

Summary of The Independent Expert Report

This is a short summary of the report dated 11 January 2010 written by the Independent Expert. The Independent Expert has been nominated by QBE Insurance (Europe) Limited (QBE) and Syndicate 44 to report on the Transfer. This appointment has been approved by the FSA. The Independent Expert's report is required under Section 109 of the FSMA in order that the court may properly assess the impact of the proposed Transfer.

Summary of the Transfer

QBE is proposing to transfer all long term insurance elements to Syndicate 44 that have been written in ETI and PPI portfolios.

QBE is a UK incorporated non-life insurance company which is authorised by the FSA to carry on non-life insurance business in the UK. QBE is a wholly owned subsidiary of QBE Insurance Group Limited (QIGL), one of the world's leading international insurers and reinsurers, headquartered in Sydney, Australia.

Syndicate 44 is one of the Lloyd's syndicates incorporated to write life insurance business. The managing agent for Syndicate 44 is Sagicor at Lloyd's Limited (Sagicor). Sagicor is a part of Sagicor Group headed by Sagicor Financial Corporation (SFC) which provides financial services, including life insurance. SFC operates in 22 countries and has headquarters in St. Michael, Barbados. SFC became the first Caribbean company to be admitted to the Official List of the London Stock Exchange.

There are three groups of policyholders that are directly affected by the proposed Transfer. They are as follows:

- those policyholders that are proposed to be retained in QBE - "QBE Portfolio"
- those policyholders that are proposed to be transferred from QBE to Syndicate 44 - "Transferring Portfolio"
- the current policyholders of Syndicate 44 - "Syndicate 44 Portfolio".

Approach

The approach I have adopted is to undertake a review of the financial and non-financial aspects of the proposed Transfer and evaluate the likely effect on security for the three groups of policyholders affected.

In addition, I have considered the adequacy of the mechanisms in the Transfer to protect the interests of the three groups of the policyholders.

Effect of transfer on QBE Portfolio

There are two main factors which lead me to conclude that, on balance, it is my opinion that it is remote that the QBE Portfolio will be adversely affected by the proposed Transfer.

Firstly, the gross agreed reserves of the transferring business amount to about 0.003% of the gross reserves of QBE. Hence, the solvency of QBE's balance sheet is not likely to be materially influenced by the proposed Transfer.

Secondly, the Transferring portfolio will have completely run off in about two years time. QBE has ceased to write any new business in these portfolios, and taking into account the size of the portfolio, it is not likely to alter the solvency position materially in either direction.

The amount of reserves transferred is not significant compared to the QBE's Total Assets. Therefore, it is remote that the policyholders' reasonable benefit expectations in the QBE Portfolio will be adversely affected.

Effect of transfer on Transferring Portfolio

Syndicate 44 is a part of the Society of Lloyd's ("Lloyd's"), a large and stable corporation with about 300 years of claim payment history. The unique Lloyd's capital structure, the "chain of security", gives an excellent level of solvency and therefore policyholder protection. The solvency ratios we used in our analysis are significantly higher for Syndicate 44 than for QBE, which suggest that the policyholder protection is not likely to become less strong.

The terms and conditions on which the policies in this portfolio have been written, and the way in which they are administered, are to remain the same after the proposed Transfer and, therefore, the policyholders' reasonable benefit expectations should not be affected.

In addition, the Transferring portfolio itself has a short run-off period. This means it is less likely for Syndicate 44 to run below the statutory solvency level before the Transferring Portfolio runs off.

For these reasons, it is my opinion that it is remote that the Transferring Portfolio will be adversely affected by the proposed transfer.

Effect of transfer on Syndicate 44 Portfolio

My financial analysis has included the existing Syndicate 44 Portfolio. From this analysis it is clear that there is likely to be a minimal impact, as the Transferring Portfolio represents only around 3% of the gross reserves of Syndicate 44.

On this basis, it is my opinion that it is remote that the policyholders in the Syndicate 44 Portfolio will be adversely affected by the proposed Transfer.

Taking into account the fact that the amount of reserves transferred amounts only to around 1% of the Syndicate 44's Total Assets, including Funds at Lloyd's, it is remote that the policyholders' reasonable benefit expectations in the Syndicate 44 Portfolio will be adversely affected.

Opinion

Overall I consider the Transfer and its safeguards to be adequate and not to adversely affect any of the three types of policyholders.

I have not come across any mechanisms of the Transfer that, in my opinion, could be considered inadequate or unfair to policyholders in the QBE Portfolio, the Transferring Portfolio or the Syndicate 44 Portfolio.

On balance, it is my opinion, taking all the relevant factors into account, that it is remote that any of the three different groups of policyholders will be adversely affected by the proposed Transfer.

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