

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

IN THE MATTER OF SUNDERLAND MARINE INSURANCE COMPANY LIMITED

and

**IN THE MATTER OF THE NORTH OF ENGLAND PROTECTING AND INDEMNITY ASSOCIATION
LIMITED**

and

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

SUMMARY OF THE SCHEME AND THE REPORT

1 Introduction

- 1.1 Sunderland Marine Insurance Company Limited (**SMI**) is proposing to transfer all of its insurance and reinsurance business (the **Transferring Policies**) to The North of England Protecting and Indemnity Association Limited (**NOE**).
- 1.2 The transfer of the Transferring Business is to be effected through an insurance business transfer scheme (the **Scheme**). The Scheme will be carried out through the High Court of Justice in England (the **High Court**) in accordance with Part VII of the UK Financial Services and Markets Act 2000.
- 1.3 The Transferring Business is currently carried on by SMI and following the Scheme will be carried on by NOE in: (i) the UK; (ii) on a freedom of services basis in Belgium, Cyprus, Denmark, France, Germany, Greece, Ireland, Italy, Malta, the Netherlands, Norway and Spain under the Financial Services and Markets Act 2000 (EEA Passport Rights) Regulations 2001 (SI 2001/2511).
- 1.4 This document sets out a summary of the effect of the Scheme and of the report prepared by the Independent Expert (see paragraph 5 below) on the Scheme (the **Report**).
- 1.5 This document is only a summary. Full details of the Scheme and the Report can be found in the complete versions which are available free of charge on our website or on request as described at paragraph 7 below.

2 Background of SMI and NOE

- 2.1 SMI is a private limited company registered in England and Wales with registered company number 00016432 and its registered office at The Quayside, Newcastle upon Tyne, NE1 3DU.
- 2.2 NOE is a private company limited by guarantee registered in England and Wales with registered company number 00505456 and its registered office at The Quayside, Newcastle upon Tyne, NE1 3DU.
- 2.3 Both SMI and NOE are part of the same corporate group, with SMI being a wholly-owned subsidiary of NOE.
- 2.4 Both SMI and NOE are authorised and regulated by the UK Prudential Regulation Authority (**PRA**) and are also regulated by the UK Financial Conduct Authority (**FCA**).

3 Process and timings of the Scheme

- 3.1 The proposed timings for the Scheme are:

High Court hearing	16 June 2020
Proposed "Effective Date" (when the Transferring Business will transfer to NOE)	30 June 2020

- 3.2 The Scheme will not go ahead unless the High Court approves it on 16 June 2020.
- 3.3 If the High Court imposes any change or conditions to the proposed Scheme, the Scheme will not take effect unless SMI and NOE consent.

4 Summary of the Scheme

- 4.1 The following is a summary of the main points of the Scheme. As noted above, the full version of the scheme document is available free of charge (please refer to paragraph 7 below for further information).
- 4.2 In addition, SMI and NOE have prepared a series of policyholder communications which are available to view at www.sunderlandmarine.com and www.nepia.com.

The Effect of the Scheme

- 4.3 As stated above, the Scheme is intended to transfer all of the Transferring Business from SMI to NOE.

Claims paid by NOE after the Effective Date

- 4.4 It is intended that from the Effective Date, all the rights and obligations arising from the Transferring Business will automatically transfer to NOE and will no longer rest with SMI. This means that NOE will be responsible for paying all claims and meeting all the other obligations which were previously SMI's obligations in relation to the Transferring Business.

Exceptions

- 4.5 Despite the intention explained in paragraph 4.4 above, there may be a small number of policies which fall outside the Scheme. These would be "**Residual Policies**", as described in more detail in the full version of the Scheme. Any Residual Policies will transfer to NOE as soon as possible following the Effective Date and once any impediment to the transfer on the Effective Date has been overcome.

