

Transferring to The North of England Protecting and Indemnity Association Limited

Your questions about the
transfer of policies answered

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Your Questions Answered

Section 1

General Overview

1.1 What are the proposed changes?

Sunderland Marine Insurance Company Limited (**SMI**) proposes to transfer the entirety of its business comprising general insurance and reinsurance policies (the **Transfer**) to The North of England Protecting and Indemnity Association Limited (**NOE**). This process is known as a Part VII transfer and is effected by means of a **Scheme**.

1.2 When will the Transfer happen?

If approved by the High Court of Justice of England and Wales (the **Court**), the Transfer is scheduled to take effect on the **Effective Date**. It is expected that this will be 30 June 2020.

Any change to the Effective Date will be announced on the SMI website (at www.sunderlandmarine.com) and the NOE website (at www.nepia.com).

1.3 Which policies are transferring?

All policies underwritten by SMI are being transferred.

1.4 Why is SMI doing this?

The Transfer is being undertaken as part of a restructure undertaken by the North Group. The aims of the restructure are broadly to: (i) amalgamate all underwriting business carried on in the UK by the North Group into one single licenced entity; (ii) achieve a sustainable and profitable business model for the North Group; and (iii) achieve a more efficient use of capital within the corporate group.

1.5 Why is there a separate Jersey Scheme?

SMI's business includes a small number of policies (**Jersey Policies**) that have been written as part of the business carried on by SMI in, or from within, Jersey. The transfer of such business requires approval from the Royal Court of Jersey (**Royal Court**). SMI and NOE are proposing to apply to the Royal Court for approval of a scheme to transfer such business (the **Jersey Scheme**) to NOE (to enable these Jersey Policies to transfer across). In order for the Jersey Scheme to become effective, the Jersey Scheme must be approved by the Royal Court and the Scheme must be approved by the Court and become effective.

The Jersey Scheme is based on the same terms as the Scheme. The summary of the Scheme enclosed with this booklet applies equally to the Jersey Scheme except that, (i) any amendments to the Jersey Scheme, affecting the substance of the Jersey Scheme, would require the consent of the Jersey Financial Services Commission and the Royal Court and (ii) the Jersey Scheme will be governed by Jersey law. The report of the Independent Expert referred to in this booklet and the summary of the report of the Independent Expert also applies equally to the Jersey Scheme.

The Jersey Scheme is only relevant to you if you have a Jersey Policy. If you have an objection to the Jersey Scheme or believe that you may be adversely affect or have any questions then contact details are provided throughout this booklet where such matters can be addressed.

Section 2

More about NOE

2.1 What type of company is NOE?

SMI has been a wholly-owned subsidiary of NOE since 28 February 2014.

NOE is a company limited by guarantee which was incorporated in England and Wales on 14 March 1952 as a mutual insurance company. Many of its policyholders are also members. If the proposed Transfer is approved, all SMI policyholders will become non-member fixed premium policyholders of NOE.

NOE is regulated by the PRA and the FCA to write marine insurance and reinsurance business and is licensed to operate in a number of territories, including 29 jurisdictions within Europe.

You can find out more about NOE by visiting <http://www.nepia.com>.

2.2 How will NOE administer my policy?

NOE will administer the Transferring Policies in the same way as they are currently administered by SMI. In particular, there will be continuity in terms of personnel handling the Transferring Policies and continuity in terms of the processes.

Section 3

More about the Transfer Process

3.1 What is the Transfer?

The Transfer is governed by a process under Part VII of the UK Financial Services and Markets Act 2000 that enables groups of insurance policies to be moved between two insurers. The insurers involved can either be in the same insurance group (as in this instance) or from different corporate groups. An application must be approved by the Court before the Transfer can go ahead. The applicable regulations require SMI and NOE to appoint an Independent Expert, approved by the Regulators, who looks at the impact of the proposed Transfer on the various groups of affected policyholders, and submits a report to the Court. Policyholders must be notified and given time to consider the proposals, and they have a right to object or raise concerns if they feel they would be adversely affected.

