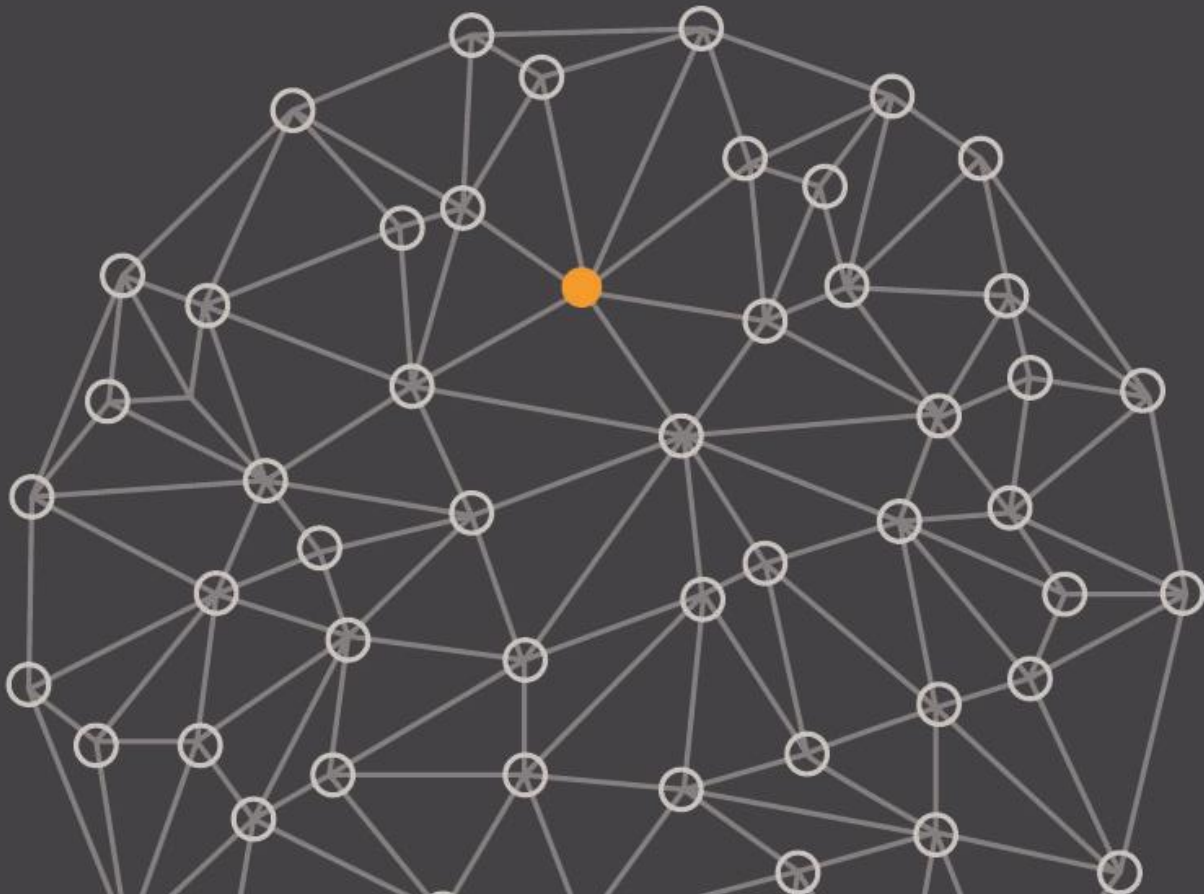


MILLIMAN REPORT

Supplementary Report of the Independent Expert on the proposed transfer of business from the London Branch of Tokio Marine & Nichido Fire Insurance Co., Ltd. to NRG Victory Reinsurance Limited for the High Court of England and Wales

22 June 2022

Christopher Clarke, FIA





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1. Purpose and Scope

- 1.1 I, Christopher Clarke, prepared a report (the "**Report**") to the **Court**, dated 4 April 2022 and entitled "*Report of the Independent Expert on the proposed transfer of business from the London Branch of Tokio Marine & Nichido Fire Insurance Co., Ltd. to NRG Victory Reinsurance Limited for the High Court of England and Wales*".
- 1.2 The conclusions of the Report were largely based on audited financial information up to 31 March 2021 (in respect of **TMNF**) and up to 31 December 2020 (in respect of **NRG**). As there had been some material developments for NRG since that time, I also used unaudited figures provided by NRG as at 30 June 2021 in preparing the Report. Since preparing the Report, I have been provided with more recent financial and other information in respect of **the Companies** (the "**Additional Information**"). Details of the material elements of the Additional Information are set out in Appendix B.
- 1.3 In paragraphs 1.43 and 2.3 of the Report, I stated that, shortly before the Court hearing at which an order sanctioning the **Scheme** will be sought, I would review any relevant matters which might have arisen since the date of the Report (I further referred to such a review in paragraphs 1.59, 9.5, 9.24 and 9.35 of the Report). Such relevant matters would typically include:
- the extent to which the operational plans of TMNF or NRG have altered (relative to their position at the date of the Report);
 - the latest financial statements of TMNF and NRG;
 - the latest forecast financial statements of TMNF and NRG; and
 - the most recently prepared figures (actual and forecast) relating to the solvency capital position of TMNF and NRG.
- 1.4 I also stated in the Report that I would explicitly consider the following items:
- developments relating to the COVID-19 pandemic and its effects on the Companies; and
 - the responses received by the Companies to their communications (and how the Companies have reacted to those responses). In particular, I stated that I would comment on any objections raised to the Scheme.
- 1.5 This report (the "**Supplementary Report**") provides a brief summary of my review of the Additional Information and explains how, as a result of my review of the Additional Information, I have changed my conclusions, if at all, from those set out in the Report. As such, the Supplementary Report should be considered supplementary to the Report and does not supersede it. Unless stated otherwise in the Supplementary Report, all analyses and conclusions as set out in the Report remain valid.
- 1.6 The Supplementary Report should be read in conjunction with the Report and the full terms of the Scheme. The Supplementary Report has been produced on the same basis as set out at Section 1 of the Report. In particular, it has the same scope, and is subject to the same reliances and limitations (in particular, those set out in paragraphs 1.49 – 1.62 of the Report). Terms used in this Supplementary Report have the same meanings as in the Report (I have attached, in Appendix A, a list of definitions of terms that, when they first appear in this Supplementary Report, are shown in bold type).
- 1.7 Reliance has been placed upon, but is not limited to, the Additional Information, as well as upon the information set out in Appendix D of the Report. My opinions depend on the accuracy and completeness of this data, information and the underlying calculations. I have discussed the Additional Information with the Companies and have considered how it has changed from similar information provided in support of the Report. Except where stated otherwise, I have not re-reviewed the methodology and assumptions used by the Companies in their assessments of the liabilities and solvency capital of their respective firms, and I have not attempted to review in detail the calculations performed. I am unaware of any issue that might cause me to doubt the material accuracy of the Additional Information, but I give no warranty as to its accuracy. I accept no responsibility for errors or omissions arising in the preparation of the Supplementary Report, providing that this shall not absolve my liability arising from an opinion expressed recklessly or in bad faith. I note that the Companies have confirmed to me, in the Letters of Representation that are shown in Appendix C of this Supplementary Report, that, to the best of their knowledge and belief, all data and information that they have provided to me is accurate and complete.

