

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

***River Re Limited to
Riverstone Insurance (UK) Limited***

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

For the High Court of Justice of England and Wales

13 October 2025

Prepared by:

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LCP

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1. Executive summary

1.1. The Proposed Transfer

The firms involved

- 1.1.1. River Re Limited (River Re) is a UK-based reinsurance company in run-off. It underwrote a variety of non-life reinsurance and insurance business between January 2005 and July 2015. River Re is owned by AXA DBIO II, a buyout fund managed by AXA Liabilities Managers (AXA LM).
- 1.1.2. Riverstone Insurance (UK) Limited (RIUK) is part of the RiverStone International Holdings Limited (RIHL) Group. RIUK acquires new portfolios of legacy non-life insurance business using traditional reinsurance structures and Part VII transfers. Its portfolio consists of a variety of non-life insurance products, including casualty, motor and general liability.

The Transferring Business

- 1.1.3. The Part VII transfer (Proposed Transfer) seeks to legally transfer to RIUK all insurance and reinsurance policies underwritten, issued or assumed by River Re.
- 1.1.4. The Transferring Business represents approximately 100% by number and 100% by value of the transferor's current liabilities as at 31 December 2024 and if the transfer is sanctioned will represent approximately 4% (by number of open claims) and 15% (by value of net UK GAAP reserves) of the transferee's existing business based on data as at 31 December 2024.
- 1.1.5. The Transferring Business comprises predominantly non-life reinsurance business, as well as a small proportion of direct insurance business. The transferring policies were underwritten between January 2005 and July 2015 across a range of lines of business including property, casualty and engineering. Most of the outstanding liabilities from the Transferring Business are in respect of motor liability and, to a lesser extent, professional indemnity, property, political risks and general liability. The majority (98%) of the Transferring Business was placed through brokers.
- 1.1.6. On 31 December 2024, in preparation for the Proposed Transfer, River Re and RIUK entered into a Loss Portfolio Transfer (LPT) agreement relating to the Transferring Business. Under the LPT agreement, all the liabilities arising from the Transferring Business were reinsured by RIUK. River Re agreed to continue to perform the claims handling and administration services in respect of the Transferring Business, for an agreed fee, pending the Proposed Transfer.
- 1.1.7. The LPT agreement includes a collateral arrangement pursuant to which RIUK has committed to maintaining a specified level of collateral above the reserves amount, which is held in a combination of Trust Accounts and Working Accounts held by River Re. The collateral requirement is recalculated and adjusted at each collateral valuation date. The collateral valuation date is the last business day of each calendar quarter up until the date of the Proposed Transfer or the termination of the LPT agreement, whichever is earlier.
- 1.1.8. River Re and RIUK entered into a Business Transfer Agreement (BTA) on 31 December 2024. The BTA was entered into with a view to RIUK carrying on the Transferring Business in succession to River Re, and RIUK and River Re entering into the LPT agreement described above.
- 1.1.9. If the Proposed Transfer is not completed by 31 December 2027 (Longstop date), the BTA and LPT agreement may be terminated. In this situation, the LPT agreement would be commuted back to River Re, at a pre-agreed commutation price that is a fixed percentage of reserves plus the claims float amount held in the Working Accounts. Any remaining amounts in the Trust Accounts will be returned to RIUK. River Re's beneficial interest in the Trust Assets would cease and River Re policyholders would be reliant on River Re's ongoing financial strength to ensure that their claims are paid. See section 3.4 for more detail.
- 1.1.10. Further detail of the Transferring Business is set out in section 3.

Effective Date

- 1.1.11. The Effective Date (the date when the Proposed Transfer is expected to occur) is expected to be 31 January 2026, shortly after the Sanction Hearing which is scheduled for week commencing 26 January 2026.

Reinsurance

- 1.1.12. River Re's existing outwards reinsurance policies are provided by:
- Australian Reinsurance Pool Corp
 - Tokio Marine Kiln; and
 - Pool Re.
- 1.1.13. The Tokio Marine Kiln and Pool Re outwards reinsurance policies will be transferred to RIUK as part of the Proposed Transfer.
- 1.1.14. The outwards reinsurance policy issued by Australian Reinsurance Pool Corp (ARPC) is governed by the laws of New South Wales. Based on legal advice obtained by RIUK and River Re, it is believed that the Proposed Transfer may not be automatically recognised under New South Wales law. This advice was provided by a senior counsel in Sydney, Australia with expertise in the Australian legal framework analogous to a Part VII transfer. Counsel's view was that an English Part VII Scheme would not be recognised in New South Wales, and the English Court Order would not have the effect of transferring the rights and liabilities under a New South Wales-law governed policy to a new insurer. A similar issue has been considered by the New South Wales Supreme Court in *The Ocean Marine Insurance Company Ltd v CSR Ltd* [2012] NSWSC 1229.
- 1.1.15. The implication of this legal advice was that, in order to achieve certainty on the transfer of the ARPC policy to RIUK, River Re will need to engage with ARPC to seek a novation of their reinsurance contract from River Re to RIUK.
- 1.1.16. River Re has since engaged with ARPC to seek a novation of the reinsurance contract from River Re to RIUK. ARPC has confirmed in writing that it is comfortable with the novation provided RIUK agrees to the current operative wording of the reinsurance policy. RIUK has confirmed that it accepts the policy wording as is. Once the Proposed Transfer has taken place, ARPC will need to be notified, and it will draft a name change endorsement to reflect RIUK as the new policyholder.
- 1.1.17. In the unlikely event that the novation of the ARPC contract does not proceed as expected, the Proposed Transfer is not contingent on this. There have been no notified claims on this contract, and there are no open claims or reserves. River Re and RIUK consider the likelihood of future claims on this contract to be minimal. Should the novation not be successful, River Re would withdraw from the policy. RIUK has confirmed that it is comfortable with this position and, if the ARPC outwards reinsurance contract cannot be novated, this will not have a material impact on the transfer. I am satisfied that the security provided to Transferring Policyholders will not be materially adversely affected by the Proposed Transfer in this regard.
- 1.1.18. Given that there are no notified or open claims or reserves on this contract, and the likelihood of future claims is minimal, I am comfortable that the security provided to Transferring Policyholders will not be materially adversely affected by the Proposed Transfer in this regard. I will provide an update on the progress of the novation of this contract in my Supplementary Report.
- 1.1.19. The Proposed Transfer will not affect the underlying terms and conditions of such reinsurance arrangements. RIUK and River Re have confirmed that all existing reinsurance arrangements, other than as noted above, will continue following the Proposed Transfer.

Claims handling

- 1.1.20. AXA LM, on behalf of River Re, has been managing the claims in relation to the Transferring Business since 18 August 2020.
- 1.1.21. Under the LPT agreement, River Re continues to be responsible for claims handling but may set a migration date, following notification to policyholders in relation to the Proposed Transfer, prior to the Effective Date. With effect from the migration date, RIUK shall be responsible for the claims handling and administration of the Transferring Business.
- 1.1.22. AXA LM sets case reserves as advised by cedants.
- 1.1.23. The RIUK claims department seeks to accurately reserve claims in line with the Reserving Guidelines and to settle claims at the correct measure of indemnity, inclusive of fees, expenses, costs and interest. The

claims team follows a best estimate reserving philosophy as it provides for the most likely outcome of each case taking into account the underlying claim circumstances and policy details.

- 1.1.24. RIUK has extensive experience in acquiring books of insurance business. It transfers the claims and policy data from the seller to its systems, ensuring that there is no disruption to the handling and settlement of claims for the Transferring Business during the transition.
- 1.1.25. I understand that the RIUK and River Re operational teams are currently collaborating to achieve a clear understanding of systems, processes, policies and records in preparation for a smooth transition. This has included the RIUK IT team analysing subsets of River Re's data, and both teams having initial conversations with third parties on any system changes that need to be implemented.
- 1.1.26. The scale of the Proposed Transfer, in terms of the volume of claims, is small relative to the wider RIUK portfolio. The RIUK claims team is currently (as at July 2025) handling approximately 18,000 open claims (or approximately 11,000 excluding nil claims). The number of open claims from River Re as at Q2 2025 was 764 claims. It is expected that a similar number of claims will be involved in the Proposed Transfer. River Re's open claim numbers represent approximately 4% of RIUK's current open claim count. As such, RIUK does not expect its claims handling procedures to change for Existing Policyholders as a result of the Proposed Transfer.

Sanctions

- 1.1.27. AXA LM has carried out an iterative investigatory process to identify a list of "Potentially Sanctioned" Policies. "Potentially Sanctioned" policies are contracts of insurance and reinsurance underwritten by River Re which have touchpoints to persons or jurisdictions targeted by EU, UK, UN or US sanctions. AXA LM's investigation process involves:
 - Screening: AXA LM undertakes weekly screening of River Re's full policy list via the AXA Group automated sanctions screening tool. Records of the alerts generated by this screening process are maintained by AXA LM's Legal and Compliance team and used to compile the list of Potentially Sanctioned Policies. Any alert indicating a policy may have one or more touchpoints to an EU, UK, UN or US sanctioned person was included in the list of Potentially Sanctioned Policies.
 - Referrals: AXA LM has a Sanctions Referral Process in place, applicable to all its employees, under which a Sanctions Referral form must be sent to the AXA LM Legal and Compliance team if a potential sanctions issue is identified. Any policy which was the subject of a sanctions referral was included in the list of Potentially Sanctioned Policies.
 - Geographic risk assessment: AXA LM has also conducted additional due diligence in the form of a further geographic risk assessment to identify policies which have a connection with countries and territories which are targeted by more extensive US, UK and/or EU sanctions. This review was undertaken by keyword searches for references to specific countries or territories. Any policies with a connection to one or more of these countries or territories was included in the list of Potentially Sanctioned policies.
- 1.1.28. Through this process, 167 policies have been identified as being Potentially Sanctioned.
- 1.1.29. Of these 167 policies, River Re has identified 48 policies with direct or indirect touchpoints to parties directly targeted by UK or EU Russian Financial sanctions.
- 1.1.30. There is a total of 41 policyholders in respect of the 167 Potentially Sanctioned policies.
- 1.1.31. There are no open claims or outstanding premiums attaching to these Potentially Sanctioned policies. The likelihood of a new claim being notified is low, particularly given that policies were written between 2005 and 2015. There are also no reserves attached to any of the Potentially Sanctioned policies, other than in the case of a small number of policies which are Proportional Treaties which do hold reserves. Where this is the case, none of these reserves relate to parties identified on these policies as having touchpoints to parties targeted by EU, UK, UN or US sanctions.
- 1.1.32. No policies have been identified as requiring a licence to transfer.
- 1.1.33. AXA LM has considered the Potentially Sanctioned policies in conjunction with its legal advisers, and established that, in light of the particular characteristics of these policies (such as their age profile, type,

and absence of claims against them), all policies included in River Re's book, including the identified Potentially Sanctioned policies, can be included in the Proposed Transfer without breaching EU, UK, UN, or US sanctions. River Re and RIUK have entered into a deed of transfer in respect of the Potentially Sanctioned policies.

