existing UIB Cell Policyholders”, ie policyholders of UIB Cell at the time of the Proposed Transfer, who will remain with UIB Cell after the Proposed Transfer.

- I have concluded that the security provided to Existing UIB Cell Policyholders will not be materially adversely affected by the Proposed Transfer.
- I have concluded that no material impact on service standards is expected for Existing UIB Cell Policyholders following the Proposed Transfer.

#### 4. Reinsurers of SIIL and UIB Cell covering the Transferring Business

- I have concluded that reinsurers of SIIL and UIB Cell who provide cover for the Transferring Business will not be materially adversely affected by the Proposed Transfer.

### 4. The IE’s Scheme Report

This is a summary of my full Scheme Report, “Scheme Report of the Independent Expert on the proposed transfer of insurance business from Stonebridge International Insurance Ltd to Advent Insurance PCC Ltd, acting in respect of UIB Cell in accordance with Part VII of the Financial Services and Markets Act 2000”.

A copy of the full Scheme Report is available for download free of charge on the Stonebridge website at [www.stonebridge-insurance.com/part-VII-transfer](http://www.stonebridge-insurance.com/part-VII-transfer).

I will also prepare a Supplementary Report ahead of the Sanctions Hearing for the Proposed Transfer. The purpose of the Supplementary Report is to confirm and/or update my conclusions on the Proposed Transfer, based on any new material or issues that arise.

## 5. Non-transferring Policyholders

**In my opinion, the security provided to Non-transferring Policyholders will not be materially adversely affected by the Proposed Transfer.**

### Summary rationale:

- I am satisfied that the approaches used to calculate the Solvency II and UK GAAP technical provisions for SIIL are appropriate, and SIIL has confirmed that these will be materially unchanged post-transfer.
- The SCR coverage ratio for SIIL is projected to increase from 181% to 223% as a result of the Proposed Transfer.
- Further, SIIL is expected to remain well capitalised or very well capitalised throughout the 3-year projected period.
- I am satisfied that SIIL is expected to remain well capitalised under a range of adverse scenarios. In more extreme adverse scenarios, such as SIIL's reverse stress test, I am satisfied that Non-Transferring Policyholders are not materially adversely affected as a result of the Proposed Transfer.

**In my opinion, no material impact on service standards is expected for Non-transferring Policyholders following the Proposed Transfer.**

### Summary rationale:

- SIIL is not planning any material changes to how the business is carried out. In particular, there are no plans to change how Non-Transferring Policyholders are serviced post-transfer.

## 6. Transferring Policyholders

**In my opinion, the security provided to Transferring Policyholders will not be materially adversely affected by the Proposed Transfer.**

### Summary rationale:

- I am satisfied that the approaches used to calculate the Solvency II, UK GAAP and IFRS technical provisions for SIIL and UIB Cell are appropriate. Further, the approach currently used by SIIL to calculate the provisions for Transferring Policyholders will continue to be applied post-transfer by UIB Cell.
- The SCR coverage ratio for Transferring Policyholders is expected to remain the same, at 181% immediately pre- and post- Transfer, as a result of the Proposed Transfer. I therefore do not consider the security provided to Transferring Policyholders to be materially adversely affected by the Proposed Transfer.
- The amount of capital available is lower in UIB Cell than it is in SIIL. However, the nature of claims of SIIL and UIB Cell's business is low severity with relatively low volatility in claims from

year to year. In the event of a particularly large claim, UIB Cell will have reinsurance in place to cover the amount in excess of £200,000.