- 1.8 In all cases, I have requested the most recent information available. The Companies have informed me that there have been no developments since the date of the Report, other than as provided in the Additional Information, that might be relevant to the Scheme.
- 1.9 The **Effective Date** of the Scheme is now expected to be 20 July 2022.
- 1.10 I am required to comply with relevant professional standards and guidance maintained by the Financial Reporting Council and by the **IFoA**, including *TAS 100: Principles for Technical Actuarial Work*, *TAS 200: Insurance* and *Actuarial Profession Standard X3: The Actuary as an Expert in Legal Proceedings*. I have complied with such standards, subject to the principles of proportionality and materiality.
- 1.11 In accordance with *Actuarial Profession Standard X2*, as issued by the IFoA, I have considered whether this Supplementary Report should be subject to **Work Review**. I concluded that it should, and I have also decided that the Work Review should be conducted by an individual who has not otherwise been involved in the analysis underlying this Supplementary Report or in the preparation of this Supplementary Report, but who would have had the appropriate experience and expertise to take responsibility for the work himself. In other words, I have decided that this Supplementary Report should be subject to **Independent Peer Review**. I confirm that this Supplementary Report has been subject to Independent Peer Review prior to its publication.
- 1.12 This Supplementary Report has been prepared under the terms of the guidance set out in the **Policy Statement** and in **SUP18**. I have also followed the guidance contained within the **FCA**'s guidance paper FG22/1.
- 1.13 In paragraph 6.5 of the Report, I explained that certain capital requirements are private matters between insurers and the **PRA** and, therefore, I was not at liberty to disclose in the Report actual figures relating to those requirements, or figures by which those amounts could be calculated, other than where consented to by the company concerned. As part of my analysis, I considered the extent to which TMNF and NRG each held capital in excess of their regulatory solvency levels, and referred to the ratio of the actual capital that the entity under consideration held relative to the regulatory solvency capital requirement to be the "**Capital Cover Ratio**". Purely for comparative purposes in the Report, I defined the following terms:
- "sufficiently capitalised" refers to a Capital Cover Ratio between 100% and 119%;
 - "more than sufficiently capitalised" refers to a Capital Cover Ratio between 120% and 149%;
 - "well-capitalised" refers to a Capital Cover Ratio between 150% and 199%; and
 - "very well-capitalised" refers to a Capital Cover Ratio of 200% or more.
- In this Supplementary Report, I have adopted the same terminology.
- 1.14 The remainder of the Supplementary Report follows, for ease of reference, a structure that is similar to that of the Report, albeit omitting background information and explanation that does not require repeating:
- **Section 2:** I provide an executive summary of the Supplementary Report.
 - **Section 3:** I consider any changes in the information underlying the Report for the Companies. This is equivalent to Section 4 of the Report; I have not repeated in the Supplementary Report the background to the regulatory environment in which the Companies operate, which was described in Section 3 of the Report and which has not changed.
 - **Section 4:** I consider any changes resulting from the Additional Information in my view of the likely impact of the Scheme on the **Transferring Policyholders**. This is equivalent to Section 6 of the Report; I have not repeated in the Supplementary Report the key provisions of the Scheme, which had appeared in Section 5 of the Report.
 - **Section 5:** I consider any changes, resulting from my review of the Additional Information, in my view of the likely impact of the Scheme on the **TMNF Non-Transferring Policyholders**. This is equivalent to Section 7 of the Report.
 - **Section 6:** I consider the likely impact of the Scheme on those who, as at the Effective Date, were already existing policyholders of NRG. This is equivalent to Section 8 of the Report.
 - **Section 7:** I cover more general issues relating to the Scheme and the management of the Companies. This is equivalent to Section 9 of the Report.
- 1.15 I summarise my conclusions in Section 8.

2. Executive Summary

CONCLUSION

- 2.1 In paragraph 2.1 of the Report, I set out my conclusions in respect of the impact of the Scheme on the various groups of policyholders who might be affected. I have considered developments that have occurred since the date of the Report, including the latest financial statements for NRG and TMNF. While these developments have resulted in changes to some of the metrics that I have used when formulating my views, none have created changes of sufficient magnitude that have caused me to revise my conclusions.
- 2.2 Therefore, in my opinion, provided the proposed Scheme operates as intended, and I have no grounds for believing that it will not do so,
- the Scheme will not materially adversely affect the security of benefits to policyholders of either TMNF (both the Transferring Policyholders and the TMNF Non-Transferring Policyholders) or NRG; and
 - the Scheme will not have an impact on service standards experienced by either the policyholders of TMNF or the existing policyholders of NRG.
- 2.3 These conclusions are unchanged from those set out in paragraph 2.1 in the Executive Summary of the Report.

THE IMPACT OF THE SCHEME UPON THE TRANSFERRING POLICYHOLDERS

- 2.4 I have reviewed updated estimates of the unpaid loss reserves of the **Transferring Business**, as carried out by external actuaries as at 31 December 2021, as well as updated financial statements and solvency calculations for NRG as at the same date, including projections for the business on a post-Scheme basis. I also considered updated financial information for **NICO** as at 31 December 2021.
- 2.5 Based on my review of the updated information, my conclusions concerning the reserve strength and excess assets of both TMNF and NRG are unchanged from those as set out in the Report. Accordingly, my conclusion remains that the **Transferring Policyholders** will not be materially adversely affected due to relative differences in the financial strength of NRG post-Scheme and of TMNF pre-Scheme.
- 2.6 My conclusions regarding matters other than financial strength, including changes in risk exposures, the position of the Transferring Policyholders in the event of insolvency and policy servicing are also unchanged. I therefore continue to be satisfied that the Scheme will not affect in a materially adverse way either the security or the policy servicing levels of the Transferring Policyholders.

THE IMPACT OF THE SCHEME UPON THOSE POLICYHOLDERS REMAINING WITHIN TMNF

- 2.7 Given the very small size of the Transferring Business relative to that of TMNF generally, the Scheme will have very little impact on TMNF. As such, I continue to be satisfied that the Scheme will not affect in a materially adverse way either the security or the standards of policy servicing currently enjoyed by the TMNF Non-Transferring Policyholders, and by any holders of policies that become **Excluded Policies**.

THE IMPACT OF THE SCHEME UPON THE EXISTING POLICYHOLDERS OF NRG

- 2.8 As the updated information provided to me relating to NRG's financial position (both pre- and post-Scheme) had not materially changed since that available to me at the time of writing the Report, I continue to be satisfied that the existing policyholders of NRG will not be materially adversely affected due to relative differences in the financial strength of NRG pre-Scheme and post-Scheme. There were also no changes affecting other matters, including changes in risk exposures, the position of the Transferring Policyholders in the event of insolvency and policy servicing.
- 2.9 Therefore, I remain satisfied that the Scheme will not affect, in a materially adverse way, either the financial security or the policy servicing levels of the existing NRG policyholders.

APPROACH TO COMMUNICATION WITH POLICYHOLDERS

- 2.10 I have been informed that all policyholder and other communications concerning the Scheme have been carried out as per the plans detailed in the Report. As at the time of writing, these communications had only triggered a small number of general enquiries and no objections to the Scheme had been received.

3. Changes since the Report in the entities concerned in the Scheme

3.1 In this section of the Supplementary Report, I set out the elements of the background information and key metrics relating to the entities involved in the Scheme that differ from those stated in the Report as they are based on more recent information.

TMNF

3.2 In the Report I provided details from TMNF's financial statements, on a consolidated basis, for the year to 31 March 2021, i.e. from the latest set of audited financial statements available at the time. **Tokio Marine** has now published its financial statements as at 31 March 2022, and I have been provided with a copy of TMNF's consolidated financial statements as at the same date.

3.3 These statements show that, in the year to 31 March 2022, TMNF and its overseas subsidiaries saw an increase in net premiums written of 8% compared to the previous year. TMNF's balance sheet as at 31 March 2022 showed an increase in net assets of 11% compared to the position as at 31 March 2021, generated principally by an increase in retained earnings, as well as currency movements. In Table 3.1 below, I summarise the consolidated balance sheet of TMNF as at 31 March 2022, together with how the Scheme would impact the balance sheet, if it had been implemented as at the same date (this is equivalent to Table 5.1 of the Report). As can be seen, the impact of the Scheme on TMNF's balance sheet will be minimal.

TABLE 3.1 SIMPLIFIED CONSOLIDATED BALANCE SHEET FOR TMNF AS AT 31 MARCH 2022 (£ BILLIONS, CONVERTED FROM YEN AT £1=¥161)

	Pre-Scheme	Transferring Business	Post-Scheme
Assets			
Cash and Bank Deposits	3.61	0.01	3.60
Receivables	10.16		10.16
Investments	74.42		74.42
Tangible Fixed Assets	1.97		1.97
Intangible Fixed Assets	6.57		6.57
Other assets	11.17		11.17
Total Assets	107.89	0.01	107.88
Liabilities			
Net Insurance Liabilities*			
Outstanding Claims	21.57	0.00	21.57
Underwriting Reserves	48.06		48.06
Corporate Bonds	1.37		1.37
Other Liabilities	14.20		14.20
Total Liabilities	85.20	0.00	85.20
Net Assets	22.69	0.01	22.68

* TMNF presents the insurance liabilities in its consolidated accounts on a net of reinsurance basis only. Note that the gross of reinsurance reserves for outstanding claims in relation to the Transferring Business as shown in the accounts of the London Branch as at 31 March 2022 amounted to \$76 million, or approximately £58 million (and nil on a net of reinsurance basis).

3.4 TMNF has also published its updated solvency margin ratio as at 30 September 2021, which is essentially unchanged from the position as at 31 March 2021 at 762%, although the solvency margin is increased from ¥4.8 trillion to ¥5.1 trillion and the "risks" amount from ¥1.2 trillion to ¥1.3 trillion.