- 1.1.34. I have been provided with a note summarising the legal advice provided to AXA LM and River Re regarding the transferability of the Potentially Sanctioned policies. This legal advice concluded that it is proportionate and defensible for River Re to conclude the transfer of the Potentially Sanctioned Policies pursuant to the Part VII Transfer without requiring authorisation under any EU, UK and/or US sanctions licence.
- 1.1.35. If the position leading to this conclusion were to change, for example as a result of new applicable sanctions being introduced, or a previously unreported claim being notified, any affected policy would be a "Residual Policy" under the Proposed Transfer, and an application would be made to the appropriate sanctions regulator for a licence to transfer.
- 1.1.36. I will provide an update on this in my Supplementary Report.
- 1.1.37. RIUK is an acquirer of run-off portfolios from reputable, regulated insurance carriers. RIUK relies on the onboarding activity which will have previously been performed by the original carrier. Prior to acquisition, RIUK requires the original carrier to provide details of their financial crime procedures and any known financial crime concerns. Where these are disclosed, this would trigger enhanced due diligence to take place prior to acquisition.
- 1.1.38. Following acquisition, RIUK's primary focus is to ensure that claims payments are not made in contravention of relevant sanctions regimes and other financial crime laws and regulations. Systems and controls include:
 - financial crime policies and procedures;
 - defined Board-approved risk appetites (RIUK has a very low level of risk appetite for Regulatory and Legal Risk); and
 - monitoring of risk appetite through key risk indicators.
- 1.1.39. In addition, the following key processes are in place:
 - Sanctions screening processes: All payments are processed through an internally developed claims system, with daily sanctions screening conducted using specialist software and data. This includes checks against individuals linked to serious crimes such as corruption, financial crime, trafficking, organized crime, terrorism, and tax crime. Entities with adverse media coverage related to regulatory or government actions are also flagged. All findings are reviewed by the Compliance team to determine validity before payments proceed. Additionally, quarterly portfolio reviews and onboarding checks for new portfolios help identify potential sanctions risks.
 - Ad hoc sanctions queries: RIUK maintains a Financial Crime and Sanctions Watchlist of jurisdictions which are subject to sanctions or relevant restrictions. All such transactions require referral to the Compliance function before proceeding. The watchlist is available to all staff and is reviewed monthly and on an ad hoc basis where there has been a significant event. Any changes are highlighted to all staff. In addition, staff are required to refer transactions relating to military or dual use goods for review by Compliance.
 - Financial crime watchlist and prevention: RIUK's Compliance team maintains a detailed financial crime watchlist covering jurisdictions with concerns related to anti-money laundering (AML), anti-bribery and corruption (ABC), tax evasion, and sanctions.

1.2. My role as Independent Expert

- 1.2.1. River Re and RIUK have jointly appointed me to act as the Independent Expert (IE) for the Proposed Transfer. The Prudential Regulation Authority (PRA), in consultation with the Financial Conduct Authority (FCA), has approved my appointment.
- 1.2.2. As IE, my overall role is to assess whether:
 - The security provided to policyholders of River Re and RIUK will be materially adversely affected by the implementation of the Proposed Transfer.

- The Proposed Transfer will have any adverse impact on service standards experienced by policyholders.
- Any reinsurer of River Re or RIUK covering the Transferring Business will be materially adversely affected by the Proposed Transfer.

1.2.3. This report is my Scheme Report for the Proposed Transfer. I will also prepare a Supplementary Report ahead of the Sanction Hearing for the Proposed Transfer. The purpose of the Supplementary Report is to confirm and/or update my conclusions in this report, based on any new issues that arise.

1.3. Summary of my conclusions

- 1.3.1. I have set out below my summary conclusions, considering the effect of the Proposed Transfer on the following three parties:
- “Transferring Policyholders”, defined as all River Re policyholders whose policies will transfer to RIUK under the Proposed Transfer.
 - “Existing Policyholders”, i.e. policyholders of RIUK immediately prior to the Proposed Transfer, who will remain policyholders with RIUK after the Proposed Transfer.
 - Reinsurers of River Re and RIUK covering the Transferring Business.
- 1.3.2. There are no “Non-transferring Policyholders”, as all River Re policies will transfer to RIUK under the Proposed Transfer.
- 1.3.3. In drawing my conclusions, I have considered the impact of the Proposed Transfer on all underlying Claimants and Beneficiaries (these terms are defined in Section 4). This includes consideration of the impact of the Proposed Transfer on any third parties. River Re currently has a small number of contracts with third parties including Charles Taylor and DXC. However, these third-party contracts will not form part of the Proposed Transfer. River Re will terminate these third-party contracts at the point of transfer, at which point RIUK will have already set up new contracts. River Re has confirmed to me that there will be no operational impact of this change and therefore no impact on policyholders. River Re’s and RIUK’s IT teams are working on the necessary processes to facilitate this.

Transferring Policyholders

- 1.3.4. All River Re policyholders will have their policies transferred to RIUK as part of the Proposed Transfer. River Re has identified 6,042 Transferring policies across 1,119 Transferring Policyholders.

I have concluded that the security provided to Transferring Policyholders will not be materially adversely affected by the Proposed Transfer.

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

Summary rationale:

- 1.3.5. I am satisfied that the approaches used to calculate the UK GAAP and Solvency UK technical provisions for the Transferring Business in RIUK are appropriate, and RIUK has confirmed that these will be materially unchanged post-transfer. My opinion is based on:
- a review of RIUK’s review of reserves and an external independent review of the reserving methodology for the Transferring Business as at 31 December 2024, i.e. the date of the LPT agreement, based on data as at 31 December 2023; and
 - the actual versus expected claims development compared to those reviews.

I intend to review RIUK’s reserves in the context of actual versus expected claims experience for the Transferring Business over the period to 30 September 2025, and I will report on this in my Supplementary Report.

- 1.3.6. The SCR coverage ratio for Transferring Policyholders is expected to reduce from 663% to 209% as a result of the Proposed Transfer. I do not consider the security provided to Transferring Policyholders to be materially adversely affected by this change in SCR coverage ratio as RIUK will still be very well capitalised. See definitions of “well capitalised” and “very well capitalised” in section 6.1. Further, in making this judgement, I have taken into account that RIUK’s own funds are c.5 times higher than River Re’s, so Transferring Policyholders will have access to a significantly higher volume of assets.
- 1.3.7. On the face of it, the reduction in SCR coverage ratio for Transferring Policyholders from 663% to 209% would appear to be a significant fall in capital strength. However, the SCR is calibrated such that a 100% coverage ratio would equate to a 0.5% probability of insolvency over the next year. A 209% coverage ratio therefore equates to a remote probability of insolvency (i.e. much less than 0.5%). The difference in capital coverage ratios of 663% and 209% does not, in my opinion, equate to a material difference in the probability of insolvency. In addition, the excess of own funds less the SCR for the Transferring Policyholders post-transfer in RIUK is expected to be £111m, approximately 3 times the amount pre-transfer in River Re (£34m).
- 1.3.8. RIUK has provided capital projections until 31 December 2030, which indicate that RIUK will remain very well capitalised, based on the existing and Transferring Business running off over time. In an alternative scenario where RIUK takes on additional portfolios in line with its business plan and releases reserves, I am satisfied that RIUK is projected to remain well capitalised over this period.
- 1.3.9. I am satisfied that RIUK is expected to have sufficient capital under a range of adverse scenarios in relation to both the Transferring Business and its other business. In more extreme adverse scenarios, where RIUK’s SCR coverage ratio would fall below 100%, I am satisfied that the likelihood of such scenarios is sufficiently remote that Transferring Policyholders are not materially adversely affected as a result of the Proposed Transfer. I note that the scenarios are conservative in that they make no allowance for management actions that could be taken to help restore capital levels.
- 1.3.10. The collateral arrangements through the LPT agreement provide the Transferring Policyholders with additional protection prior to the Proposed Transfer in the scenario where RIUK experienced significant financial difficulties. Following the Proposed Transfer, the LPT agreement is terminated automatically and the collateral arrangement will fall away. I am satisfied that policyholders are not materially worse off after the Proposed Transfer following loss of the collateral through the LPT agreement. This is because a) the scenario where RIUK would be unable to pay claims following the Proposed Transfer is remote; b) the BTA contains a long stop date of 31 December 2027, after which it would be terminated and, following which, the LPT agreement can be terminated and unwound i.e. the policyholders may then not be benefitting from the collateral arrangements after this point and c) RIUK is obliged to top up the collateral following deterioration in reserves, but in the event of financial difficulty for example, this obligation is unsecured.
- 1.3.11. RIUK is a UK entity so the Transferring Policyholders will continue to be regulated in the UK following the Proposed Transfer. The rights of policyholders in respect of access to the Financial Services Compensation Scheme (FSCS) or Financial Ombudsman Service (FOS) will not change as a result of the Proposed Transfer.
- 1.3.12. The claims handling of the Transferring Business will move to being managed by RIUK either before the Effective Date as part of the migration process or upon completion of the Proposed Transfer. The scale of the Proposed Transfer is relatively small in claims terms, relative to the wider RIUK portfolio. River Re’s open claim volumes make up c. 4% of RIUK’s open claims. RIUK and River Re are working collaboratively to achieve a better understanding of systems and processes to help plan for a smooth transition.

Existing Policyholders

- 1.3.13. As at 31 December 2024, RIUK had 5.1 million existing policies (approximately 5,920 of which had open claims as at 31 March 2025). River Re’s 6,042 transferring policies will therefore make up a small proportion (approximately 0.1%) of RIUK’s projected post-transfer policies.

I have concluded that the security provided to Existing Policyholders will not be materially adversely affected by the Proposed Transfer.

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

Summary rationale:

- 1.3.14. I am satisfied that the approaches used to calculate the UK GAAP and Solvency UK technical provisions for RIUK are appropriate, and RIUK has confirmed that these will be materially unchanged post-transfer.
- 1.3.15. The SCR coverage ratio for Existing Policyholders is expected to increase slightly from 200% to 209% as a result of the Proposed Transfer. Therefore I do not consider the security provided to Existing Policyholders to be materially adversely affected by the Proposed Transfer.
- 1.3.16. Further, RIUK has provided capital projections until 31 December 2030 which indicate that RIUK will remain well capitalised in a scenario where it simply runs off the existing and Transferring Business or in a scenario where it takes on additional portfolios.
- 1.3.17. I am satisfied that RIUK is expected to have sufficient capital under a range of adverse scenarios in relation to both the Transferring Business and its other business. In more extreme adverse scenarios, where RIUK's SCR coverage ratio would fall below 100%, I am satisfied that the likelihood of such scenarios is sufficiently remote such that Transferring Policyholders are not materially adversely affected as a result of the Proposed Transfer. I note that the scenarios make no allowance for management actions to restore capital levels.
- 1.3.18. RIUK is not planning any material changes to how its existing business is carried out. In particular, there are no plans to change how Existing Policyholders are serviced following the Proposed Transfer.

Reinsurers

- 1.3.19. I have considered the position of reinsurers of River Re who currently provide cover for the Transferring Business.

I have concluded that reinsurers who provide cover for the Transferring Business will not be materially adversely affected by the Proposed Transfer.