- Further, UIB Cell Policyholders have access to the resources of Advent Insurance PCC Ltd's Core capital to pay claims in the remote case of UIB Cell insolvency. More information on Advent Insurance PCC Ltd ("Advent") and the structure of protected cell companies is in Section 3.1 of my full Scheme Report.
- UIB Cell is expected to remain at least well capitalised throughout the projected period.
- I am satisfied that UIB Cell is expected to remain well capitalised under a range of adverse scenarios in relation to both the Transferring Business and its other business. In more extreme adverse scenarios, for example UIB Cell's reverse stress test, policyholders would still be paid in full. I am satisfied that the likelihood of such a scenario is also sufficiently remote such that Transferring Policyholders are not materially adversely affected as a result of the Proposed Transfer.
- Transferring Policyholders who currently have access to the Financial Ombudsman Service (FOS) which resolves complaints between consumers and financial services businesses in the UK, will lose access to the FOS in respect of acts and omissions taking place after the Effective Date of the Proposed Transfer but will continue to have access to the relevant overseas regulator and will gain access to a similar insurance ombudsman in Malta.
- In the absence of the Proposed Transfer, SIIL may not be able to legally pay policyholder claims and will have to cancel all EEA policies. Therefore, Transferring Policyholders may be adversely affected if the Proposed Transfer does not proceed. In addition, Transferring Policyholders would have the disruption of having to find alternative future cover.

**In my opinion, no material impact on service standards is expected for these policyholders following the Proposed Transfer.**

### Summary rationale:

- SIIL and UIB Cell are planning to minimise any changes to how the Transferring Business is carried out, to avoid disruption to the operating model or its customers. For example, there are no changes planned to outsourced providers or to how Transferring Policyholders are serviced following the Proposed Transfer.

## 7. Existing UIB Cell Policyholders

**In my opinion, the security provided to UIB Cell Policyholders will not be materially adversely affected by the Proposed Transfer.**

### Summary rationale:

- I am satisfied that the approaches used to calculate the Solvency II and IFRS technical provisions for UIB Cell are appropriate, and UIB Cell has confirmed that these will be materially unchanged post-transfer.
- The SCR coverage ratio for Existing Transferee Policyholders is expected to decrease from 225% to 181% as a result of the Proposed Transfer. I do not consider the security provided to Existing Transferee Policyholders to be materially adversely affected by this decrease as UIB Cell will still be well capitalised. Further, UIB Cell's own funds will increase from £5.3m to £5.6m as a result of the Proposed Transfer, so Existing Transferee Policyholders will have access to a slightly larger capital base.
- On the face of it, the decrease in SCR coverage ratio for Existing Transferee Policyholders from 225% to 181% would appear to be a reduction in security. 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 181% coverage ratio therefore equates to a remote probability of insolvency (much lower than 0.5%). Since the probability of insolvency is already remote at 181%, the difference in capital coverage ratios of 181% and 225% does not, in my opinion, equate to a material difference in the probability of insolvency.
- Further, UIB Cell is projected to remain well capitalised or very well capitalised throughout the projected period.
- I am satisfied that UIB Cell is expected to remain well capitalised under a range of adverse scenarios. In more extreme adverse scenarios, such as UIB Cell's reverse stress test, I am satisfied that Existing Transferee Policyholders are not materially adversely affected as a result of the Proposed Transfer.

**In my opinion, no material impact on service standards is expected for UIB Cell Policyholders following the Proposed Transfer.**

### Summary rationale:

- UIB Cell is not planning any material changes to how the business is carried out. In particular, there are no plans to change how Existing Transferee Policyholders are serviced following the Proposed Transfer.

## 8. Impact of COVID-19 on the Proposed Transfer

The uncertainty around the impact of COVID-19 is expected to continue over the coming months and potentially beyond the Effective Date of the Proposed Transfer.

SIII and UIB's view is that they have remained resilient to the impact of COVID-19 with no noticeable detriment resulting from the pandemic. This is based on emerging experience, including the following:

### SIII

- Accident policies are not expected to be directly exposed to COVID-19.
- SIII income protection policies do not include a pandemic exclusion. However, the income protection policies make up a very small proportion of SIII's overall business. To date SIII has not received any claims in relation to COVID-19 for this product.
- Across all policy types, there has been no negative impact on claims experience to date as a result of COVID-19, and claims experience is tracking within the expected loss ratio range.
- SIII's balance sheet has also been resilient during the periods of economic fluctuation. SIII has maintained a low risk, highly liquid investment portfolio, and has told me it will continue to do so into the future.
- Operationally, SIII has now transitioned to a "business-as-usual" remote working model and is not expecting any negative impact operationally should the pandemic continue.
- Outsourcing arrangements with Gielisch (claims) and Comdata (customer services) continue to be managed in line with the PRA's Supervisory Statements, SS1/21 Operational resilience and SS2/21 Outsourcing and third-party risk management.