London Branch Business

3.5 Since writing the Report, a new external actuarial review has been completed on the reserves of the London Branch (which is equivalent to the Transferring Business), based on data as at 31 December 2021. The external actuaries' estimate of unpaid claims as at that date amounted to \$76.2 million. I discuss in more detail in Section 4, below, the results of the review.

- 3.6 TMNF has also provided me with accounts for the London Branch as at 31 March 2022 as well as its solvency position as at the same date. The London Branch's balance sheet as at 31 March 2022 is very similar to that of a year earlier. Owing to the **Reinsurance Agreement** with NICO, the London Branch books nil net technical provisions in its **GAAP** accounts. The only other material items on its balance sheet remain a short term deposit totalling \$30 million, and cash, which, as at 31 March 2022, amounted to \$0.3 million.
- 3.7 In Table 3.2, below, I show updated simplified pre- and post-Scheme balance sheets for the London Branch of TMNF, based on figures as at 31 March 2022 (this is equivalent to Table 5.2 in the Report).

TABLE 3.2 SIMPLIFIED UK GAAP BALANCE SHEET FOR THE LONDON BRANCH OF TMNF AS AT 31 MARCH 2022 (IN US\$ MILLIONS)

	Pre-Scheme	Transferring Business	Post-Scheme
Assets			
Reinsurance Assets	76.0	76.0	0.0
Short Term Deposit	30.0	10.0	20.0
Cash and Equivalents	0.3		0.3
Total Assets	106.3	86.0	20.3
Liabilities			
Insurance Liabilities	76.0	76.0	0.0
Other Liabilities	0.0		0.0
Total Liabilities	76.0	76.0	0.0
Net Assets	30.3	10.0	20.3

- 3.8 The solvency figures show that, as at 31 March 2022, the London Branch had eligible own funds of \$17.7 million and an **SCR** of \$6.3 million, giving it a Capital Cover Ratio of 281%. This is increased from 260%, as reported as at 31 March 2021. The increase relates principally to increased own funds, resulting from a reduction in the provision held for future non-technical expenses (those incurred during the year having been paid from funds transferred from TMNF head office).

NRG

- 3.9 In the Report, I based my analysis of NRG's financial situation on its audited financial statements as at 31 December 2020, as well as on updated financial information as at 30 June 2021, which reflected some material developments, in particular its entering into the **Columbia Reinsurance** contract. Since writing the Report, NRG's audited financial statements as at 31 December 2021 have become available. As noted in the Report, NRG's most recent full reserving exercise had been undertaken based on data as at 31 May 2021 and, as a result of that review, it was likely that NRG would release some reserves by year-end 2021. I have been provided with a subsequent reserve report that provides details of updated best estimate reserves for year-end 2021 (based on data as at 30 November 2021). This report showed that claim movements in the period since 31 May 2021 had not been such as to invalidate the ultimate estimates made as at that date and, therefore, the updated best estimate was simply set as the previous estimate, rolled forward for payments. That estimate amounted to \$108.9 million, gross of reinsurance. It is NRG's policy to book reserves at an 80% confidence level. In its accounts at 31 December 2021, NRG booked gross reserves of £103.2 million (equivalent to \$139.4 million based on exchange rates at the time). Prior to exchange rate movements, this represented a release in reserves of about £15.4 million compared to those booked as at 31 December 2020.
- 3.10 In Table 3.3, below, I show NRG's actual balance sheet as at 31 December 2021, together with the expected impact of the Scheme, had it been implemented as at that date. As in the equivalent table shown in the Report (Table 5.3), I have assumed that NRG will book gross reserves of approximately \$98 million for the Transferring Business, consistent with its modelling of the portfolio at an 80% confidence level. At 31 December 2021 exchange rates, this amounts to £72.5 million. As explained in the Report, NRG will receive a \$10 million (£7.4 million at 31 December 2021 exchange rates) fee from TMNF if the Scheme is sanctioned, but it intends to hold half of this back (\$5 million or £3.7 million) as a provision to cover any unforeseen expenses. These amounts are also reflected in the Transferring Business column in Table 3.3, below.

TABLE 3.3 PRE- AND POST-SCHEME SIMPLIFIED GAAP BALANCE SHEET FOR NRG AS AT 31 DECEMBER 2021 (£ MILLIONS)

	Pre-Scheme	Transferring Business	Post-Scheme
Assets			
Investments	285.2		285.2
Reinsurance Assets	19.1	72.5	91.6
Receivables	4.2		4.2
Cash and equivalents	10.8	7.4	18.2
Total Assets	319.2	79.9	399.1
Liabilities & Equity			
Equity	212.9	3.7	216.6
Insurance Liabilities	103.2	76.2	179.4
Payables	2.9		2.9
Other	0.2		0.2
Total Liabilities & Equity	319.2	79.9	399.1

3.11 NRG has also provided me with its **QRTs** as at 31 December 2021 which show its solvency capital requirements and own funds. I summarise in Table 3.4, below, NRG's actual **Solvency II** balance sheet and capital requirements as at 31 December 2021, together with how they would have changed if the Scheme had been implemented as at that date, based on NRG's latest estimates as at that date.

3.12 The figures shown in Table 3.4, below, for NRG's own funds and SCR, both pre- and post-Scheme, are little changed from those shown in Table 5.4 of the Report, which were based on data as at 30 June 2021.

TABLE 3.4 PRE- AND POST-SCHEME SIMPLIFIED SOLVENCY II BALANCE SHEET AND CAPITAL REQUIREMENTS FOR NRG AS AT 31 DECEMBER 2021 (£ MILLIONS)

	Pre-Scheme	Transferring Business	Post-Scheme
Assets			
Investments	291.0		291.0
Reinsurance Assets	13.7	48.9	62.7
Receivables & other	1.8		1.8
Cash and equivalents	7.3	7.4	14.7
Total Assets	313.9	56.3	370.2
Liabilities			
Technical Provisions	106.7	52.7	159.5
Payables & other	3.1	0.0	3.1
Total Liabilities	109.8	52.7	162.6
Excess assets (own funds)	204.1	3.6	207.7
SCR	48.4		51.8
Ratio of own funds to SCR	422%		401%
MCR	12.1		13.0
Ratio of own funds to MCR	1688%		1603%

3.13 I note that both the gross **TPs** and respective reinsurance assets for the Transferring Business, as shown in Table 3.4, above, are slightly higher than those shown in the equivalent table in the Report. This is because the figures in the Report did not include the full value of the estimated expenses associated with the Transferring Business within the gross TP figure, only the expected amount of expenses in the event of the exhaustion of the NICO Reinsurance Agreement. Although all claims handling expenses will be covered by NICO (unless the limit of the reinsurance is exhausted), the full expected value of the expenses should be included within the gross TPs, as is the case in Table 3.4. Net of expected reinsurance recoveries, this change makes no difference to the value of the best estimate TPs and has an immaterial impact on the SCR.

NICO

3.14 Between 31 December 2020 and 31 December 2021, NICO's admitted assets grew from \$317.4 billion to \$383.1 billion. During the same period, its total adjusted capital (i.e. its available capital under the RBC regime) grew from \$189.4 billion to \$241.5 billion. At the same time, its capital requirement under the RBC regime grew from \$88.6 billion to \$105.1 billion. Its Capital Cover Ratio on this basis therefore grew from 214% to 230%.

3.15 NICO continues to have financial strength ratings from Standard & Poor's of AA+, and A.M. Best of A++.

4. The impact of the Scheme on the Transferring Policyholders

RESERVE STRENGTH OF TMNF

- 4.1 In the Report, I noted that I did not review in detail the reserves of TMNF generally but I did review the Tokio Marine group's policy for property and casualty loss reserving. I am unaware of any changes to this policy or any other changes that would affect the strength of TMNF's reserve generally, since the time of writing the Report.
- 4.2 With regard to the reserves of the London Branch of TMNF, as noted above, since writing the Report, an actuarial review as at 31 December 2021 has been completed. The review was undertaken by the same actuaries as had carried out the previous review, as at 31 December 2020, which I discussed in the Report.
- 4.3 The methodology employed by the external actuaries in their most recent review was essentially unchanged from that of their previous review, as described in the Report. The results of the most recent review, which have been adopted by the London Branch, give an estimate of unpaid claims as at 31 December 2021 of \$76.2 million. This compares to their estimate of \$77.1 million as at 31 December 2020. Allowing for claims payments during 2021 and foreign exchange movements, this represents an increase in their estimate of the ultimate cost of claims of approximately \$3.0 million (or a little under 4%). This increase largely relates to the **ExCo** business, which saw a material increase in incurred loss during the year. Movements on other reserving classes were less significant. I note that the external actuaries left unchanged the multipliers used to estimate **IBNR Reserve** requirements on the ExCo business (in the case of asbestos) or increased them slightly (for pollution and health hazard claims). It is not uncommon to see irregular incurred movements in portfolios of this type and I do not regard the incurred movements seen during the year to be particularly unusual. Overall, I believe that the resulting estimates continue to appear reasonable.
- 4.4 TMNF has also provided me with figures showing the calculation of Solvency II TPs for the London Branch as at 31 March 2022. These use the results of the 31 December 2021 external actuarial review of reserves (rolled forward for payments) as the starting point for the TP calculation, with a number of adjustments made for expenses, **ENID** and discounting. This follows the same methodology as set out in the Report.
- 4.5 Based on my review of the latest materials, I continue to believe that, as at 31 March 2022, the TPs of the London Branch of TMNF appear reasonable, notwithstanding the uncertainty present.