Summary rationale:

- 1.3.20. River Re and RIUK have both confirmed that all existing reinsurance arrangements that are in place for each respective entity will continue following the Proposed Transfer, with the potential exception of the ARPC outwards reinsurance policy currently held by River Re.
- 1.3.21. The Proposed Transfer may not be automatically recognised under New South Wales law. Therefore, in order to achieve certainty on the transfer of the ARPC policy to RIUK, River Re has engaged with ARPC to seek a novation of the reinsurance contract from River Re to RIUK. ARPC has confirmed in writing that it is comfortable with the novation provided RIUK agrees to the current operative wording of the reinsurance policy. RIUK has confirmed that it accepts the policy wording as is. Once the Proposed Transfer has taken place, ARPC will need to be notified, and it will draft a name change endorsement to reflect RIUK as the new policyholder.
- 1.3.22. In the unlikely event that the novation of the ARPC contract does not proceed as expected, the Proposed Transfer is not contingent on this. There have been no notified claims on this contract, and there are no open claims or reserves. River Re and RIUK consider the likelihood of future claims on this contract to be

minimal. Should the novation not be successful, River Re would withdraw from the policy. RIUK has confirmed that it is comfortable with this position and, if the ARPC outwards reinsurance contract cannot be novated, this will not have a material impact on the transfer. I am satisfied that the security provided to Transferring Policyholders will not be materially adversely affected by the Proposed Transfer in this regard.

- 1.3.23. The Proposed Transfer will not affect the underlying terms and conditions of the other existing reinsurance arrangements. RIUK will assume all of River Re's rights and obligations under these arrangements for the Transferring Business including any entitlements in respect of reinsurance recoveries, with effect from the Effective Date.
- 1.3.24. The reinsurers of the Transferring Business will be exposed to the same claims following the Proposed Transfer.
- 1.3.25. RIUK is a key reinsurer of the Transferring Business under the LPT agreement and provides 100% reinsurance to River Re, after the application of the other external reinsurance contracts. Following the transfer, there is no change in economic risk as RIUK will insure or reinsure these policyholders directly rather than via the LPT agreement.
- 1.3.26. All the reinsurers of the Transferring Business will be informed of the Proposed Transfer.

1.4. Next steps

- 1.4.1. The remainder of this report sets out my conclusions and other supporting information in more detail.
- 1.4.2. I will be reviewing these conclusions and preparing a Supplementary Report ahead of the Sanction Hearing for the Proposed Transfer. The purpose of the Supplementary Report is to confirm and/or update my conclusions based on any new material or issues that arise.
- 1.4.3. Specific issues that I have highlighted in this report which require further review in due course include:
 - Any updates to the reserves or actual versus expected claims experience over the period to Q3 2025 in respect of the Transferring Business;
 - Any updates to the financial information provided in this report e.g. updated reserve estimates and financial projections including SCR coverage ratios and balance sheets;
 - The implementation of the communication plan for Transferring Policyholders;
 - Any policyholder objections received; and
 - Any developments regarding the structure of the Proposed Transfer.

2. Introduction

2.1. Background

- 2.1.1. Part VII, Section 109 of the Financial Services and Markets Act 2000 (FSMA) requires that a Scheme Report must accompany an application to the High Court of Justice of England and Wales (High Court) to approve an insurance business transfer scheme (Part VII transfer).
- 2.1.2. The Scheme Report should be produced by a suitably qualified independent person (the Independent Expert or IE) who has been nominated or approved by the Prudential Regulation Authority (PRA) having consulted with the Financial Conduct Authority (FCA). The Scheme Report should address the question of whether any policyholders or reinsurers impacted by the insurance business transfer are adversely affected to a material extent.
- 2.1.3. This report is the Scheme Report for the Proposed Transfer. I will also prepare a Supplementary Report ahead of the Sanction Hearing for the Proposed Transfer. The purpose of the Supplementary Report is to confirm and/or update my conclusions in this report, based on any new material or issues that arise.

2.2. Independent Expert appointment

My appointment

- 2.2.1. River Re and RIUK have jointly appointed me to act as the IE for the Proposed Transfer. The PRA, in consultation with the FCA, has approved my appointment. Both River Re and RIUK will bear the costs associated with the production of my report. I understand that no costs or expenses of the Proposed Transfer will be borne by policyholders.

My experience

- 2.2.2. I am a Partner in the Insurance Consulting practice at LCP. I am an actuary with over 30 years' experience. My experience covers a wide range of general insurance actuarial work including reserving, capital, pricing and transactions.
- 2.2.3. I am a Fellow of the Institute and Faculty of Actuaries (IFoA). I hold a Lloyd's Syndicate Actuary practising certificate and a UK Chief Actuary (non-Life with Lloyd's) practising certificate.
- 2.2.4. I have acted as the IE on a number of previous Part VII transfers. I have also acted as the peer reviewer on a number of other Part VII transfers.
- 2.2.5. Appendix 3 contains my CV with further details of my experience.

Independence statement

- 2.2.6. I confirm that I, Charl Cronje, and all members of the LCP team assisting me in my IE role are independent from the parties of the transfer and that I am able to act as the IE for the Proposed Transfer.
- 2.2.7. I confirm that neither I, nor any of the team, have any direct or indirect interests in River Re, RIUK or AXA LM (the firms), either personally or via LCP.

In particular:

- Neither I, nor any member of the team, is a shareholder in the firms or subsidiaries nor a member of any pension scheme under the management of any of these entities.
- Neither I, nor any member of the team, hold any insurance policies issued by the firms or any subsidiaries.
- LCP has not previously undertaken any work for River Re or AXA LM. LCP has previously supported an internal model project and conducted an independent reserve review of a Maltese portfolio for RiverStone Insurance (Malta) SE (a sister company of RIUK). The total fees for these projects represent less than 0.1% of LCP's annual income. Overall, I do not consider that these previous engagements affect my ability to act as IE on the Proposed Transfer.

2.3. Scope of this Scheme Report

- 2.3.1. Appendix 2 contains an extract from my terms of reference, which defines the scope of my work in relation to the Proposed Transfer. The actual work performed is in line with this agreed scope.
- 2.3.2. This Scheme Report considers the effect of the Proposed Transfer upon the policyholders of River Re and RIUK, and reinsurers of the Transferring Business. It contains a description of the Proposed Transfer, the methodology I have used to analyse the Proposed Transfer, the opinions I have formed, and reasons why I have formed those opinions.
- 2.3.3. The use of “I”, “me” and “my” in this report generally refers to work carried out by me or by the team operating under my direct supervision. However, when it is used in reference to an opinion, it is mine and mine alone.
- 2.3.4. For presentational purposes some GBP amounts in this report have been converted from USD at an exchange rate of £1 = USD 1.29.

2.4. Use of this Scheme Report

- 2.4.1. This Scheme Report has been produced by Charl Cronje FIA of LCP under the terms of our written agreements with River Re and RIUK. It is subject to any stated limitations (e.g. regarding accuracy or completeness).
- 2.4.2. This Scheme Report has been prepared for the purpose of accompanying the application to the High Court in respect of the proposed insurance business transfer scheme described in this report, in accordance with Part VII, Section 109 of the Financial Services and Markets Act (FSMA) 2000. The Scheme Report is not suitable for any other purpose.
- 2.4.3. A copy of the Scheme Report will be sent to the PRA and the FCA and will accompany the Scheme application to the High Court.
- 2.4.4. This report is only appropriate for the purpose described above and should not be used for anything else. No liability is accepted or assumed for any use of the Scheme Report for any other purpose other than that set out above.

2.5. Reliances

- 2.5.1. I have based my work on the data and other information made available to me by River Re and RIUK. Appendix 4 contains a list of key data and other information that I have considered. I have also held discussions with the relevant staff of River Re, RIUK and their advisors.
- 2.5.2. My analysis is based on River Re and RIUK data as at 31 December 2024 and 31 March 2025.
- 2.5.3. Prior to the Sanction Hearing for the Proposed Transfer, I will prepare a Supplementary Report to confirm and/or update my conclusions in this report, based on any new material or issues that arise.
- 2.5.4. I have received all of the information that I have requested for the purposes of the production of my report. In this respect:
 - River Re and RIUK will submit witness statements to the High Court stating that all information provided to me by River Re and RIUK respectively is correct and complete in all material aspects to the best of their knowledge, information and belief.
 - Each of River Re and RIUK has provided a data accuracy statement confirming that the data and information provided to me regarding the Proposed Transfer is accurate and complete.
 - River Re and RIUK have provided attestations that there have been no material adverse changes to the financial position of River Re or RIUK since that information was provided to me.
 - River Re and RIUK have read this IE Scheme Report and each has agreed that it is correct in terms of all factual elements of the Proposed Transfer.
 - I have conducted basic checks on the data provided to me for internal consistency and reasonableness.
 - My checks of the data have not revealed any cause for me to doubt that it is materially appropriate for me to rely on the information provided for the purpose of this report.
- 2.5.5. The conclusions in my report take no account of any information that I have not received, or of any inaccuracies in the information provided to me.
- 2.5.6. I have not considered it necessary to take any third-party legal advice on any aspects of the Proposed Transfer.
- 2.5.7. Figures in this report may be subject to small rounding differences and so totals within the tables may not equal the sum of the rounded components.

2.6. Professional standards

- 2.6.1. This report complies with the applicable rules on expert evidence and with the guidance for scheme reports set out by the PRA in their Statement of Policy, the FCA guidance to their approach to review of Part VII transfers issued in May 2018 and by the PRA Rulebook and the FCA Handbook.
- 2.6.2. This report complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100) and Technical Actuarial Standard 200: Insurance (TAS 200) issued by the Financial Reporting Council (FRC). The FRC is responsible for setting technical actuarial standards in the UK.
- 2.6.3. I have considered The Actuaries' Code as issued by the IFoA as part of producing this report.
- 2.6.4. This report has been subject to independent peer review prior to its publication, in line with Actuarial Professional Standard X2: Review of Actuarial Work (APS X2) as issued by the IFoA. This peer review has been undertaken by another Partner at LCP. The peer reviewer was not involved in the production of the report. They have appropriate experience and expertise to act as peer reviewer of this report, and have themselves been the Independent Expert for a number of other transfers.

2.7. Materiality

- 2.7.1. The FRC considers that matters are material if they could, individually or collectively, influence the decisions to be taken by users of the actuarial information. It accepts that an assessment of the materiality is a matter of reasonable judgement that requires consideration of the users and the context.
- 2.7.2. I have applied this concept of materiality in performing the work described in this Scheme Report. In particular, I have applied this concept of materiality when using my professional judgement to determine the risks of material misstatement or omission and to determine the nature and extent of my work.
- 2.7.3. In complying with the reporting requirements of TAS 100, I have made judgements on the level of information to include in this Scheme Report. For example, to make the report easier to read, I have not included all the details that would normally be included in a formal actuarial report, such as details of the methodologies and assumptions underlying the reserve and capital assessments.

2.8. Definition of “materially adverse”

- 2.8.1. In order to determine whether the Proposed Transfer will have a “materially adverse” impact on any group of policyholders, it has been necessary for me to exercise my judgement in the light of the information that I have reviewed.
- 2.8.2. The Proposed Transfer will affect different policyholders in different ways and, for any one group of policyholders, there may be some effects of the Proposed Transfer that are positive, and others that are adverse. When assessing whether the Proposed Transfer will have a “materially adverse” impact, I have considered the aggregate impact of these different effects on each group of policyholders.
- 2.8.3. In the Court of Appeal judgment in *The Prudential Assurance Company Ltd and Rothesay Life plc* [2020] EWCA Civ 1626, the judge commented on the word ‘material’ and drew the distinction between ‘real’ and ‘fanciful’ risks and that the Court should address the former rather than the latter. I have borne this distinction in mind when reaching my conclusions as to whether any set of policyholders is materially adversely affected. Throughout this report, I have provided the rationale for my judgements and conclusions. These explain why, in each case, I have concluded whether policyholders are materially adversely affected or otherwise.