No changes to Policy Terms and Conditions

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

Continuity of proceedings or litigation

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

Costs and Expenses

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

5 Summary of the Independent Expert's Report about the Scheme

- 5.1 SMI and NOE have appointed Mr Derek Newton of Milliman LLP, as an independent expert (the **Independent Expert**) to provide a report to the High Court on the effect of the Scheme on the policyholders of SMI and NOE. The appointment of Mr Newton has been approved by the PRA, in consultation with the FCA.
- 5.2 The summary in this section is subject to the same limitations on its use as those set out in the Report. The Report contains the reasoning behind the Independent Expert's conclusions, including his assumptions and some of the detail which has been omitted from this summary. The Report also includes further information regarding SMI and NOE which has not been included within this summary. While the Independent Expert is satisfied that this summary provides an appropriate synopsis of the Report, reliance on this summary alone may not give you the whole picture. Copies of the full Report and any supplementary Report can be obtained free of charge (please refer to paragraph 7 below for further information).
- 5.3 The Independent Expert has considered the impact of the Scheme on the security and the levels of service afforded to affected policyholders. He has also considered the impact of the Scheme on other matters pertinent to the affected policyholders, such as complaint procedures.
- 5.4 The Independent Expert has identified three main groups of policyholders affected by the Scheme and he has considered the effect of the Scheme on each of these groups separately. The three groups identified are: policyholders of the Transferring Business, policyholders of Residual Policies, and the existing policyholders of NOE.

Security of Policyholders

- 5.5 Policyholder security is provided by the amount of assets held by an insurer in excess of its liabilities and risks, as well as specific financial support arrangements. The Independent Expert has assessed the amount of assets held in excess of liabilities by SMI and NOE, both currently and as is projected to be the case if the Scheme is sanctioned.

Is there an impact on the security of the policyholders of the Transferring Business?

- 5.6 Based on his review of the excess assets of SMI and NOE, the Independent Expert has concluded that the policyholders of the Transferring Business will not be materially adversely affected by the Scheme (i.e. the likelihood that the claims of these policyholders will be paid in full will for all practical purposes be the same before and after the Scheme comes into effect).

Is there an impact on the security of the existing policyholders of Residual Policies?

- 5.7 Having reviewed the excess assets of SMI and the full reinsurance under the Scheme by NOE of any Residual Policies if the Scheme is sanctioned, the Independent Expert has concluded

that the impact on the Scheme on the security of such existing policyholders of SMI would be negligible (i.e. the likelihood that the claims of these policyholders will be paid in full will for all practical purposes be the same before and after the Scheme comes into effect).

Is there an impact on the security of the existing policyholders of NOE?

- 5.8 Having reviewed the projected excess assets of NOE if the Scheme is sanctioned, the Independent Expert has concluded that the security of the existing policyholders of NOE will not be materially adversely affected as a result of the Scheme (i.e. the likelihood that the claims of these policyholders will be paid in full will for all practical purposes be the same before and after the Scheme comes into effect).

Levels of Service

- 5.9 The staff engaged by SMI to administer the business will continue to administer the business in the same way whether the Scheme is sanctioned or not. The Scheme should therefore not have any effect on the policy administration arrangements for the Transferring Business or the existing business of NOE.

Other Considerations

Effect of the Scheme on Reinsurers

- 5.10 The administration of the Transferring Business will be unaffected by the Scheme and therefore the magnitude and time of recoveries claimed will be unaffected. The Independent Expert has therefore concluded that the Scheme will not have a material adverse effect on the reinsurers protecting the Transferring Business.

6 Updated Report

The Independent Expert's analysis is based upon the material supplied to him, including balance sheets and other information, based on accounting positions as at 20 February 2019. He has also taken into account updated financial information which has been made available. Since the proposed Effective Date for the Scheme is 30 June 2020, he will revisit the analysis closer to the time to confirm that there have been no material changes to the arrangements that he has reviewed that would affect his overall opinion. He will then prepare and issue an updated report to be made available to the High Court prior to the second High Court hearing. Copies of the updated Report can be obtained free of charge (please refer to paragraph 7 below for further information).

7 Further information

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

- visit www.sunderlandmarine.com or www.nepia.com;
- email ged.mcternan@nepia.com;
- telephone +44 (0)191 232 5221; or
- write to us at The North of England Protecting and Indemnity Association Limited, The Quayside, Newcastle upon Tyne, NE1 3DU, United Kingdom, Attention: Ged McTernan.