RESERVE STRENGTH OF NRG

- 4.6 I based my conclusions concerning NRG's reserve strength in the Report on the results of its most recent reserve review, which was undertaken as at 31 May 2021. As noted in paragraph 3.9, above, NRG has not undertaken a further full reserving exercise since that date, but, for the purpose of setting its reserves as at 31 December 2021, it did analyse developments through to 30 November 2021 and has provided me with a copy of a report detailing those developments. This showed that, other than on the FABO portfolio, paid and incurred claims movements were largely insignificant. The FABO book gave rise to more significant paid and incurred development, but the amount of incurred development seen was less than expected based on NRG's projections.
- 4.7 As noted above, for the purposes of setting their best estimate reserves as at 30 November 2021, the NRG actuaries rolled forward for payments the estimates that they had made as at 31 May 2021. This approach appears reasonable given the movements seen in the period. As also noted in paragraph 3.9, above, for the purpose of booking reserves in its accounts as at 31 December 2021, NRG's policy is to book at an 80% confidence level (i.e. higher than the actuaries' best estimate). NRG released approximately £15 million from its reserves as at 31 December 2021 (as compared to those as at 31 December 2020) but, as noted in the Report, a release in reserves had been expected following the results of the actuarial review as at 31 May 2021.
- 4.8 I have also been provided with the calculations behind NRG's TPs, as shown in its QRTs as at 31 December 2021. The approach taken to calculating the TPs is unchanged from that explained in the Report, based on the position as at 30 June 2021.
- 4.9 Based on my review of the updated materials provided to me as at 31 December 2021, as described above, I continue to believe that the reserves held by NRG, both in its GAAP accounts, and its Solvency II TPs, are reasonable.

- 4.10 If the Scheme is sanctioned, NRG will receive the Transferring Business and, whilst this will continue to be reinsured into NICO under the terms of the Reinsurance Agreement, it will need to establish GAAP reserves and TPs for this business on a gross of reinsurance basis. As noted above and in the Report, NRG's policy is to set GAAP reserves at an 80% confidence level and this will not change as a result of the Scheme. I have given details in paragraph 3.10, above, of how I expect NRG's GAAP reserves to increase as a result of the Scheme.
- 4.11 For the purpose of preparing projections of NRG's Solvency II balance sheet, NRG has been using the unpaid loss estimates booked by the London Branch, which, in turn, have been based on the estimates made by the external actuaries. NRG has provided me with updated projections of its balance sheet and solvency position, as at 31 December 2021, including the Transferring Business. I note that these do not reflect the latest loss estimates made by the external actuaries for the Transferring Business (which are slightly higher than the amounts that NRG is using, which, in turn, are based on those booked in the London Branch's management accounts as at 31 December 2021), as they were not available when NRG was undertaking its projections.
- 4.12 Based on the additional information available to me, I have no reason to alter the conclusion that I made in the Report that, although the implementation of the Scheme will cause the gross of reinsurance reserves of NRG to increase significantly, it should cause no change in the strength of either NRG's reserves on a GAAP basis or NRG's TPs.

EXCESS ASSETS OF TMNF

- 4.13 As explained in Section 3, above, I have reviewed TMNF's latest financial statements as at 31 March 2022, which show that its net assets have increased since that shown a year before. I have also been provided with TMNF's updated solvency margin ratio as at 30 September 2021, which was essentially unchanged from that as at 31 March 2021, as detailed in the Report.
- 4.14 Based on the additional information available to me, my view that TMNF is a large, very well-capitalised and diversified company is unchanged from that expressed in the Report, and, owing to the small size of the Transferring Business relative to the other business of TMNF (and the fact that it is, in any case, wholly reinsured), this will not change as a result of the Scheme.

EXCESS ASSETS OF NRG

- 4.15 NRG has provided me with updated calculations of its SCR, as well as its **OECD**, as at 31 December 2021. The methodology used to calculate these amounts is unchanged from that used as at 30 June 2021, as described in the Report, and, as there has been limited movement in the balance sheet between those two dates, the resulting capital requirements and Capital Cover Ratios are not materially different to those presented in the Report.
- 4.16 I can therefore reaffirm the conclusion that I made in the Report that, based on the figures as at 31 December 2021, the policyholders of NRG currently benefit from the financial strength provided by a very well-capitalised company.
- 4.17 I have also reviewed NRG's updated calculations of its SCR on a post-Scheme basis. These have also been prepared using the same approach as described in the Report. The resulting SCR, **MCR** and Capital Cover Ratios are summarised in Table 3.4, above. I note that, in preparing these revised projections, NRG has used the reserves as booked by TMNF in the management accounts of the London Branch as at 31 December 2021 as the basis for its projections. Since then, the external actuaries have completed their review of reserves as at the same date, the resulting unpaid claims estimates of which are slightly greater than used by NRG. I note that, had they used the external actuaries' latest figures, the Capital Cover Ratio would have been slightly lower, but, based on my calculations, not materially so and not so as to alter my view of NRG as a very well-capitalised company.
- 4.18 Based on my review of NRG's updated calculations of its solvency requirements post-Scheme, I have no reason to alter my conclusion that NRG will continue to be a very well-capitalised company after the implementation of the Scheme.

RELATIVE FINANCIAL STRENGTH ENJOYED BY TRANSFERRING POLICYHOLDERS PRE- AND POST-SCHEME

- 4.19 In the Report, I compared the financial strength enjoyed by the Transferring Policyholders pre-Scheme to that expected to be afforded to them post-Scheme.
- 4.19.1 I noted that the Transferring Policyholders currently benefit from the financial strength provided by a very well-capitalised company and that they will become policyholders of a company that is also expected to be very well-capitalised. Therefore, relative to the solvency capital requirements of the respective entities, the Transferring Policyholders will see no material change in the financial security afforded to them. Based on the updated reserve and solvency capital figures provided to me as at 31 December 2021, this continues to be the case.
- 4.19.2 I also noted that, post-Scheme, the Transferring Policyholders will be more dependent on NICO, through the Reinsurance Agreement, than they are currently, owing to NRG's size relative to TMNF. However, I noted that, even if NICO were unable to honour its obligations under the Reinsurance Agreement, NRG would still be able to fund the claims of the Transferring Business and remain a well-capitalised company. This remains the case based on the updated financial position. I further noted that the likelihood of NICO being unable to meet its liabilities under the Reinsurance Agreement would appear to be remote given its very significant financial strength. As I have explained in paragraph 3.14, above, NICO's financial strength (both in terms of the absolute value of its excess assets and its Capital Cover Ratio relative to its RBC solvency requirements) has improved relative to the position communicated to me at the time of writing the Report.
- 4.19.3 I then considered the results of three scenario tests that looked at the ability of NRG to withstand the results of significantly adverse circumstances post-Scheme. NRG has updated the calculations behind these scenario tests, based on the latest financial position as at 31 December 2021. The conclusions from each of the tests is essentially unchanged from that explained in the Report (which was based on the position as at 30 June 2021). This is to be expected given that the financial position of NRG, and the reserve position of the Transferring Business, have not changed materially during the period. I note that the scenario tests did not use the results of the latest reserve analysis of the external actuaries as the base position, but slightly lower figures based on the London Branch's management accounts as at 31 December 2021. Based on calculations I have performed, if the latest figures had been used then the results of the Scenario tests would leave NRG slightly worse off, but not materially so.
- 4.20 Based on my review of the updated financial information, I continue to be satisfied that the Transferring Policyholders will not be materially adversely affected due to relative differences in the financial strength of NRG post-Scheme and of TMNF pre-Scheme.