3. Outline of Proposed Transfer

3.1. The firms involved

- 3.1.1. River Re Limited (River Re) (formerly RenaissanceRe (UK) Ltd) is a UK based reinsurance company in run-off. It underwrote a variety of non-life reinsurance and insurance business between January 2005 and July 2015, when it entered into run-off. River Re is 100% owned by AXA DBIO II Holding S.a.r.l, which is a 100% subsidiary of AXA DBIO II S.C.Sp (both of which are located in Luxembourg). River Re's activities relate to the orderly run-off of its remaining policies.
- 3.1.2. AXA DBIO II S.C.Sp is a regulated Alternative Investment Fund. Its strategy is based on investment in direct insurance and reinsurance portfolios in run-off and in (re)insurers in the non-life sector. For this purpose, AXA DBIO II S.C.Sp has obtained capital from financial investors, which are all professional investors, most of them third-party companies.
- 3.1.3. The run-off companies and portfolios acquired by AXA DBIO II have been managed with the assistance of the expert run-off management teams of AXA Liabilities Managers. The investment phase of the Fund closed a few years ago and the Fund is now in its divestment phase.
- 3.1.4. RIUK is a private limited company registered in England and Wales. RIUK is an acquirer of legacy portfolios of non-life insurance business using traditional reinsurance structures and Part VII transfers. Its portfolio consists of a variety of non-life insurance products, including casualty, motor and general liability. The majority of its remaining business is in respect of long-tail casualty business including US workers compensation, UK employers' and public liability, European motor liability, medical malpractice, asbestos, pollution and health hazard losses, marine, aviation and non-marine property business.
- 3.1.5. Riverstone Insurance (UK) Limited (RIUK) is an indirect, wholly-owned subsidiary of RiverStone International Holdings Limited (RiverStone Holdings). RiverStone Holdings is a Jersey corporation and is the ultimate holding company for the RiverStone International group of companies (RiverStone International or the Group). RiverStone International is a non-life run-off insurance group. The Group acquires and manages portfolios in run-off and has acquired business from a number of large, well-established counterparties across the UK company market, Lloyd's market participants, the EEA, the US and Bermuda. The Group provides legacy solutions across a range of transactional structures including company acquisitions and insurance business transfers, providing legal finality and economic reinsurance solutions.
- 3.1.6. RiverStone International currently operates through regulated subsidiaries, each of which is a wholly-owned subsidiary of RiverStone Holdings, in:
 - the UK, regulated by the Prudential Regulation Authority (the PRA) and the Financial Conduct Authority (the FCA) and operating within Lloyd's of London;
 - Bermuda, regulated by the Bermuda Monetary Authority;
 - Malta, regulated by the Malta Financial Services Authority;
 - Ireland, regulated by the Central Bank of Ireland; and
 - The US, regulated in Massachusetts by the Division of Insurance.
- 3.1.7. The PRA is also RiverStone International's group-wide supervisor.
- 3.1.8. The RiverStone International Group provides legacy solutions across an array of transactional structures, including company acquisitions and insurance business transfers, providing clients with legal finality, and economic reinsurance solutions such as loss portfolio transfers and adverse development covers.

3.2. Description of the Proposed Transfer

The Transferring Business

- 3.2.1. The Proposed Transfer seeks to legally transfer to RIUK all insurance and reinsurance policies underwritten, issued or assumed by River Re.
- 3.2.2. The Transferring Business comprises predominantly non-life reinsurance business (99.7% of the outstanding liabilities), as well as a small proportion of direct insurance business.

- 3.2.3. The transferring policies were underwritten between January 2005 and July 2015 across a range of lines of business including property, casualty and engineering. Most of the outstanding liabilities from the Transferring Business are in respect of motor liability and, to a lesser extent, professional indemnity, property, political risks and general liability.
- 3.2.4. River Re has identified:
- 6,042 Transferring Inwards Policies, 5,272 of which relate to inwards reinsurance business and the remaining 770 of which relate to direct insurance business.
 - Of the Transferring Inwards Policies, 5,938 (98%) of these were placed through brokers. There were a total of 112 brokers involved in placing these policies.
 - 1,119 Transferring Policyholders (ie Insureds or Reassureds); 799 of which relate to inwards reinsurance business and the remaining 320 of which relate to direct insurance business.
- 3.2.5. There are three Transferring Outwards Reinsurance Policies, provided by Australian Reinsurance Pool Corp, Tokio Marine Kiln and Pool Re.
- 3.2.6. Of the 6,042 Transferring Inwards policies, 383 are considered “Active Policies” (policies with claims reserves held against them). The remaining 5,659 policies have no known claims or potential claims and no claims reserves held against them. Of the 383 “Active Policies”, River Re has identified 239 policies (62%) that are subject to the laws of England and Wales. The remaining 144 (38%) of “Active Policies” are subject to the governing law of 15 other jurisdictions.
- 3.2.7. River Re and RIUK plan to implement the following measures to address the transfer of the “Active Policies” that are not subject to the laws of England and Wales. These measures would also address any other non-England and Wales policies if claims were to arise:
- The inclusion of clauses in the Scheme Document which reflect the usual terms for the transfer of the business in full to RIUK;
 - The inclusion of a clause in the Scheme Document of terms consistent with the approach and approval of the scheme being considered by Snowden J in *Copenhagen Reinsurance Company (UK) Limited [2016] EWHC 944(CH)*. This is to address the issue that might otherwise arise as to whether the Proposed Transfer would be recognised and be effective in other jurisdictions; and
 - The entry by RIUK into a legally binding obligation, as a matter of English law by way of unilateral deed poll, to respond to all valid claims and other liabilities which arise under policies being transferred to it.
- 3.2.8. I understand, based on legal advice received by River Re and RIUK, that no approval from overseas regulators is required in respect of these policies in order to proceed with the Proposed Transfer.
- 3.2.9. On 31 December 2024, in preparation for the Proposed Transfer, River Re and RIUK entered into a Loss Portfolio Transfer (LPT) agreement relating to the Transferring Business. Under the LPT agreement, all of the liabilities arising from the Transferring Business are fully reinsured by RIUK. Effectively, the economic risk and reward of the Transferring Business was transferred to RIUK under this agreement. River Re agreed to continue to perform the claims handling and administration services in respect of the Transferring Business, for an agreed fee, pending the Proposed Transfer.
- 3.2.10. The LPT agreement includes a collateral arrangement pursuant to which RIUK has committed to maintaining a specified level of collateral above the reserves amount, which is held in a combination of Trust Accounts and Working Accounts held by River Re. The collateral requirement is recalculated and adjusted at each collateral valuation date. The collateral valuation date is the last business day of each calendar quarter up until the completion date of the Proposed Transfer or the termination of the LPT agreement, whichever is earlier.
- 3.2.11. River Re and RIUK also entered into a Business Transfer Agreement (BTA) on 31 December 2024. The BTA was entered into with a view to RIUK taking over the Transferring Business from River Re, and RIUK and River Re entering into the LPT agreement described above.
- 3.2.12. If the Proposed Transfer is not completed by 31 December 2027 (Longstop date), the BTA and LPT agreement may be terminated. In this situation, the LPT agreement would be commuted back to River Re, at a pre-agreed commutation price that is a fixed percentage of reserves plus the claims float amount held

in the Working Accounts. Any remaining amounts in the Trust Accounts will be returned to RIUK. River Re's beneficial interest in the Trust Assets would cease and River Re policyholders would be reliant on River Re's ongoing solvency. See section 3.4 for more detail.

Effective Date

- 3.2.13. The Effective Date (the date when the Proposed Transfer is expected to occur) is expected to be 31 January 2026, shortly after the Sanction Hearing which is scheduled for week commencing 26 January 2026.

Reinsurance

- 3.2.14. River Re's existing outwards reinsurance policies are provided by:
- Australian Reinsurance Pool Corp
 - Tokio Marine Kiln; and
 - Pool Re.
- 3.2.15. The Tokio Marine Kiln and Pool Re outwards reinsurance policies will be transferred to RIUK as part of the Part VII transfer.
- 3.2.16. Based on legal advice provided to RIUK and River Re, it is believed that the Proposed Transfer may not be automatically recognised under New South Wales law. Therefore, in order to achieve certainty on the transfer of the ARPC policy to RIUK, River Re has engaged with ARPC to seek a novation of the reinsurance contract from River Re to RIUK. ARPC has confirmed in writing that it is comfortable with the novation provided RIUK agrees to the current operative wording of the reinsurance policy. RIUK has confirmed that it accepts the policy wording as is. Once the Proposed Transfer has taken place, ARPC will need to be notified, and it will draft a name change endorsement to reflect RIUK as the new policyholder.
- 3.2.17. In the unlikely event that the novation of the ARPC contract does not proceed as expected, the Proposed Transfer is not contingent on this. There have been no notified claims on this contract, and there are no open claims or reserves. River Re and RIUK consider the likelihood of future claims on this contract to be minimal. Should the novation not be successful, River Re would withdraw from the policy. RIUK has confirmed that it is comfortable with this position and, if the ARPC outwards reinsurance contract cannot be novated, this will not have a material impact on the transfer. I am satisfied that the security provided to Transferring Policyholders will not be materially adversely affected by the Proposed Transfer in this regard.
- 3.2.18. The Proposed Transfer will not affect the underlying terms and conditions of the other existing reinsurance arrangements. RIUK and River Re have confirmed that all existing reinsurance arrangements, other than as noted above, will continue following the transfer.

Claims handling

- 3.2.19. AXA LM, on behalf of River Re, has been managing the claims in relation to the Transferring Business since 18 August 2020. Under the LPT agreement, River Re continues to be responsible for claims handling but may set a migration date, following notification to policyholders in relation to the Proposed Transfer, prior to the Effective Date. With effect from the migration date, RIUK shall be responsible for the claims handling and administration of the Transferring Business.
- 3.2.20. AXA LM's claims handling philosophy involves:
- providing a high-quality claims service to all their clients, recognising and understanding the diverse needs of its customers across a broad range of underwriting classes;
 - aiming to respond to all claims promptly and fairly; and
 - adopting a proactive approach to case management, supported where appropriate by third party technical and legal experts to ensure the timely, effective resolution of claims.
- 3.2.21. AXA LM sets case reserves as advised by cedants.
- 3.2.22. RIUK's claims handling philosophy involves:
- using a dedicated and specialist claims team, with a track record in handling complex claims;

- settling valid claims promptly by adopting a proactive approach to claims handling;
- treating customers fairly and providing good outcomes for consumers. This includes claims adjusters acting ethically and with integrity and following key processes and procedures, such as a Vulnerable Customers Guidelines and Consumer Duty Framework; and
- providing a value-add service by optimising practices and process over time, including performing strategic review of claims actively, encouraging discussion and round-tabling of complex claims and performing peer review of claims meeting certain criteria.

3.2.23. The RIUK claims department seeks to accurately reserve claims in line with their Reserving Guidelines and to settle claims at the correct measure of indemnity, inclusive of fees, expenses, costs and interest. The claims team follows a best estimate reserving philosophy as it provides for the most likely outcome of each case taking into account the underlying claim circumstances and policy details.

3.2.24. I understand that the RIUK and River Re operational teams are currently collaborating to achieve a clear understanding of systems, processes, policies and records in preparation for a smooth transition. This has included the RIUK IT team analysing subsets of River Re's data, and both teams having initial conversations with third parties on any system changes that need to be implemented.