3.2 Where and when will the Court Hearing take place?

The Court Hearing will be at the **High Court of Justice, 7 Rolls Building, Fetter Lane, London, EC4A 1NL, UK** on **16 June 2020**.

The application to the Royal Court for approval of the Jersey Scheme expected to take place at **9.00 am on 22 June 2020 at the Royal Court, Royal Square, Hill Street, St Helier, Jersey JE1 1JG**.

You will be able to find information about the outcome of the hearing on the SMI website (at www.sunderlandmarine.com) and the NOE website (at www.nepia.com), by calling +44 (0)191 232 5221, or by emailing ged.mcternan@nepia.com.

3.3 What will happen at the Court Hearing?

The Court will consider whether the Transfer adversely affects policyholders, and other interested parties such as reinsurers, and whether it is appropriate to allow the Transfer. The judge will review the witness statements and evidence presented by SMI and NOE, and consider the reports of the Independent Expert and the Regulators. Time will be allocated to hear any objections or concerns put forward (whether in writing, by telephone, or in person) by affected policyholders or any other person who believes that they would be adversely affected by the proposals. The judge must decide whether or not it is appropriate to approve the Transfer, taking all of the evidence into account. If the judge does approve the Transfer, then a Court Order is made which means the Scheme will come into effect at a time specified in the Order.

3.4 What can you do if you believe you may be adversely affected?

If you believe you may be adversely affected as a result of the Transfer, then you're entitled to object or raise your concerns either in writing or by telephone in advance, or in person at the Court Hearing. You may choose to appoint legal counsel to attend the Court Hearing on your behalf.

You can:

- Call us at +44 (0)191 232 5221 (between 9am and 5pm, Monday to Friday).
- write to us at Sunderland Marine Insurance Company Limited, The Quayside, Newcastle Upon Tyne, NE1 3DU, United Kingdom, Attention: Ged McTernan; or
- e-mail us at: ged.mcternan@nepia.com

Any objections or concerns relating to the Transfer notified to us by telephone or in writing will also be included in the information supplied to the Court. Should you need any further information or if you have any questions or concerns about the Transfer or consider that you may be adversely affected then please contact us as soon as possible and preferably no later than **9 June 2020**.

3.5 What do you mean by 'adversely affected'?

Any types of effect on policyholders may be considered by the Court. This includes changes to the financial security of SMI and NOE, or changes to the administration of the Transferring Policies. If there are some changes for the worse, this does not necessarily mean that the Transfer is unfair or unreasonable, as they might be outweighed by other benefits, or they might be extremely small, or they may only occur infrequently. The Independent Expert considers the materiality of any adverse changes based on their size or likelihood of occurring and provides his conclusions in his Report.

Please refer to the enclosed summary of the Independent Expert's Report for an assessment of the adverse effects of the Transfer.

3.6 What will happen if the Court does not approve the Transfer?

If the proposed Transfer is rejected, your policy will remain with SMI.

If the Transfer is delayed for any reason then we will inform policyholders of this via the SMI website (at www.sunderlandmarine.com) and the NOE website (at www.nepia.com). If there is expected to be a protracted delay, or the Transfer is rejected, we will also write to affected policyholders to let them know.

3.7 Will I be charged extra for any of this?

No, you'll not be asked to bear the costs of the Transfer. NOE will meet the costs and fees of carrying out the Transfer.

Section 4

More about the Independent Expert

4.1 Who is the Independent Expert?

The Independent Expert is Mr Derek Newton of Milliman.

4.2 What's his role?

The Independent Expert has been appointed to give his opinion on the likely effect of the Scheme on policyholders. His appointment has been approved by the PRA, following consultation with the FCA. His Report is impartial, based on thorough scrutiny of the proposals and the businesses of SMI and NOE. Both SMI and NOE have provided him with access to key staff and information he has requested, both private and public.