OTHER CONSIDERATIONS

- 4.21 In the Report, I also considered a number of other factors, other than financial strength, when assessing the effect of the Scheme on the Transferring Policyholders.
- 4.21.1 I considered the effect of the Scheme on changes in risk exposures for the Transferring Policyholders. The risk exposures, both in TMNF and NRG, are substantively the same as at the time of writing the Report and the additional information received does not lead me to alter my conclusion that, although the proposed Scheme will lead to some change to the risk exposures of the Transferring Business, this will not have a materially adverse impact on the security of the Transferring Policyholders' benefits.
- 4.21.2 I considered the impact of the Scheme on the rights of the Transferring Policyholders in the event of insolvency. The legal position regarding the position of the policyholders in the event of insolvency is as set out in the Report. Notwithstanding some differences in the ranking of policyholders in the event of insolvency arising from the Scheme, I noted in the report that, given that NRG is a very well-capitalised company and that the scenario tests illustrated that it would be able to meet its obligations to policyholders in even very adverse circumstances, the likelihood of NRG's insolvency presently appears a remote possibility. Based on the latest financial information provided to me, NRG's insolvency continues to appear to be a remote possibility. I therefore continue to be satisfied that the Transferring Policyholders will not be materially adversely affected due to relative differences in their rights pre- and post-Scheme in the event of the insolvency of either TMNF or NRG.

4.21.3 I also considered the impact of the Scheme on policyholder servicing and on access to complaints and compensation schemes. The position with regard to these matters is as set out in the Report and my conclusions in these regards are therefore unchanged.

CONCLUSION FOR THE TRANSFERRING POLICYHOLDERS

4.22 Based on my review of the updated information provided to me, I continue to be satisfied that the Scheme will not affect in a materially adverse way either the security or the policy servicing levels of the Transferring Policyholders.

5. The impact of the Scheme on the policyholders of TMNF not transferring to NRG under the Scheme

- 5.1 In the Report I noted that, if the Scheme is implemented, the position of the TMNF Non-Transferring Policyholders will be very little changed from that before the Effective Date. The Transferring Business continues to represent only a very small part of the existing gross reserves of TMNF, and nil on a net of reinsurance basis. The implementation of the Scheme will lead to TMNF paying a \$10 million fee to NRG, but this amount is very small in relation to the overall assets of TMNF. The TMNF Non-Transferring Policyholders will therefore experience essentially no change in the financial security to their benefits provided by TMNF as a result of the Scheme.
- 5.2 As noted in the Report, there will be no changes to policy administration of the TMNF Non-Transferring Policyholders as a result of the Scheme.
- 5.3 The position with regard to any Excluded Policies is unchanged from that described in the Report.

CONCLUSION FOR THE POLICYHOLDERS OF TMNF NOT TRANSFERRING UNDER THE SCHEME

- 5.4 I continue to be satisfied that the Scheme will not affect in a materially adverse way either the security or the standards of policy servicing currently enjoyed by the TMNF Non-Transferring Policyholders, and by any holders of policies that become Excluded Policies.

6. The impact of the Scheme on the existing NRG policyholders

- 6.1 The updated financial information that I have reviewed continues to show that the existing NRG policyholders currently benefit from the financial strength provided by a very well-capitalised company and that, assuming the successful completion of the Scheme, NRG will continue to be a very well-capitalised company post- Scheme, although its Capital Cover Ratios (relative to both SCR and OECR) will be slightly reduced. This is unchanged from the situation that I described in the Report. As noted in the Report, given that the reduction in Capital Cover Ratios is only slight, and that they will still be very high (i.e. significantly above the threshold for a very well-capitalised company), I do not regard this reduction in Capital Cover Ratios to be materially adverse to the existing NRG policyholders. Furthermore, the scenario tests undertaken (as updated) continue to illustrate that, even with the additional risks associated with the Transferring Business, NRG's financial position is robust enough to withstand remote outcomes and still meet its SCR and OECR.
- 6.2 I therefore continue to be satisfied that the existing policyholders of NRG will not be materially adversely affected due to relative differences in the financial strength of NRG pre-Scheme and post-Scheme.

OTHER CONSIDERATIONS

- 6.3 In the Report, I also considered a number of factors, other than financial strength, when assessing the effect of the Scheme on the Transferring Policyholders.
- 6.3.1 I considered the effect of the Scheme on changes in risk exposures for the existing NRG Policyholders. I noted that they would become exposed to counterparty default risk with NICO, but that, given NICO's financial strength, the counterparty default risk associated with the NICO reinsurance would be slight. As discussed above, the latest information, as at 31 December 2021, continues to show that NICO is financially very strong, so my conclusion in this regard is unchanged. I also noted that the liabilities of NRG would become more concentrated in **APH** exposures, in particular in **US** exposures. However, I stated that, as has been shown in the scenario tests, even in the event that the reserves for asbestos claims were doubled, the financial resources of NRG are such that it should still be a well-capitalised company relative to its SCR. This remains the case based on the results of the updated scenario tests. As such, I continue to believe that the changes in risk exposures resulting from the Scheme will not materially adversely affect the existing policyholders of NRG.
- 6.3.2 I noted that there will be no changes to the policy administration arrangements of either the existing NRG business or the Transferring Business as a result of the Scheme. This remains the case.
- 6.3.3 I also considered the impact of the Scheme in the event of NRG's insolvency. The legal position of the policyholders in the event of insolvency is as set out in the Report. Notwithstanding some differences in the ranking of policyholders in the event of insolvency arising from the Scheme, I noted in the Report that, given that NRG is a very well-capitalised company and that the scenario tests illustrated that it would be able to meet its obligations to policyholders in even very adverse circumstances, the likelihood of NRG's insolvency presently appears a remote possibility. This remains the case based on the updated financial information provided to me. I therefore reaffirm my conclusion that the very small likelihood of NRG becoming insolvent post-Scheme satisfies me that the existing NRG policyholders will not be materially adversely affected due to relative differences in their rights pre- and post-Scheme in the event of the insolvency of NRG.

CONCLUSION FOR THE EXISTING NRG POLICYHOLDERS

- 6.4 As there have been no material changes in the circumstances, I remain satisfied that the Scheme will not affect in a materially adverse way, either the financial security or the policy servicing levels of the existing NRG policyholders.

7. Other considerations

THE COMMUNICATION WITH POLICYHOLDERS

- 7.1 I have been informed that all communications concerning the Scheme have been carried out as per the plans detailed in the Report. This has included:
- sending notices directly to:
 - 1,092 policyholders;
 - all reinsurers of the Transferring Business; and
 - 15 brokers (one more than had originally been intended);
 - advertising the Scheme in the London, Edinburgh and Belfast Gazettes; in The Times newspaper in the UK; and in the UK, US, European, Middle East and Asia editions of the Financial Times newspaper; and
 - establishing a page dedicated to the Scheme on the TMNF website on which interested parties can download information relating to the Scheme, including the Report.
- 7.2 A log is being maintained detailing all responses received from policyholders. I have seen a copy of the log as of 20 June 2022. This showed that five enquiries had been made by policyholders: four requesting details of the respective policyholder's contracts that will be included in the Transferring Business, and one listed as a "general enquiry", where the policyholder requested confirmation that the current administrators of the Transferring Business will continue to administer the business after the Scheme takes effect. I understand that all enquiries were responded to in a timely manner. The log also showed that there had been a total of 91 returns in respect of policyholder notification letters. I am informed that attempts have been made to locate alternative addresses for these policyholders and, where available, the letter re-sent. No objections to the Scheme had been received.
- 7.3 In addition, I am informed that responses have been received from two reinsurers and five brokers. The correspondence received from the first reinsurer sought clarification of the business that would be included in the Scheme and a list of the relevant contracts, which were provided. Correspondence received from the second reinsurer noted that the parties had agreed to commute the relevant reinsurance arrangement (see paragraph 7.7 below). TMNF responded to the reinsurer to clarify that it would not be affected by the Scheme if the commutation was concluded prior to the Scheme taking effect (which it now has).
- 7.4 A brief summary of the correspondence with the brokers is set out below:
- TMNF received an enquiry from one broker as to whether TMNF would like it to notify all relevant policyholders of the proposed transfer. TMNF responded on the same day confirming that it would be much appreciated if the broker could notify all of the relevant policyholders in its records of the Scheme;
 - TMNF provided clarity to one broker that the Transferring Business only included the business of the London Branch;
 - TMNF received a notification from a broker that certain direct policyholders were no longer handled by it. TMNF has in any event written to these policyholders directly;
 - One broker advised TMNF that it no longer handles the relevant business. It provided details of the current brokers for that business and indicated that it would forward TMNF's correspondence to the current brokers; and
 - One broker noted that it would not typically write to all relevant policyholders when notified of a proposed Part VII Transfer but that it would be content to assist TMNF if it were having difficulty in contacting specific clients. TMNF responded on the same date providing details of one category of clients that it had difficulty in tracing, namely policyholders covered under a particular pool account, and the broker agreed that it would look into this matter. I note that, as TMNF had been unable to trace all of the policyholders covered by pool accounts, it had applied to the Court for dispensation from the requirement to notify all such policyholders, which was granted.