3.2.25. RIUK is aiming to minimise any potential disruption to the claim notification process. Any change in the notification practice or process will be communicated by both River Re and RIUK to affected counterparties. RIUK has standard protocols for this correspondence which will be completed in line with its Part VII transfer process.

3.2.26. RIUK's in-house claims handling operations is subject to clear internal governance rules. RIUK has extensive experience in acquiring books of insurance business. It transfers the claims and policy data from the seller to its systems, ensuring that there is no disruption to the handling and settlement of claims for the Transferring Business during the transition.

3.2.27. The scale of the Proposed Transfer, in terms of the volume of claims, is small relative to the wider RIUK portfolio. The RIUK claims team is currently (as at July 2025) handling approximately 18,000 open claims (or approximately 11,000 excluding nil claims). The number of open claims from River Re as at Q2 2025 was 764 claims. It is expected that a similar number of claims will be involved in the Proposed Transfer. River Re's open claim numbers represent approximately 4% of RIUK's current open claim count.

3.2.28. Whilst recognising that the volume of claims handled from one year to the next can vary, the number of open claims that are expected to transfer across is expected to be relatively small in comparison to the number of claims that RIUK would typically expect to handle each year. As such, RIUK does not expect its claims handling procedures to change for Existing Policyholders as a result of the Proposed Transfer.

3.3. Purpose of the Proposed Transfer

3.3.1. River Re is seeking a legal route to finality for its portfolio, which has been in run-off for some time. For RIUK, the transfer is part of its strategy to consolidate and run off legacy portfolios of business.

3.3.2. RIUK and River Re entered into an LPT agreement and a BTA on 31 December 2024 with the intention completing the Proposed Transfer to achieve economic and legal finality.

3.4. Alternative options considered

3.4.1. In the event that the Proposed Transfer does not go ahead, this will manifest in one of the following two scenarios:

- Scenario A: the Proposed Transfer does not go ahead for reasons not set out in the BTA or LPT agreement.
- Scenario B: the Proposed Transfer does not go ahead for reasons of default by RIUK under the BTA or LPT agreement.

3.4.2. In Scenario A, the BTA will terminate at the earlier of the Longstop Date (31 December 2027) or an earlier date when both River Re and RIUK agree that the Proposed Transfer will not be successful. The LPT agreement would then be commuted back to River Re.

- 3.4.3. In Scenario B, under the terms of the LPT agreement, River Re may elect to terminate the LPT agreement if RIUK suffers an insolvency event or has its permissions revoked. The BTA will then terminate automatically if the LPT agreement is terminated.
- 3.4.4. In both scenarios, after the termination of the BTA and LPT agreement, the LPT agreement would be commuted back to River Re, at a pre-agreed commutation price that is a fixed percentage of reserves plus the claims float amount held in the Working Accounts. The Trust Agreement will be terminated and any remaining funds held in the Trust Accounts will be released and returned to RIUK. River Re would be restored to the position it was in prior to entering into the BTA and LPT agreement, but with an additional 5% as a result of the payment of the unwind amount. After this point, River Re's beneficial interest in the Trust Assets ceases, and River Re policyholders would be reliant on River Re's ongoing solvency to ensure claims are paid. River Re would be free to transfer the book to another third party if desired, with separate commercial terms to be negotiated at the time.

3.5. Key dependencies

- 3.5.1. The key dependencies of the Proposed Transfer are as follows:
- High Court approval is required for the Proposed Transfer – an initial hearing for directions in relation to the approach of publicising the Proposed Transfer (the Directions Hearing) is scheduled for 22 October 2025 and the Sanction Hearing is scheduled for the week commencing 26 January 2026. As part of this, the High Court will take into account the views of the PRA and FCA on the Proposed Transfer.
 - Any objections raised by any person claiming to be adversely affected by the Proposed Transfer. I will comment on these (if any) in my Supplementary Report.

4. My approach as IE

Overall role

4.1.1. As IE, my overall role is to assess whether:

- The security provided to policyholders of River Re and RIUK will be materially adversely affected by the implementation of the Proposed Transfer.
- The Proposed Transfer will have any adverse impact on service standards experienced by policyholders.
- Any reinsurers of River Re or RIUK covering the Transferring Business will be materially adversely affected.

The key affected parties

4.1.2. To make these assessments, I have considered the effect of the Proposed Transfer on the following parties:

- Transferring Policyholders, defined as all River Re policyholders whose policies will transfer to RIUK under the Proposed Transfer.
- Existing Policyholders, i.e. policyholders of RIUK immediately prior to the Proposed Transfer, who will remain policyholders with RIUK after the Proposed Transfer.
- Reinsurers of River Re and RIUK covering the Transferring Business.

4.1.3. I understand that current and potential future third party claimants (Claimants) who make a claim against a policyholder, which would be covered by a policy, are also considered to be policyholders by the FCA and PRA, as are all potential beneficiaries (Beneficiaries). In drawing my conclusions, I have considered the impact of the Proposed Transfer on all potential Beneficiaries and Claimants.

Five-step approach to analysing the Proposed Transfer

4.1.4. My approach to assessing the Proposed Transfer has been to perform the following five steps analysing evidence provided by River Re and RIUK to support the Proposed Transfer:

Step 1: Assessing the provisions of River Re and RIUK

4.1.5. The first important form of security that an insurer provides to policyholders is the level of provisions (also known as reserves). Provisions are based on an estimate of the amount of money the insurer will need to pay policyholders' claims and to cover the other costs associated with running the insurer.

4.1.6. Therefore, I have assessed the appropriateness of the provisions included on River Re's balance sheet and the approach to be used for the calculation of provisions for both River Re and RIUK pre- and post-transfer. Details of this step are set out in section 5.

Step 2: Assessing the capital positions of River Re and RIUK

4.1.7. In addition to the level of provisions, insurers hold capital designed to withstand more extreme levels of claims. The level of capital held is the second important form of security provided to policyholders.

4.1.8. For both River Re and RIUK, the level of capital required is set under the Solvency UK standard. A key regulatory solvency metric is the Solvency Capital Requirement (SCR). This is an estimate of the capital required to cover the loss that an insurer could experience over the next 12 months with a probability of 99.5% (i.e. a 1 in 200 probability adverse outcome).

4.1.9. I have assessed the appropriateness of the projected capital requirements of River Re and RIUK. Details of this step are set out in section 6.

Step 3: Assessing overall policyholder security

4.1.10. Under this step, I have considered the level of provisions and capital (from steps 1 and 2) in the context of the assets held by each of River Re and RIUK and other forms of security such as compensation schemes.

4.1.11. For this analysis, I have considered the current balance sheets of River Re and RIUK as well as the post transfer pro-forma balance sheets for each of River Re and RIUK. Details of this step are set out in section 7.

Step 4: Assessing policyholder communications

4.1.12. I have assessed the appropriateness of River Re's and RIUK's communication strategy to inform policyholders and other stakeholders of the Proposed Transfer. The key focus of my assessment was whether the policyholders and other stakeholders are to be provided with sufficient and clear enough information so that they can understand how the Proposed Transfer may affect them. Details of this step are set out in section 8.

Step 5: Assessing potential impact on customer service and other considerations that might affect policyholders

4.1.13. I have considered how the level of customer service provided to policyholders could change following the Proposed Transfer. I have also considered a range of other factors that might affect policyholders, such as ongoing expense levels and tax implications. Details of this step are set out section 9.

5. Reserving considerations

5.1. Introduction to insurance reserving

- 5.1.1. For an insurance firm, the primary purpose of reserving is to assess the provisions that need to be set in order to pay policyholders' claims and to cover the other costs associated with running an insurer.
- 5.1.2. Depending on how they are set, the provisions may be on a "best estimate" basis (with no deliberate optimism or pessimism) or include a "margin for prudence" (additional provisions to cover higher than expected claims). Where the provisions include a margin for prudence, this is typically designed to cover claims that are moderately higher than expected rather than more extreme levels of claims. A best estimate basis may involve setting a single point estimate of the provisions, but practically there normally exists a range of estimates that could be justified as best estimates.
- 5.1.3. In addition to any margin for prudence, the insurer would hold additional capital designed to withstand more adverse levels of claims. My considerations related to capital for the Proposed Transfer are set out in section 6.

Introduction to reserving bases

- 5.1.4. Insurers use a range of different reserving bases (i.e. different measures of the provisions), for different purposes.
- 5.1.5. For example, financial accounting standards require the provisions to be calculated in particular ways, and an insurer may also use a different basis for internal management accounts. Solvency regulations require provisions to be calculated in yet another way.
- 5.1.6. For the Proposed Transfer, I have considered the provisions under two reserving bases, which are each relevant for different purposes, namely:
 - UK Generally Accepted Accounting Principles (GAAP) – these are the accounting standards used to set the provisions underlying the published financial accounts of River Re and RIUK.
 - Regulatory technical provisions e.g. Solvency UK technical provisions – these are calculated in line with Solvency UK regulations that came into effect on 31 December 2024, replacing the European Solvency II regulations.

5.2. My considerations relating to reserving

- 5.2.1. As IE, my overall assessments related to reserving are:
 - whether an appropriate level of provisions is maintained for each relevant group of policyholders i.e. Transferring Policyholders and Existing Policyholders; and
 - whether any aspects of the reserving may lead to any of these groups of policyholders being materially adversely affected by the Proposed Transfer.
- 5.2.2. To make these assessments, I have considered the following areas:
 - Appropriateness of provisions for River Re and RIUK (sections 5.3-5.5);
 - Approach for setting Solvency UK technical provisions (section 5.6);
 - Key uncertainties when setting the provisions (section 5.7);
 - Current River Re and RIUK reserving processes and governance (section 5.8); and
 - Future reserving approach and governance (section 5.9).
- 5.2.3. Within these areas, I have also considered any differences in the reserving approach between River Re and RIUK to understand how this may affect policyholders.
- 5.2.4. Further details on each of these considerations are set out below, and I have stated my overall conclusion related to reserving in section 5.10.

Approach to my review

5.2.5. I have reviewed a number of documents provided by River Re and RIUK relating to the setting of provisions, including the reserving processes and governance. I have had meetings with River Re and RIUK to discuss the information provided and any questions I have had on the reserving approach. A list of the key data and documentation is provided in Appendix 4.

5.2.6. I have considered the appropriateness of the following:

- UK GAAP technical provisions for River Re as at 31 March 2025;
- UK GAAP technical provisions for RIUK as at 31 March 2025;
- Calculation approach for the transferring liabilities;
- Solvency UK technical provisions for River Re as at 31 March 2025; and
- Solvency UK technical provisions for RIUK as at 31 March 2025.

5.3. River Re provisions (UK GAAP)

5.3.1. The following table shows the level of UK GAAP technical provisions as at 31 March 2025 (the latest available figures at the time of my writing of my report) for River Re, broken down by class. I have also provided a brief description of the underlying exposure of each class and the mean duration of the liabilities.

River Re – Summary of UK GAAP technical provisions at 31 March 2025 (£m)

Class	Gross of reinsurance	Gross of LPT, net of all other reinsurance	Net of all reinsurance
Motor XL	31.0	31.0	0.0
<i>Motor XL – UK settled PPOs</i>	<i>11.0</i>	<i>11.0</i>	<i>0.0</i>
<i>Motor XL – UK non-PPOs</i>	<i>16.2</i>	<i>16.2</i>	<i>0.0</i>
<i>Motor XL – non-UK</i>	<i>3.8</i>	<i>3.8</i>	<i>0.0</i>
Motor QS	3.5	3.5	0.0
PI & GTP QS	11.5	11.5	0.0
PI & GTP XL	6.1	6.1	0.0
Other Property	5.4	5.4	0.0
Political Risks	5.7	5.7	0.0
Other	1.6	1.4	0.0
Total River Re	64.8	64.5	0.0

Source: River Re.