### UIB Cell

- UIB Cell has experienced no negative impact on its claims performance as a result of COVID.
- UIB Cell's balance sheet was resilient during the economic fluctuations throughout the COVID pandemic.
- 97.48% of UIB Cell's policies in force cover accidents only. The nature of personal accident cover is that events arising from COVID-19 would

not be covered. Therefore, there is no impact from the pandemic on these policies.

- 2.25% of UIB Cell's policies in force provide income protection. All of these policies have a pandemic exclusion. UIB Cell has received two claims related to COVID-19, these have been declined due to the pandemic exclusion on the policies. At this time there is no indication these decisions will be contested.
- For UIB Cell, claims have been lower than expected, possibly linked to lockdowns resulting from COVID-19. It is possible that some treatments have been delayed due to the pandemic. This may mean that monthly income protection claims could last longer if claimants do not recover as quickly as they would have done without a delay in treatment. However, UIB Cell does not expect this to have a significant impact and the maximum payment period is 2 years which mitigates the risk to some extent. I do not expect this to have a significant impact.
- Operationally, the UIB Cell has continued to service policyholders throughout the pandemic and has now approved a long-term hybrid working policy whereby staff are able to work in the office and at home. This means if there is ever a need for large numbers of staff to work from home operations will continue to function as normal.

For SIIL and UIB Cell, large claims that can materially impact results are accidental death claims. These would not be adversely impacted by COVID-19. If anything, I would expect these to reduce during periods of reduced economic and social activity.

UIB Cell and SIIL have informed me that there are no other operational issues arising from COVID-19 that are impacting or expected to impact policyholders. In particular, they have stated that the team has sufficient resource and has been able to maintain coverage with minimal disruption.

Based on the information provided and the nature of the risks, I have concluded that COVID-19 is unlikely to have a material impact on the Proposed Transfer.

I will provide an update on any potential impact of COVID-19 in my Supplementary Report.

## 9. Further information and next steps

Further details on my conclusions, and other supporting information, are set out in my full Scheme Report.

I will be reviewing these conclusions and preparing a Supplementary Report before the Court considers its final approval of the Proposed Transfer at the Sanction Hearing. The purpose of the Supplementary Report is to confirm and/or update my

conclusions based on any new material or issues that arise.

  
Charl Cronje

*Fellow of the Institute and Faculty of Actuaries*

*2 May 2022*

### Professional standards

Our work in preparing this document complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work, together with Technical Actuarial Standard 200: Insurance, and Actuarial Profession Standard X2: Review of Actuarial Work.

### The use of our work

This work has been produced by Lane Clark & Peacock LLP under the terms of our written agreement with Stonebridge International Insurance Limited and Advent Insurance Protected Cell Company Ltd – UIB Cell ("Our Clients"). It is subject to any stated limitations (eg regarding accuracy or completeness).

This Summary Report, which is our work, has been prepared for the purpose of summarising the full Scheme Report accompanying the application to the Court in respect of the insurance business transfer scheme described in that report, in accordance with Section 109 of the Financial Services and Markets Act 2000. The Scheme Report and this Summary Report are not suitable for any other purpose.

A copy of the Summary Report and the Scheme Report will be sent to the Prudential Regulatory Authority, the Financial Conduct Authority and the full Scheme Report will accompany the Scheme application to the High Court.

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

This Summary Report has been prepared under the same scope and limitations set out in the Scheme Report. In the event of any real or perceived conflict between this Summary Report and the Scheme Report, the Scheme Report shall prevail.