Conclusion regarding the communications with stakeholders

- 7.5 I consider that the communications effected by the Companies, as outlined above, have been in line with the communications plan that I summarised in the Report.

OPERATIONAL PLANS AND CHANGES IN ASSETS AND LIABILITIES UP TO THE EFFECTIVE DATE

- 7.6 NRG and the London Branch of TMNF have both informed me that there have been no changes to their operational plans since the time of writing the Report.
- 7.7 TMNF has informed me that it has recently agreed with one of its counterparties to commute all inwards and outwards reinsurance contracts relating to the Transferring Business. TMNF will receive a small payment for the commutation and it will have, on a net of reinsurance basis (prior to allowing for the Reinsurance Agreement), a small, but immaterial, beneficial impact on the reserves of the Transferring Business.
- 7.8 The conclusions within this Supplementary Report have largely been based on data as at 31 December 2021. Both NRG and TMNF have represented to me that they will keep me apprised of any developments, up to the date of the final Court hearing to sanction the Scheme, that may be relevant to me on opining on the Scheme. To the extent that I do become aware of any matters that would cause me to change my conclusions prior to the Court hearing to sanction the Scheme, I will update the Court accordingly.

IMPACT OF THE COVID-19 PANDEMIC

- 7.9 In the Report, I stated that I would address in the Supplementary Report developments relating to the COVID-19 pandemic and its effects on the Companies. I noted in the Report that both TMNF and NRG have been able to continue to operate satisfactorily during the pandemic and this continues to be the case. I also noted that neither the London Branch nor NRG have any claims directly relating to the pandemic, although it is possible that claims development pattern could be affected or that claims volumes could be affected by mortality due to the pandemic. Based on my review of the latest information provided to me, I have not seen evidence of any material changes to reserving resulting from the pandemic. As such, my conclusion remains that I do not believe that the uncertainty created by the pandemic on reserves alters materially the impact of the Scheme on any affected policyholders.

LEGAL JURISDICTION

- 7.10 In paragraph 9.31 of the Report, I noted that I had been provided with a draft of a letter from NICO to TMNF and NRG, in which NICO undertakes to be bound by the terms of the Scheme. I have now been provided with a final signed copy of this letter.
- 7.11 I also note that, under the terms of the Scheme, NRG has agreed to undertake: (i) to be bound by the order sanctioning the Scheme; (ii) that it will not contest the effectiveness of the order in any jurisdiction; and (iii) that it will be bound by any judgment relating to the order.

OTHER

- 7.12 In paragraph 4.55 of the Report, I stated that NRG intends to obtain, ahead of the Sanctions Hearing for the Scheme, permission from the PRA and the FCA to be able to effect accident business. NRG has confirmed that it made its application to the PRA and FCA for such permission on 26 April 2022.
- 7.13 In the Report, I also reported on the following features:
- the effect of the Scheme upon the assets of TMNF and NRG;
 - mis-selling liabilities;
 - the effect of the Scheme upon reinsurers of the Transferring Business;
 - policyholder expectations;
 - what would happen were the Scheme not to proceed;
 - the tax implications of the Scheme; and
 - the costs of the Scheme.

As at the date of this Supplementary Report, nothing has occurred since the date of the Report that has caused me to modify in any way:

- my summary of the above features; or

- the conclusions, if any, that I have drawn regarding the effect of those features upon the Scheme or on the different groups of policyholders potentially affected by the Scheme.

8. Final conclusions

CONFIRMATION OF OPINION

- 8.1 I have further considered the effect of the proposed Scheme on the policyholders of TMNF and NRG in the light of the Additional Information made available to me since the date of the Report. In summary, in my opinion, provided the proposed Scheme operates as intended, and I have no grounds for believing that it will not do so:
- the Scheme will not materially adversely affect the security of benefits to policyholders of either TMNF (both those policyholders being transferred under the Scheme and those who will remain, post-Scheme, policyholders of TMNF) or NRG; and
 - the Scheme will not have any impact on service standards experienced by the policyholders of either TMNF (both those policyholders being transferred under the Scheme and those who will remain, post-Scheme, policyholders of TMNF) or NRG.

As such, I confirm that my overall opinion and conclusions as set out in Section 10 of the Report are unchanged.

- 8.2 In reaching this opinion, I have complied in all material respects with the principles set out in paragraph 10.2 of the Report.

DUTY TO THE COURT

- 8.3 As required by Part 35 of the Civil Procedure Rules, I hereby confirm that I understand my duty to the Court and have complied with that duty and that I am aware of and have complied with the requirements of Part 35 of the Civil Procedure Rules, of Practice Direction 35 which supplements Part 35 of the Civil Procedure Rules, and of the Guidance for the Instruction of Experts in Civil Claims 2014.

STATEMENT OF TRUTH

- 8.4 I confirm that, insofar as the facts stated in this Supplementary Report are within my own knowledge, I have made clear which they are and I believe them to be true, and that the opinions I have expressed represent my true and complete professional opinion.



Christopher Clarke
Fellow of the Institute and Faculty of Actuaries

22 June 2022

Appendix A Definitions

TERM	DEFINITION
Additional Information	Financial and other information in respect of the Companies that has been provided to me since the date of the Report (as detailed in Appendix B).
APH	Asbestos, pollution, health hazard.
Capital Cover Ratio	The ratio of available capital to required capital under a particular solvency capital regime.
Columbia	Columbia Insurance Company.
Columbia Reinsurance	A loss portfolio transfer agreement effected as at 1 January 2021, between NRG and Columbia in relation to the FABO business.
Companies	The collective term for TMNF and NRG.
Court	The High Court of Justice of England and Wales.
ENID	In estimating the technical provisions under Solvency II, insurers must make allowance for events not in data ("ENID"), i.e. those possible future events or developments that have not been seen in the historic claims experience of the insurer.
Excluded Policy	A contract of insurance written or assumed by TMNF under which any liability remains unsatisfied or outstanding as at the Effective Date and which would have formed part of the Transferring Business but which, for any reason, is not transferred by order of the Court pursuant to Part VII of FSMA on the Effective Date.
ExCo	Excess Insurance Company Limited (UK).
FCA	The Financial Conduct Authority ("FCA") is the UK regulatory agency that focuses on the regulation of conduct by retail and wholesale financial services firms. The FCA operates as part of the regulatory framework implemented under the Financial Services Act 2012.
FSMA	Financial Services and Markets Act 2000, the legislation under which Part VII governs the transfer of (re)insurance business between (re)insurance undertakings.
FSMA Report	A report on the terms of a transfer under Part VII of FSMA, to be prepared by an independent person. The FSMA Report is required in order that the Court may properly assess the impact of the proposed transfer, including the effect on the policyholders of the insurance companies in question.
GAAP	Generally accepted accounting principles, which form the standard framework of guidelines for financial accounting used in any given jurisdiction.
IBNR	Incurred but not reported.
IBNR Reserves	These are reserves in respect of claims that relate to claim events that have occurred before the valuation date but which were still to be reported to the insurer as at that date. For the purposes of this Supplemental Report they also include reserves in respect of any perceived shortfall between the projected ultimate costs and the case estimates for claims already notified.
IFoA	The Institute and Faculty of Actuaries, the professional body for actuaries in the UK.
Independent Expert	The Independent Expert prepares the FSMA Report and provides it to the Court in order that it may properly assess the impact of the proposed transfer, including the effect on the policyholders of the insurance companies in question. In the case of the Scheme, I have been appointed as the Independent Expert.
London Branch	A UK branch of TMNF that was opened on 1 March 2021.
MCR	The Solvency II Minimum Capital Requirement – this measure is lower than the SCR, and defines the point of intensive regulatory intervention. The MCR calculation is less risk sensitive than the SCR calculation and is calibrated to a confidence level of 85% over one year (compared to 99.5% for the SCR).
Milliman	Milliman, Inc.
NICO	National Indemnity Company.
NRG	NRG Victory Reinsurance Limited