The provisions are made up of the earned claims reserves (to cover incidents that have already occurred) excluding Unallocated Loss Adjustment Expenses (ULAE). There was no unearned business as at this date.

Class	Class description	Mean duration (years)
Motor XL – UK settled PPOs	This class contains motor excess of loss business for UK claims with ongoing PPOs.	23.9
Motor XL – UK non-PPOs	This class contains motor excess of loss business for UK claims without an agreed PPO.	10.6
Motor XL – non-UK	This class contains motor excess of loss business with jurisdiction outside of the UK.	3.6
Motor QS	This class contains motor quota share (proportional) business.	3.6
PI & GTP QS	This class contains Professional Indemnity and General Third Party Liability quota share (proportional) business.	4.9
PI & GTP XL	This class contains Professional Indemnity and General Third Party Liability excess of loss business.	4.8
Other Property	This class contains Property business, both excess of loss and quota share.	2.4
Political Risks	This class contains Political Risks business, both excess of loss and quota share.	6.4
Other	This class consists of a range of other excess of loss and quota share business.	
Total River Re		9.6

5.3.2. The provisions for Transferring Business represent 100% of River Re's UK GAAP technical provisions as at 31 March 2025.

5.3.3. River Re's business comprises predominantly non-life reinsurance business, as well as a small proportion of direct insurance business. Most of River Re's provisions are in respect of motor liability business (largely excess of loss reinsurance) and, to a lesser extent, professional indemnity and general third party liability (PI & GTP), property and political risks. The mean duration of River Re's provisions is 9.6 years (based on undiscounted reserves). Excluding the LPT, River Re has a small amount of external reinsurance, which reduces the UK GAAP technical provisions by £0.3m. On a net of all reinsurance basis, River Re's UK GAAP technical provisions are nil due to the LPT agreement in place between River Re and RIUK.

Approach for setting UK GAAP technical provisions

5.3.2. I have reviewed the process by which River Re calculates its UK GAAP technical provisions.

5.3.4. River Re uses standard actuarial techniques including Development Factor Model (DFM), Bornhuetter-Ferguson (BF) and loss ratio methods, as well as consideration of specific IBNRs where appropriate.

5.3.5. For the Motor XL class, for non-UK business, River Re uses DFM methods. For UK business, River Re projects discounted reserves for settled Periodical Payment Orders (PPOs) using a PPO model, which is standard actuarial practice. Claims settling as non-PPOs, and potential PPO claims, are allowed for separately, using average claim costs and assumptions regarding the probability of these claims settling as PPOs.

5.3.6. River Re performs a reserving exercise each quarter. A full actuarial review is performed at Q3 each year. These results are then reviewed and adjusted as needed at other quarters based on Actual versus Expected (AvE) experience since the Q3 full reserving exercise.

5.3.7. Peer review and validation is carried out internally by the Chief Actuary and other members of the actuarial team and results are reported to the Reserve Committee and the Board. In addition to the in-house

validation, there is an annual external audit review as at Q3/Q4, and periodically an internal audit of the reserving process.

5.3.8. The UK GAAP figures are used as the basis and starting point for the calculation of the Solvency UK technical provisions.

5.3.9. In my opinion, River Re's reserving approach is reasonable and in line with market practice.

5.4. RIUK provisions (UK GAAP)

5.4.1. The table below shows the level of UK GAAP technical provisions as at 31 March 2025 (the latest available figures at the time of my writing of my report) for RIUK, broken down by portfolio and by Existing and Transferring Policyholders. I have also provided a brief description of the underlying exposure of each portfolio and the mean duration of the liabilities.

RIUK – Summary of UK GAAP technical provisions at 31 March 2025 (£m)

Portfolio	Gross of reinsurance	Net of external reinsurance	Net of all reinsurance
Existing Policyholders:			
UK Disease	236.7	226.7	113.4
RIUK Legacy	175.4	167.7	133.2
RIL	41.5	33.7	26.9
Sammy	34.6	34.6	34.6
Legacy 3500	6.3	6.3	6.3
Subtotal Existing Policyholders	494.5	469.2	314.4
Transferring Policyholders:			
Frisian	54.0	54.0	54.0
Total RIUK	548.5	523.1	368.3

Source: RIUK (converted to GBP)

The provisions are made up of the earned claims reserves. The figures net of all reinsurance are net of external reinsurance and net of intragroup reinsurance, and exclude ULAE. There was no unearned business as at this date.

Portfolio	Class description	Mean duration (years)
Existing Policyholders:		
UK Disease	This portfolio consists of UK disease liabilities including asbestos (mesothelioma and non-mesothelioma), deafness and abuse.	8.9
RIUK Legacy	This includes historic portfolios acquired under RIUK. Claims relate to Asbestos, Pollution & Health, Motor, Workers Compensation, Abuse and Medical Malpractice.	12.0
RIL	This portfolio relates to a transaction completed by RIUK in 2012 covering Employers' Liability, Public Liability, Casualty and Financial Institution D&O risks.	2.9
Sammy	This portfolio covers medical malpractice risks.	4.3
Legacy 3500	This portfolio contains RIUK's syndicate business. Key underlying reserving classes include Casualty, Marine and non-Marine risks.	3.4
Transferring Policyholders:		
Frisian	This portfolio consists of Motor (XL and QS), Casualty (Professional Indemnity & General Third Party Liability), Property and Political Risks.	13.2*
Total RIUK		9.8

**Note RIUK's view of the mean duration of the Transferring Business (13.2 years) is higher than River Re's view shown in section 5.3 (9.6 years). The key reason for this difference is that RIUK's mean duration is based on undiscounted PPO cashflows, whereas River Re's is based on discounted PPO cashflows. If instead RIUK's mean duration was based on discounted PPO cashflows, this would be approximately 9.7 years, ie similar to River Re's.*

5.4.2. RIUK is an acquirer of run-off insurance portfolios, pursuing legacy acquisitions using traditional reinsurance structures and Part VII transfers. RIUK's largest portfolios are UK Disease and RIUK Legacy. The most material lines of business across RIUK's total portfolio are UK Employers Liability, European Medical Malpractice, European Motor Reinsurance and US Asbestos Pollution and Health Hazard ("APH") Reinsurance. The mean duration of RIUK's provisions is 9.8 years. This relatively long mean duration is driven by the European Motor and UK Disease portfolios.

Approach for setting UK GAAP technical provisions

5.4.3. I have reviewed the process by which RIUK calculates their UK GAAP technical provisions.

5.4.4. RIUK uses a variety of standard actuarial techniques for their portfolios depending on the nature of the liabilities. For example:

- UK disease claims: RIUK use projection methods based on notification triangles, settlement rates and average cost per claim. For asbestos claims, methods include consideration of Asbestos Working Party models.
- Legacy classes: RIUK use a range of options depending on claim type e.g. for asbestos claims, average cost per claim and specific loss reviews are used; for pollution claims, large loss specific reviews, frequency-severity and paid survival ratios are used; and for motor claims, frequency-severity methods and an annuity cashflow model are used.
- For several other classes, standard actuarial techniques such as DFM, BF and loss ratio methods are used.

5.4.5. Reserves are reviewed on at least an annual basis. The reserving exercise is usually based on Q3 data each year to inform the booked technical provisions at Q4.

5.4.6. Outside the full actuarial reserve review cycle, portfolios are monitored primarily using AvE analysis. If this were to highlight a trend indicating a potential material change in ultimates, a more detailed reserve review

would be carried out. The AvE analysis allows management to track performance and for the Actuarial Function to recommend adjustments during the year if required.

- 5.4.7. RIUK has an annual external audit and, periodically, internal audit.
- 5.4.8. RIUK had an external actuarial review of the reserves carried out as at 30 September 2024 for Existing Policyholders and as at 31 December 2023 for Transferring Policyholders.
- 5.4.9. The independent external review of RIUK's reserves for Existing Policyholders as at 30 September 2024 showed that at an overall level, the independent estimates were within 0.3% of RIUK's reserves on a gross and net of reinsurance basis. I consider these differences to be small, and the results support my view that RIUK's reserves are within the range of best estimates that could be justified.
- 5.4.10. The RIUK UK GAAP figures are used as the basis and starting point for the calculation of the Solvency UK technical provisions.
- 5.4.11. In my opinion, RIUK's reserving approach is reasonable and broadly in line with general market practice.
- 5.4.12. Since RIUK already fully reinsures the Transferring Business via the LPT agreement, reserving for the Transferring Business is currently being performed by both River Re and RIUK. Following the Proposed Transfer, ongoing reserving of the Transferring Business will continue to be performed by RIUK.
- 5.4.13. The reserving for the Existing Policyholders will continue to be performed by RIUK following the Proposed Transfer. Therefore, the Existing Policyholders will not be impacted following the Proposed Transfer.

5.5. Reserving estimates for the Transferring Business

- 5.5.1. Most of the outstanding liabilities from the Transferring Business are in respect of motor liability and, to a lesser extent professional indemnity and general third party liability, property and political risks. As for any book of insurance business, the future claims experience of the Transferring Business is subject to inherent uncertainty and, as such, there is a range of reasonable best estimates for the provisions.
- 5.5.2. The Transferring Business contains PPOs within the Motor XL class. I consider River Re's and RIUK's reserving approaches for PPOs below. I also consider the impact of a deterioration in reserves arising from a severe PPO scenario (scenario C) in section 6.10.
- 5.5.3. The security of policyholders depends on: (pre-transfer) the combined reserves and capital held by River Re; and (post-transfer) the reserves and capital held by RIUK. As such, this section on reserving estimates for the Transferring Business should be considered in conjunction with the capital considerations in section 6.
- 5.5.4. I have been provided with the most recent actuarial reviews undertaken by River Re and RIUK in respect of the liabilities of the Transferring Business. The following table sets out River Re's and RIUK's UK GAAP technical provisions for the Transferring Business as at 31 March 2025. These are the latest available figures at the time of my writing of this report.

UK GAAP technical provisions for the Transferring Business as at 31 March 2025

£m	River Re	RIUK
Gross of all reinsurance	64.8	54.0
Net of external reinsurance	0.0	54.0
Net of all reinsurance	0.0	54.0

Source: River Re and RIUK (converted to GBP). Figures are excluding ULAE.

On a net of reinsurance basis, because of the LPT agreement, River Re's reserve for the Transferring Business is zero.

5.5.5. The following table shows the breakdown by class of business (on a gross of all reinsurance basis). In the remainder of this section, I discuss the key drivers of the differences between River Re and RIUK.