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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

Lane Clark & Peacock Netherlands B.V.  
(operating under licence)  
Utrecht, Netherlands  
Tel: +31 (0)30 256 76 30  
info@lcpnl.com

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**Appendix 3  
Legal Notice**

**IN THE HIGH COURT OF JUSTICE** **No. CR-2022-001035**  
**BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES**  
**COMPANIES COURT (ChD)**

**IN THE MATTER OF  
STONEBRIDGE INTERNATIONAL INSURANCE LIMITED  
and**

**IN THE MATTER OF  
ADVENT INSURANCE PCC LTD – UIB CELL  
and**

**IN THE MATTER OF  
PART VII OF THE FINANCIAL SERVICES AND MARKETS ACT 2000**

NOTICE IS HEREBY GIVEN that, by application dated 3 May 2022 Stonebridge International Insurance Limited (the **Transferor**) and Advent Insurance PCC Ltd – UIB Cell (the **Transferee**) (together the **Applicants**), applied to the High Court of Justice of England and Wales for, amongst other things, an order under Section 111(1) of the Financial Services and Markets Act 2000 (the **Act**) sanctioning an insurance business transfer scheme (the **Scheme**) providing for the transfer of insurance business by the Transferor to the Transferee and for an order making provision under Section 112 of the Act.

The business included in the proposed transfer (the **Transferring Business**) includes rights and liabilities of the Transferor under or by virtue of any policy forming part of business of the Transferor where:

1. the policyholders was resident in an EEA state at the time the policy was issued; or
2. the Transferor is for any other reason subject to a requirement for authorisation in an EEA state in order to continue to service or to renew the policy.

If you are in any doubt as to whether your policy is included in the proposed transfer, please contact Stonebridge International Insurance Limited at the address given below.

Copies of a report on the terms of the Scheme prepared by an independent expert in accordance with section 109 of the Act (the **Scheme Report**) and copies of a statement setting out the terms of the Scheme and containing a summary of the Scheme Report may be obtained, free of charge, by contacting Stonebridge International Insurance Limited, 39-51 Highgate Road, London, NW5 1RT, United Kingdom Ref: PRTVII email: bserrano@uibuk.com telephone: 0203 227 4841 or may be downloaded from the website [www.stonebridge-insurance.com/part-VII-transfer](http://www.stonebridge-insurance.com/part-VII-transfer).

Anyone who has any concerns or objections regarding the proposed transfer or who requires any further information regarding the transfer should also contact the above address and reference or appear in Court or both.

The application will be heard on 14 October before a Judge of the High Court - Business and Property Courts of England and Wales at The Rolls Building, 7 Rolls Buildings, Fetter Lane, London, EC4A 1NL, United Kingdom. The Act provides that any person (including an employee of the Transferor or the Transferee) who alleges that he or she may be adversely affected by the carrying out of the Scheme is entitled to:

1. make representations in writing;
2. appear at the hearing and make representations in person; or
3. instruct a barrister or solicitor advocate to appear at the hearing and make representations on his/her behalf.

Due to the COVID 19 pandemic it is possible that the hearing may be remote and no one will attend in person. The position will be confirmed on the website [www.stonebridge-insurance.com/part-VII-transfer](http://www.stonebridge-insurance.com/part-VII-transfer) prior to the hearing and instructions provided as to how to attend the hearing.

If you intend to appear at the hearing in person, or to instruct someone to appear on your behalf, you are requested (though not required) to give notice of your intention to do so in writing, setting out the reasons why you believe you may be adversely affected.

You are requested to send such notice, or if you are not intending to appear in person or by your legal representative, any written representations that you may have, by close of business on 30 September 2022 to:

Bryan Cave Leighton Paisner LLP  
Governor's House  
5 Laurence Pountney Hill  
London, EC4R 0BR

(ref: GQUI/ZHP/2033521.000012).

If you do not give the requested notice you will still be entitled to attend and make representations at the hearing or to instruct someone to appear and make representations on your behalf.

If the Scheme is sanctioned by the Court, it will result in the transfer of all the contracts, property, assets and liabilities of the Transferors within the scope of the Scheme to the Transferee. Notwithstanding that a person would otherwise be entitled to:

1. terminate, modify, acquire or claim an interest or right; or
2. treat an interest or right as terminated or modified,

as a result of such transfer, that entitlement will only be enforceable to the extent the order of the Court makes provision to that effect.

Bryan Cave Leighton Paisner LLP, Governor's House, 5 Laurence Pountney Hill, London, EC4R 0BR

Ref: GQUI/ZHP/2033521.000012  
Solicitors to the Applicants