OECR	Own Economic Capital Requirement. NRG's term for describing its internally assessed capital requirements.
Part VII Transfer	An insurance business transfer scheme performed in accordance with the requirements set out in Part VII of FSMA.
Policy Statement	The Statement of Policy issued by the PRA entitled The Prudential Regulation Authority's approach to insurance business transfers, as updated in November 2021.
PRA	The Prudential Regulation Authority ("PRA") is part of the Bank of England and carries out the prudential regulation of financial firms in the UK, including banks, investment banks, building societies and insurance companies. The PRA operates as part of the regulatory framework implemented under the Financial Services Act 2012.
QRTs	Quantitative Reporting Templates, which must be completed by insurers and submitted to the regulator on a regular basis in accordance with Solvency II. The QRTs cover a wide range of quantitative financial information about the insurer including details of its balance sheet, capital requirements and reserves.
RBC	Risk-Based Capital, which is the basis of the solvency regime in both Japan and the US.
Reinsurance	An arrangement with another insurer whereby risks are shared (or passed on). If reinsurance is termed as being "inwards" then the reinsurer in question has accepted risk from an(other) (re)insurer; if reinsurance is termed as being "outwards" then the (re)insurer in question has passed risk to a(not)her reinsurer.
Reinsurance Agreement	A reinsurance agreement entered into on 31 December 2014, pursuant to which NICO agreed to cover, inter alia, all claim payments made by TMNF in respect of the Transferring Business, up to an agreed aggregate limit, as well as certain overhead expenses relating to the business.
Report	References to the "Report" refer to the Independent Expert report dated 4 April 2022
Scheme	In the context of this Report, the proposal that the Transferring Business of TMNF be transferred to NRG under the provisions of Part VII of FSMA.
SCR	Solvency Capital Requirement, which, under Solvency II, is the amount of capital required to ensure continued solvency over a one-year trading time frame with a likelihood of 99.5%.
SFCR	Solvency and Financial Condition Report, which, under Solvency II, each insurer is expected to publish annually, and which will contain certain qualitative and quantitative information, the quantitative information being in the format of certain prescribed QRTs.
Solvency II	The system for establishing (among other things) minimum capital requirements for EU (re)insurers under the Solvency II Directive 2009/138/EC.
SUP18	Section 18 of the FCA Supervision Manual.
Supplemental Report	References to the "Supplemental Report" refer to this report.
TMNF	Tokio Marine & Nichido Fire Insurance Co., Ltd.
TMNF Non-Transferring Policyholders	Those holders of TMNF policies that are not being transferred to NRG. Essentially, this comprises all TMNF policyholders other than those of the London Branch.
Tokio Marine	Tokio Marine Holdings, Inc.
TPs	Technical provisions as calculated for Solvency II purposes. As such, they differ from technical provisions calculated on an IFRS basis.
Transferring Business	The business of TMNF that is to be transferred to NRG under the Scheme.
Transferring Policyholders	The policyholders of the Transferring Business.
US	United States of America.
Work Review	Process by which a piece of actuarial work is considered by at least one other individual for the purpose of providing assurance as to the quality of the work in question.

Appendix B Key Sources of Additional Information

B.1 In writing this Supplementary Report, I relied upon the accuracy of certain documents provided by TMNF and NRG (in addition to those listed in the Report). These included, but were not limited to, the following:

Accounts

- Report and Accounts of NRG as at 31 December 2021
- NRG management accounts spreadsheet as at 31 March 2022
- Tokio Marine “Information of major subsidiaries’ business results for the six months ended September 30, 2021” document, including financial statements for TMNF as at the same date
- Spreadsheets showing the management accounts for the London Branch as at 31 December 2021 and 31 March 2022
- NICO annual statement for the year ended 31 December 2021

Reserving

- NRG internal reserving report detailing the best estimate reserve for the 2021 year-end
- Actuarial review of the claims reserves of the Legacy Portfolio of TMNF as at 31 December 2021, prepared by external actuarial consultants
- NICO Actuarial Opinion Summary and Actuarial Report as at 31 December 2021

Risks and Solvency Capital

- NRG **SFCR** for the year ended 31 December 2021
- NRG annual QRTs as at 31 December 2021
- Spreadsheets showing the calculation of NRG’s SCR and Solvency II TPs as at 31 December 2021
- Spreadsheets showing the calculation of NRG’s SCR and Solvency II TPs as at 31 December 2021 including the Transferring Business
- TMNF Solvency Margin Ratio disclosure as at 30 September 2021
- TMNF London Branch QRTs and workings spreadsheet as at 30 September 2021
- TMNF London Branch TP and SCR calculations and ORSA projections as at 31 March 2022
- NICO RBC statement for the year ended 31 December 2021

Communications

- Copies of the notices that appeared in:
 - each of the London, Edinburgh and Belfast Gazettes;
 - The Times newspaper in the UK; and
 - the UK, US, European, Middle East and Asia editions of the Financial Times
- Copies of the biweekly returns to the FCA, summarising the responses to the notices (most recently as at 20 June 2022)

Court documents

- Draft of the third witness statement of Yoichiro Yamaguchi
- Draft second witness statement of Andrew Wilson
- Draft Court Order, sanctioning the Scheme

Other

- Signed copy of a letter from NICO to TMNF and NRG in which it undertakes to be bound by the terms of the Scheme.

B.2 Information relating to the items listed above was also gathered during discussions with staff of NRG and TMNF.

Appendix C Letters of Representation



To Be a Good Company

Tokio Marine & Nichido Fire Insurance Co., Ltd. London Branch
c/o Resolute Management Limited
4th Floor, 8 Fenchurch Place
London, EC3M 4AJ, United Kingdom

Christopher Clarke
Milliman LLP
11 Old Jewry
London
EC2R 8DU

22 June 2022

Dear Mr Clarke,

Letter of Representation – Part VII transfer of business from the London Branch of Tokio Marine & Nichido Fire Insurance Co., Ltd. to NRG Victory Reinsurance Limited

1. Introduction

I refer to the proposed insurance business transfer (the "**Scheme**") by which the London branch business of Tokio Marine & Nichido Fire Insurance Co., Ltd. (the "**Transferor**") will transfer to NRG Victory Reinsurance Limited (the "**Transferee**"), pursuant to Part VII of the Financial Services and Markets Act 2000 ("**FSMA**").

Terms used in this Letter of Representation have the same meanings as used in the Aggregate Report (as defined in paragraph 3.1 below).

2. Data Accuracy Statement

I hereby affirm that the data and information provided to Christopher Clarke of Milliman LLP (acting as the Independent Expert to the Scheme) relating to the Transferor were prepared by the Transferor (and its professional advisors) and, to the best of my knowledge and belief, are accurate and complete in all material respects.

3. Other Statements

1. To the best of my knowledge and belief, the Independent Expert's Report in relation to the Scheme, dated 4 April 2022 and the Independent Expert's Supplementary Report in relation to the Scheme, dated 22 June 2022, (together the "**Aggregate Report**") accurately and fairly reflect my understanding of the details of the proposed Scheme, and there are no material inaccuracies or omissions in the description of any of the Transferor's business and practices (including details of specific contracts and claims) or in any statements attributed directly or indirectly to the Transferor (and/or the wider Tokio Marine group).
2. I have disclosed all the information that, in my opinion, is relevant to the Independent Expert when forming a view as to whether policyholders are adversely affected by the proposed Scheme, including but not limited to discussions or disputes with regulatory authorities and key reinsurance and commercial counterparties.
3. I confirm that any documentation provided to the Independent Expert in relation to the wider Tokio Marine group (other than the Transferor) was provided to me by Tokio Marine or taken

Tokio Marine & Nichido Fire Insurance Co Ltd is a private limited company incorporated in Japan with Registration Number: 0100-01-00824: The Legal Affairs Bureau of the Ministry of Justice. Registered Office at: 6-4, Otemachi 2-Chome, Chiyoda-ku, Tokyo 100-8050, Japan. A member of the Tokio Marine Group.

Branch registered in England and Wales with branch number BR023462. Branch address: c/o Resolute Management Limited, 4th Floor, 8 Fenchurch Place, London EC3M 4AJ. Authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

Tokio Marine & Nichido Fire Insurance Co., Ltd.

from the Tokio Marine website (www.tokiomarinehd.com) and does not form part of the representations provided in this letter.