UK GAAP technical provisions for the Transferring Business as at 31 March 2025

Gross of all reinsurance (£m)	River Re	RIUK	Difference (River Re - RIUK)
Motor XL	31.0	25.6	5.4
<i>Motor XL – UK settled PPOs</i>	<i>11.0</i>	<i>11.8</i>	<i>(0.8)</i>
<i>Motor XL - Other</i>	<i>20.0</i>	<i>13.9</i>	<i>6.1</i>
Motor QS	3.5	4.2	(0.7)
PI & GTP QS	11.5	10.7	0.8
PI & GTP XL	6.1	3.8	2.3
Other Property	5.4	5.0	0.4
Political Risks	5.7	2.9	2.8
Other	1.6	1.7	(0.1)
Total	64.8	54.0	10.8

5.5.6. River Re and RIUK have each carried out independent projections of the Transferring Business.

5.5.7. RIUK performed a detailed reserve review of the Transferring Business as part of its due diligence ahead of the commencement of the LPT agreement, using data as at 31 December 2023. Since then, RIUK has held its estimate of the ultimate value of claims for the Transferring Business at the same level. I have reviewed this in the context of actual versus expected experience since the detailed review.

5.5.8. Overall, actual versus expected experience for the Transferring Business has been favourable since the detailed review. This breaks down into favourable experience across all classes except Motor XL, where there has been adverse experience. I have had discussions with RIUK's actuarial team to understand the drivers of the adverse experience on Motor XL, and I am satisfied that these are due to one-off movements which are within the normal range of volatility I would expect for this business. I have also considered adverse reserving scenarios in section 6.10, including the impact of a deterioration in Motor XL reserves arising from a severe PPO scenario (scenario C). On this basis, I conclude that RIUK's reserve estimate is reasonable.

5.5.9. As at 31 March 2025, River Re estimated the gross of reinsurance UK GAAP technical provisions for the Transferring Business at £64.8m, and RIUK's estimate was £54.0m.

5.5.10. RIUK's gross of reinsurance reserves estimate for the Transferring Business as at 31 March 2025 is £10.8m (17%) lower than River Re's. Key drivers of these differences are the Motor XL class, the Political Risks class and the PI & GTP XL class.

Difference between River Re and RIUK's reserves estimates for Motor XL

5.5.11. RIUK's discounted reserve estimate for Motor XL was £5.4m (17%) lower than River Re's estimate as at 31 March 2025. This difference is driven by methodology differences for some categories within the Motor XL portfolio:

- **Motor XL UK settled PPOs:**
 - For each claim, River Re allows for payments up to the life expectancy of the claimant.
 - RIUK uses a probabilistic approach to model future payments. It uses the same life expectancy as River Re at the mean but allows for the probability of survival. This approach is consistent with their reserving methodology for their wider PPO portfolio. This approach allows for uncertainty in the life expectancy.
 - Both River Re and RIUK also incorporate assumptions on the inflation rate and discount rate.

- The differences between River Re's and RIUK's estimates for settled PPOs are due to differences in their modelling approach (probabilistic vs deterministic), differences in inflation assumptions and differences in the discount rate.
- **Motor XL – Other** consists of UK non-PPO claims and non-UK claims:
 - Motor XL non-UK claims: both River Re and RIUK use standard actuarial methods to project reserves for non-UK claims.
- **Motor XL UK non-PPOs:**
 - River Re treats UK non-PPO claims as potential PPOs. For each claim, a probability of PPO settlement is assigned based on the incurred value. The ultimate claim value is then calculated as a weighted average of a PPO settlement amount and the current incurred value, using the assigned probability as the weighting factor.
 - RIUK combines UK non-PPO claims with non-UK claims and applies standard actuarial methods to project reserves.

5.5.12. These differences in methodology lead to different views of the UK GAAP technical provisions for Motor XL as at 31 March 2025. Overall, RIUK's estimate is £5.4m (17%) lower than River Re's for Motor XL (£0.8m higher for UK settled PPOs, but £6.1m lower for all other Motor XL claims). In my view, this 17% difference is reasonable given the inherent uncertainty of the liabilities, and both River Re's and RIUK's estimates are within the range of reasonable best estimates that I would expect for this business.

Difference between River Re and RIUK's reserves estimates for Political Risks

- 5.5.13. As at 31 March 2025, RIUK's undiscounted gross reserve estimate for Political Risks was £2.8m (50%) lower than River Re's estimate. This difference is due to a specific IBNR held by River Re, which RIUK is not holding. There is a very small amount of non-specific IBNR for this class.
- 5.5.14. Based on RIUK's detailed reserve review as at 31 December 2023, RIUK's gross reserve estimate for Political Risks was £4.8m lower than River Re's estimate. This was entirely due to a specific IBNR held by River Re, which was in respect of weight given to one cedant's poor claims experience from 2019. RIUK is not holding a specific IBNR for this cedant, as recent incurred and paid claims experience has been favourable. In addition, RIUK's detailed review of the relevant treaty showed that no new claims are expected to emerge.
- 5.5.15. Since 31 December 2023, RIUK has held its estimate of the ultimate value of claims for the Transferring Business at the same level. This has meant that RIUK's reserves have increased, as there have been some large refunds of claim payments over the period. The difference between RIUK's and River Re's gross reserve estimates is therefore smaller as at 31 March 2025 than as at 31 December 2023.
- 5.5.16. As part of an external independent review of reserves commissioned by RIUK for the Transferring Business, the external actuaries reviewed RIUK's rationale for not holding the specific IBNR that River Re was holding. The external actuaries agreed with RIUK's decision to not hold this specific IBNR. This was because historical development in the incurred loss data over the previous five years did not indicate any further material claims development, and the adverse incurred development on the treaty in question was prior to AXA LM taking over the management of the book, after which a detailed review of case reserves was performed. Given this review by the external actuaries, and the favourable experience observed since 31 December 2023, I am comfortable that RIUK's reserve estimate for Political Risks is reasonable.

Difference between River Re and RIUK's reserves estimates for PI & GTP XL

- 5.5.17. RIUK's reserve estimate for PI & GTP XL was £2.3m (38%) lower than River Re's estimate as at 31 March 2025. Both River Re and RIUK use standard actuarial methodologies to project reserves for this class. The difference is therefore driven by differences in selected development patterns. RIUK uses River Re's past development experience, supplemented with industry benchmarks in the tail, to produce a development pattern for this class. River Re uses a curve fitting methodology in the tail. The external actuaries commissioned by RIUK produced a reserve estimate that was 10% higher than RIUK's for the PI & GTP classes (XL and QS combined).
- 5.5.18. Overall, RIUK's estimate of reserves for PI & GTP XL is lower than River Re's estimate and the external actuaries' estimate. However, RIUK's actual versus expected analysis shows that incurred claims

experience since 31 December 2023 has been £0.4m better than expected. Despite this, RIUK has held its estimate of the ultimate value of claims at the same level. In addition, as explained above, the security of policyholders depends on the combination of reserves and capital, so the reserving estimates should be considered in conjunction with the capital considerations in section 6. I have also considered the impact of a deterioration in reserves on RIUK's SCR coverage ratio in section 6.10.

External independent review and my overall conclusion on the UK GAAP technical provisions

- 5.5.19. I consider River Re's and RIUK's reserves to both be within the range of reasonable best estimates given the nature of the underlying business including its inherent uncertainty. On the face of it, as RIUK's gross of reinsurance reserve estimates for the Transferring Business are lower than River Re's, this may appear to indicate a fall in reserve strength post-transfer. However, an external independent review of reserves showed that RIUK's estimates are within the range of reasonable best estimates.
- 5.5.20. RIUK commissioned an external independent review of reserves for the Transferring Business based on data as at 31 December 2023. The external actuaries performed either independent projections or a methodology and assumptions review for each of the underlying classes, depending on the level of data available. The external independent reserve estimates for the Transferring Business were within 2.5% of RIUK's on a net of reinsurance basis. This supports my view that RIUK's estimates are within the range of reasonable best estimates.
- 5.5.21. For Motor XL and Other business, the external actuaries performed a methodology and assumptions review. They concluded that, at a high level, RIUK's methodology does not appear unreasonable. They made recommendations for enhancements to the existing approach at future reserving exercises, for the Motor XL class. I intend to review RIUK's reserves in the context of actual versus expected claims experience for the Transferring Business over the period to 30 September 2025, and I will report on this in my supplementary report.

5.6. Approach for setting Solvency UK technical provisions

- 5.6.1. I have reviewed the approach taken by River Re and RIUK to convert the UK GAAP technical provisions into Solvency UK technical provisions (TPs). I have not sought to re-perform the calculation of the TPs or to perform detailed checks of the calculations performed by River Re and RIUK. Instead, I have focused on the appropriateness of the approach and the reasonableness of the results.
- 5.6.2. I have focused my review on the areas which, in my experience, are of greatest relevance to an independent reviewer. This includes Events Not in Data (ENIDs) and the Risk Margin.
- 5.6.3. The table below shows the main steps involved in going from UK GAAP technical provisions to Solvency UK TPs for both River Re and RIUK, based on data as at 31 March 2025.

Steps from UK GAAP to Solvency UK technical provisions as at 31 March 2025

- 5.6.4. For River Re and RIUK, the Solvency UK TPs comprise of the claims provision only. The starting point for the calculation of claims provision is the UK GAAP actuarial best estimate claims reserves. A number of adjustments are applied to these reserves to reflect Solvency UK requirements.
- 5.6.5. Key adjustments to the claims provision include allowances for ENIDs, future claims handling and investment expenses and reinsurance bad debt. Future cashflows are discounted using the rates prescribed by the PRA.
- 5.6.6. A risk margin is added to reflect the notional cost of capital required to support the run-off of liabilities.

5.6.7. I have discussed River Re and RIUK's approach to these adjustments in the following sections. The tables below show the walk-through from UK GAAP reserves to Solvency UK net technical provisions:

River Re

£m	Gross	Net of all reinsurance
UK GAAP reserves	67.0	2.2
Removal of UK GAAP discount	4.7	0.0
ENIDs	3.0	0.0
Change in expenses	2.3	2.3
Reinsurance default	0.0	0.0
Discount credit	(16.8)	(0.9)
Solvency UK TPs excluding risk margin (A)	60.2	3.6
Solvency UK risk margin (B)	0.4	0.4
Solvency UK TPs including risk margin (A + B)	60.6	4.0

RIUK

£m	RIUK
UK GAAP net reserves	380.5
Removal of UK GAAP discount	12.6
ENIDs	4.9
Expenses	25.2
Reinsurance default	(0.3)
Discount credit	(88.7)
Reclassification*	(26.1)
Solvency UK TPs excluding risk margin (A)	308.0
Solvency UK risk margin (B)	18.8
Solvency UK TPs including risk margin (A + B)	326.8

* The reclassification is the transfer of (re)insurance receivables/payables into the Solvency UK TPs as required by the regulations.