4.3 How do I know he is independent?

The Independent Expert's appointment has been approved by the PRA, following consultation with the FCA, and independence is one of the criteria that they use to assess his suitability. Neither the Independent Expert nor any of his immediate family hold any policies, shareholdings or have any other financial interests with either of SMI or NOE or any of their subsidiaries, whether indirect or direct. The Independent Expert's overriding duty of responsibility is to the Court, and not SMI or NOE. His Report must be impartial. We have included a summary of his Report with this pack, but you can download a full copy of the Independent Expert's Report at the SMI website (at www.sunderlandmarine.com) and the NOE website (at www.nepia.com). If you would like a paper copy sent to you then please contact us on the details set out at section 3.4 above.

Section 5

Will there be any changes to my policy?

5.1 Who do I contact after the Transfer for a query on my policy or to make changes?

The administration of your policy will not change as a result of the Transfer and after the Transfer you should continue to contact your normal SMI contact.

5.2 Will there be any changes to the premiums I pay?

No changes will be made to your premium as a result of the Transfer.

5.3 Are there any changes to the terms and conditions of my policy?

The Transfer will not change the terms and conditions of your policy or the payments that you receive, if you have a claim.

Section 6

Final Comments

6.1 I can't find the answer to my question in this booklet. Where can I find out more?

We hope that the information we have provided has helped you to understand the proposals. Further information is published on the SMI website (at www.sunderlandmarine.com) and the NOE website (at www.nepia.com). There you can download a full version of the scheme document which sets out the legal terms of the Transfer, the full Report of the Independent Expert, and the policyholder communications pack (hard copies of these documents are available on request). Alternatively call us on +44 (0)191 232 5221, email us at ged.mcternan@nepia.com, or write to us at Sunderland Marine Insurance Company Limited, The Quayside, Newcastle Upon Tyne, NE1 3DU, United Kingdom and we will send you this information.

For customers who have questions or wish to raise concerns or objections related to the proposed Transfer, call +44 (0)191 232 5221. This helpline will be available (9am to 5pm, Monday to Friday) from 2 March 2020.

We will also publish on the websites copies of any Supplementary Reports that the Independent Expert writes before the Court Hearing date.

However, if you do think you may be worse off as a result of the Transfer please see questions 3.4 to 3.6 or turn to the Legal Notice within this pack for information about how to make your objection or concern known to us.

6.2 How will I know if the Transfer has been approved?

We will announce the outcome of the Court application on the SMI website (at www.sunderlandmarine.com) and the NOE website (at www.nepia.com) following the Court Hearing due on 16 June 2020. Any changes or information on the progress of the Transfer will also be announced on these websites.

You should check these websites for any changes or updates or by calling +44 (0)191 232 5221.

If the application is successful then the Transfer should take place on the Effective Date.

Glossary

Court means the High Court of Justice in England and Wales.

Court Hearing means the Hearing at the High Court of Justice in England and Wales at which the final decision to approve or disapprove the Scheme is made.

Effective Date means 30 June 2020, the date on which the Scheme is expected to become effective (subject to the approval of the Court). Any change to the Effective Date will be announced on the SMI and NOE websites.

FCA means the Financial Conduct Authority which has an objective to protect consumers of financial services, protect and enhance the integrity of the UK financial system and promote effective competition in the interests of consumers.

FSMA means the UK Financial Services and Markets Act 2000.

Independent Expert means Mr Derek Newton of Milliman whose appointment, which has been approved by the Regulators, involves producing the Report

PRA means the Prudential Regulation Authority. The PRA is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms in the UK.

Regulator(s) means, the applicable regulator(s) of the UK insurance industry. This refers to, as the context requires, the PRA, the FCA or both.

Report means the Scheme report under the requirements of the FSMA, reflecting the guidance provided by SUP 18.2 of the FCA's Handbook and the PRA's Statement of Policy on insurance business transfers.

Supplementary Report means a report produced in advance of the Court Hearing, to consider the impact of the Independent Expert's conclusions on events that have happened subsequent to the release of his initial Report.

Transfer means the legal transfer of the Transferring Policies from SMI to NOE.

Transferring Policies means all of SMI's policies of insurance or reinsurance transferring to NOE under the Scheme.