4. I will keep the Independent Expert apprised of all matters and issues, up to the date of the final Court hearing to sanction the Scheme, which, in my opinion, may be relevant to the Independent Expert in opining on the proposed Scheme. These matters include, but are not limited to, Court documents and supporting materials, full details of any changes between draft versions of the documents previously provided to the Independent Expert and final versions of these documents, and full details of any differences between the data and information underlying such draft and final documents.
5. In particular, the facts stated below are true and accurate to the best of my knowledge and belief:
 - the financial positions as stated in the balance sheets of the Transferor as at 31 March 2021 and 31 March 2022 both give a true and fair view of the Transferor's affairs at those dates;
 - the Technical Provisions of the Transferor's business as stated as at 31 March 2021 and 31 March 2022 are both a true and fair view of the liabilities at those dates;
 - other financial projections relating to the Transferor and provided by TMNF that the Independent Expert has used to prepare the Aggregate Report have been prepared in good faith by persons with appropriate knowledge and experience on a reasonable basis and based on reasonable assumptions;
 - it is not planned that there will be a distribution of capital or increase in liability or risk exposure as a consequence of the Scheme that would not have occurred were the Scheme not to proceed; and
 - the Transferor will continue to operate after the Scheme as it is currently operating, other than that, upon the implementation of the Scheme, it will seek to de-authorise its London Branch.
6. I confirm that the capital assessments for the Transferor (as per its solvency margin ratio calculated according to rules prescribed by the JFSA) and its London Branch (using the Standard Formula as per the Solvency II Directive 2009/138/EC) as at 31 March 2021 and 31 March 2022, continue to be reasonable estimates of the corresponding capital assessments as at the date of this letter.
7. I confirm that there are currently no plans pursuant to the Scheme to materially change:
 - the reserving basis/approach and strength of reserves carried/booked by the Transferor; and/or
 - the capital basis/approach and capital strength adopted by the Transferor.
8. In respect of the Transferor, I confirm that there is currently no other relevant information concerning the business written, claims procedures and processing situation that could have a material impact on the Independent Expert's assessment of the proposed Scheme. In particular, I confirm that:
 - there were no unusual backlogs of unprocessed claims correspondence at 31 March 2021 and 31 March 2022; and
 - appropriate case estimates were applied to all reported claims which remained open at 31 March 2021 and 31 March 2022.
9. I confirm that the proposed Scheme is not expected to have tax implications that would affect any of the Transferor's policyholders.

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Tokio Marine & Nichido Fire Insurance Co., Ltd.

10. To the best of my knowledge and belief there have been no material changes since 31 March 2022 to the Transferee's operational plans that in my opinion would have a material impact on the Scheme and have not been communicated to the Independent Expert.
11. I confirm that the actual and expected impact of the COVID-19 pandemic upon the Transferor has, in my view, been appropriately represented in the Independent Expert's Aggregate Report.
12. I confirm that, on behalf on the Transferor, I consent to the Independent Expert disclosing in the Aggregate Report all such information therein that relates to the Transferor and Tokio Marine.
13. I confirm that I have been authorised by the Transferor to give the representations in this letter on behalf of the Transferor.

Yours sincerely,



Yoichiro Yamaguchi

Branch Manager

Tokio Marine & Nichido Fire Insurance Co., Ltd. London Branch

For and on behalf of Tokio Marine & Nichido Fire Insurance Co., Ltd.

Tokio Marine & Nichido Fire Insurance Co Ltd is a private limited company incorporated in Japan with Registration Number: 0100-01-00824: The Legal Affairs Bureau of the Ministry of Justice. Registered Office at: 6-4, Otemachi 2-Chome, Chiyoda-ku, Tokyo 100-8050, Japan. A member of the Tokio Marine Group.

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Tokio Marine & Nichido Fire Insurance Co., Ltd.



4th Floor
8 Fenchurch Place
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Ref
Date: 22 June 2022

Mr Christopher Clarke
Milliman LLP
11 Old Jewry
London
EC2R 8DU

Dear Mr Clarke,

Letter of Representation – Part VII transfer of business from the London Branch of Tokio Marine & Nichido Fire Insurance Co., Ltd. to NRG Victory Reinsurance Limited

1. Introduction

I refer to the proposed insurance business transfer (the “Scheme”) by which the London branch business of Tokio Marine & Nichido Fire Insurance Co., Ltd. (the “Transferor”) will transfer to NRG Victory Reinsurance Limited (the “Transferee”), pursuant to Part VII of the Financial Services and Markets Act 2000 (“FSMA”).

Terms used in this Letter of Representation have the same meanings as used in the Aggregate Report (as defined in paragraph 3.1 below).

2. Data Accuracy Statement

I hereby affirm that the data and information provided to Christopher Clarke of Milliman LLP (acting as the Independent Expert to the Scheme) were prepared by the Transferee (and its professional advisors and/or affiliates) and, to the best of my knowledge and belief, are accurate and complete in all material respects.

3. Other Statements

1. To the best of my knowledge and belief, the Independent Expert’s Report in relation to the Scheme, dated 4 April 2022 and the Independent Expert’s Supplementary Report in relation to the Scheme, dated 22 June 2022, (together the “Aggregate Report”) accurately and fairly reflect my understanding of the details of the proposed Scheme, and there are no material inaccuracies or omissions in the description of any of the Transferee’s business and practices (including details of specific contracts and claims) or in any statements attributed directly or indirectly to the Transferee (and/or the wider group of companies ultimately owned by Berkshire Hathaway).

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2. I have disclosed all the information that, in my opinion, is relevant to the Independent Expert when forming a view as to whether policyholders are adversely affected by the proposed Scheme, including but not limited to discussions or disputes with regulatory authorities and key reinsurance and commercial counterparties.
3. I will keep the Independent Expert apprised of all matters and issues, up to the date of the final Court hearing to sanction the Scheme, which, in my opinion, may be relevant to the Independent Expert in opining on the proposed Scheme. These matters include, but are not limited to, Court documents and supporting materials, full details of any changes between draft versions of the documents previously provided to the Independent Expert and final versions of these documents, and full details of any differences between the data and information underlying such draft and final documents.
4. In particular, the facts stated below are true and accurate to the best of my knowledge and belief:
 - the financial positions as stated in the balance sheets of the Transferee as at 31 December 2020 and 31 December 2021 both give a true and fair view of the Transferee's affairs at those dates;
 - the Technical Provisions of the Transferee's business as stated as at 31 December 2020 and 31 December 2021 are both a true and fair view of the liabilities at those dates;
 - other financial projections relating to the Transferee and provided by NRG that the Independent Expert has used to prepare the Aggregate Report have been prepared in good faith by persons with appropriate knowledge and experience on a reasonable basis and based on reasonable assumptions;
 - it is not planned that there will be a distribution of capital or increase in liability or risk exposure as a consequence of the Scheme that would not have occurred were the Scheme not to proceed; and
 - the Transferee will continue to operate after the Scheme as it is currently operating.
5. I confirm that the capital assessments for the Transferee (using the Standard Formula as per the Solvency II Directive 2009/138/EC) as at 30 June 2021 and 31 December 2021, continue to be reasonable estimates of the corresponding capital assessments as at the date of this letter.
6. I confirm that there are currently no plans pursuant to the Scheme to materially change:
 - the reserving basis/approach and strength of reserves carried/booked by the Transferee; and/or
 - the capital basis/approach and capital strength adopted by the Transferee.
7. In respect of the Transferee, I confirm that there is currently no other relevant information concerning the business written, claims procedures and processing situation that could have a material impact on the Independent Expert's assessment of the proposed Scheme. In particular, I confirm that:
 - there were no unusual backlogs of unprocessed claims correspondence at 31 December 2020 and 31 December 2021; and
 - appropriate case estimates were applied to all reported claims which remained open at 31 December 2020 and 31 December 2021.

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8. I confirm that the proposed Scheme is not expected to have tax implications that would affect any of the Transferee's policyholders, including those that will become its policyholders as a result of the Scheme.
9. To the best of my knowledge and belief there have been no material changes since 31 December 2021 to the Transferee's operational plans that in my opinion would have a material impact on the Scheme and have not been communicated to the Independent Expert.
10. I confirm that the actual and expected impact of the COVID-19 pandemic upon the Transferee has, in my view, been appropriately represented in the Independent Expert's Aggregate Report.
11. I confirm that, on behalf on the Transferee and Berkshire Hathaway and its subsidiaries, I consent to the Independent Expert disclosing in the Aggregate Report all such information therein that relates to the Transferee and other Berkshire Hathaway group companies.
12. I confirm that I have been authorised by the Transferee and by other relevant Berkshire Hathaway subsidiaries to give the representations in this letter on behalf of the Transferee.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Andrew Wilson'.

Andrew Wilson
Director
For and on behalf of NRG Victory Reinsurance Limited

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