ENIDs

- 5.6.8. River Re and RIUK include an allowance for ENIDs within the TPs because, as is typical for most insurers, the historical claims experience used to inform the reserving projections does not typically provide sufficient implicit allowance for extremely rare claim events.
- 5.6.9. The ENID loads as at 31 March 2025 are:
- For River Re: £3m on a gross of reinsurance basis (c. 5% of the total gross best estimate technical provisions) and £0 on a net basis.
 - For RIUK: £4.9m on a net of reinsurance basis (c. 2% of the total net best estimate technical provisions).
- 5.6.10. River Re's ENIDs allowance is set based on judgemental loadings derived for the Motor XL and Political Risks classes, to reflect the inherent uncertainty in those classes. The Motor XL loading is based on the impact of a 1% deviation in the inflation assumption for PPOs, and the Political Risks loading is informed by the uncertainty on one of the largest accounts. On a net of reinsurance basis, River Re's ENIDs allowance is 0 as all of River Re's liabilities are currently reinsured by RIUK through the LPT agreement.
- 5.6.11. RIUK's ENIDs allowance is set based on judgemental percentage loadings by class (2% for casualty classes, 1.5% for financial classes and 1% for other classes). I have reviewed a document summarising RIUK's ENIDs methodology. RIUK uses a percentage loading approach, based on a "truncated distribution" method, which is commonly used in the market. The truncated distribution approach assumes that the best estimate reserves represent the mean from a distribution which is truncated at a "reasonably foreseeable" level. The mean from this truncated distribution is then compared to the mean from the full distribution, in order to derive a percentage uplift to apply to the best estimate reserves. RIUK has then overlaid the results from the truncated distribution approach with expert judgement, resulting in the percentage loadings being rounded up for most classes. RIUK has also sense-checked their ENID loadings by testing alternative truncation points. Overall, I am satisfied that RIUK's ENIDs allowance is reasonable and proportionate and is in line with approaches commonly used in the market.
- 5.6.12. RIUK's loading is not expected to change materially post-transfer.
- 5.6.13. I have reviewed the approach taken by River Re and RIUK for making an allowance for ENIDs. The difference in their ENIDs allowance is because of differing expert judgement views and approaches by both firms. In my experience, I consider both these loadings to be broadly in line with those typically held by other insurers writing similar lines of business, and the approach used to calculate the ENID provisions by both River Re and RIUK is both reasonable and proportionate.

Risk margin

- 5.6.14. The risk margin within the TPs under Solvency UK represents the amount in addition to the best estimate provisions that a third-party insurer would require to take over the insurance obligations of an insurer.
- 5.6.15. River Re and RIUK calculate the risk margin as the present value of the cost of holding the SCR over the lifetime of insurance liabilities were they to be transferred to a (notional) reference undertaking who then effectively manages the transferred business. Both River Re and RIUK uses the prescribed Cost of Capital rate of 4% pa in excess of risk-free returns.
- 5.6.16. The risk margin as at 31 March 2025 is £0.4m (12.5%) for River Re and £18.8m (6.1%) for RIUK, of the total net best estimate technical provisions. RIUK's risk margin allowance is not expected to change materially post-transfer.
- 5.6.17. LCP's market review of Solvency II reporting as at 2023 year-end, based on 100 non-life insurers in the UK and Ireland, showed that, across the market, the risk margin was c. 6% of total net best estimate technical provisions. River Re's risk margin (as a percentage of the net best estimate technical provisions) is higher than the market average. This is due to the nature of River Re's business and the LPT agreement in place between River Re and RIUK, which materially reduces River Re's net best estimate technical provisions.
- 5.6.18. In absolute terms, RIUK's risk margin is much higher than River Re's. RIUK's risk margin is in line with that typically observed for other insurers in the market.

5.6.19. I have reviewed the approach adopted by both River Re and RIUK for calculating the risk margin. In my experience, I consider:

- RIUK's risk margin to be in line with those typically held by insurers writing similar lines of business;
- River Re's risk margin to be explained by the nature of the net liabilities; and
- The approach used to calculate both River Re's and RIUK's risk margins to be appropriate given the nature of the liabilities.

Conclusion on Solvency UK technical provisions

5.6.20. In my opinion, the approaches used by River Re and RIUK to calculate the Solvency UK TPs are appropriate.

5.7. Key uncertainties when setting provisions

5.7.1. The ultimate cost of settling general insurance claims is subject to uncertainty in terms of both the frequency (i.e. how many valid claims there will be) and severity (i.e. the cost of settling each claim), including exposure to inflation in claim amounts over time. Therefore, there are uncertainties when setting the corresponding provisions.

5.7.2. Below I have described some of the key uncertainties in setting the provisions. The uncertainties in this section are not intended to represent an exhaustive list. Rather, they highlight the most material areas of uncertainty for River Re and RIUK. Other additional sources of uncertainty that could impact the provisions may emerge in the future.

5.7.3. In section 6, where I discuss my considerations regarding capital, I have considered the impact of various adverse scenarios on each of River Re and RIUK. These include a number of scenarios relating to uncertainty in the reserves.

5.7.4. There are several uncertainties in setting provisions for the lines of business written by River Re and RIUK:

- RIUK's Existing Business and the Transferring Business contain some liabilities that are very long-tailed in nature (i.e. they can have relatively long reporting and settlement periods), for example Motor Liability and UK Disease liabilities. These long-tailed liabilities carry a higher level of uncertainty. They may also be exposed to a range of emerging risks over time.
- RIUK's Existing Business is exposed to latent diseases including asbestos-related diseases, pollution and deafness. It can take 40 years or more before symptoms of certain asbestos-related diseases emerge. Such diseases are often fatal, and compensation awards can be significant. Given the long latency period of these diseases, claims are expected to continue to emerge for many years into the future. For deafness claims, there is also uncertainty regarding future claims rates following the implementation of the Fixed Recoverable Costs regime.
- The Transferring Business is exposed to PPOs. Reserving for PPOs requires a number of key assumptions, which are subject to uncertainty. For example, a different mix of claims than expected, such as a higher proportion of young claimants with longer life expectancies, could materially impact the value of the PPO liabilities. There is also uncertainty around longevity, Annual Survey of Hours Earnings (ASHE) inflation, investment return, and propensity (i.e. the likelihood of claims settling as PPOs as opposed to being settled as lump sums).
- There is potential for increases in the number and average cost of claims, for example due to court awards setting precedents, or the development of new medical treatments.
- Historical claims trends can in some cases not be a reliable guide for future projections due to changing external and internal factors.
- General price inflation rates have returned to a more normal level compared to recent years, but remain above the long-term Bank of England target of 2% for the Consumer Price Index. Average costs of settling damage claims typically inflate at a faster rate than general prices. Both price inflation and claims inflation are subject to future uncertainty.
- The inflationary drivers of injury claims are very different from those for damage claims and will depend on the extent to which high price inflation feeds through to wage inflation, legal fees and tariff awards. Bodily injury claims can develop slowly and recently settled claims may not fully reflect the longer-term

impacts of recent high price inflation. Given the long-term nature of liabilities, reserves for the Transferring Business are subject to heightened uncertainty around inflation.

- Social inflation refers to the increase in insurance claims costs driven by social, legal and behavioural factors such as litigation trends, changing public attitudes and increasing jury awards. Social inflation can contribute to the uncertainty in insurance portfolios. RIUK considers social inflation aspects as part of its case estimate reserving philosophy and the actuarial team has assessed exposure of all of its portfolios to this risk. RIUK has no exposure to any of the US nuclear verdicts (very large awards for damages) disclosed in public records between September 2021 and September 2024. Within RIUK's Existing Business, the APH classes may be susceptible to social inflation. However RIUK considers the risk to be low as policies are layered, and exposure is capped by historical limits.

5.7.5. RIUK regularly reviews sources of uncertainties as part of their Board reserving reports and Actuarial Function Report. Their reserving reports also consider the impact of a range of adverse scenarios on the reserves, such as adverse inflation outcomes, a deterioration in asbestos reserves or adverse developments in other diseases.

5.8. Current reserving process and governance

River Re – reserving process and governance

- 5.8.1. River Re's actuarial team evaluate the reserves by performing analysis by line of business and underwriting year. For most classes, they use standard actuarial techniques e.g. the Development Factor Model (DFM). For some classes, River Re uses other actuarial techniques appropriate for the nature of the liabilities e.g. for Motor Liability and Political Risks. Specific IBNR is also allowed for where appropriate, and such allowances are reviewed at the pre-Reserving Committee claims meeting.
- 5.8.2. The River Re actuarial team perform a reserving exercise on a quarterly basis. The estimation of the technical provisions is performed by the actuarial team. The Chief Actuary peer reviews the work and the results or will delegate the peer review to another suitably experienced member of the team who is independent of the team producing the results. The Chief Actuary signs off on the appropriateness of the methods and assumptions used and the actuarial results presented to the Reserve Committee.
- 5.8.3. The Reserve Committee, which is a sub-committee of the Board, oversees, reviews and challenges the River Re reserves. They are also responsible for ensuring compliance with the actuarial reserving policy. The Reserve Committee reviews the actuarial function's analysis of Solvency UK Technical Provisions on a quarterly basis and makes a formal recommendation to the Audit Committee and the Board. The Board is responsible for approving the technical provisions.
- 5.8.4. In addition to the in-house validation of reserves, there is also a review performed by the external auditor actuaries at Q3 and/or Q4 of each year, and an internal audit of the reserving process.
- 5.8.5. The 2025 audit of River Re's reserving processes and controls identified enhancement opportunities regarding governance, process documentation and the effectiveness of controls. For example, the auditors found insufficient evidence from the Reserve Committee packs and meeting minutes that the underlying assumptions used in the reserve estimates were adequately presented and discussed. They were also unable to validate that the reserves had been formally approved by the Committee.
- 5.8.6. I understand that River Re has since updated the Reserve Committee packs with the detail of the methodology and assumptions. The meeting minutes are now approved by members of the Reserve Committee.

RIUK – reserving process and governance

- 5.8.7. The RIUK Actuarial Function undertakes reserve reviews as required, at a minimum of once per year for each portfolio. New acquisitions are reviewed depending on their timing, with reliance placed on the initial due diligence review. RIUK uses a variety of actuarial techniques for their portfolios depending on the nature of the liabilities.
- 5.8.8. The reserving exercise is usually based on data as at 30 September each year. To ensure the ultimate results booked following the reserve reviews performed throughout the year remain adequate, paid and incurred AvE experience is reviewed quarterly. This AvE analysis allows management to track performance and for the Actuarial Function to recommend adjustments during the year if required.

- 5.8.9. Throughout the year, there is regular discussion between the Actuarial Function, Claims and Reinsurance departments to understand the latest claim developments. Each reserve review begins with a data reconciliation exercise and an analysis of AvE experience, which is reported to the Executive Committee and the Board.
- 5.8.10. The Actuarial Function produces the reserve projections, which are internally peer reviewed by another member of the team not directly involved in the work. The reserving methods, assumptions and results are discussed with Executive Management and are then subsequently presented to and reviewed and challenged by the Board.
- 5.8.11. Technical provisions are the responsibility of the Board, taking into account advice from the Actuarial Function, Claims, Reinsurance and Finance Functions.
- 5.8.12. Internal Audit provide independent validation of the reserving processes and controls. The UK GAAP reserves also benefit from external validation and audit.
- 5.8.13. For 2024, an independent external review of RIUK's reserves was also completed. On a net of reinsurance basis, the independent estimates from the latest external review were within 0.3% of RIUK's reserves for RIUK's existing business and within 2.5% for the Transferring Business.

5.9. Future reserving approach and governance

- 5.9.1. Since RIUK already fully reinsures the Transferring Business via the LPT agreement, RIUK already reserves for the Transferring Liabilities pre-transfer. RIUK has confirmed that it plans to use the same approach to reserving for the Transferring Business and its existing business after the Proposed Transfer. RIUK has also informed me that they do not expect any changes to the governance process for reserving.
- 5.9.2. All River Re policies will transfer to RIUK as part of the Proposed Transfer, so River Re will no longer perform reserving after the Effective Date of the Proposed Transfer.

5.10. Overall conclusion: reserving considerations

- 5.10.1. I set out below my overall conclusions related to reserving. These reserving considerations should not be considered in isolation. For example, the overall level of protection for policyholders also depends on the level of capital held, and a range of other considerations. My overall conclusions on the Proposed Transfer are set out in section 10.

Transferring Policyholders

- 5.10.2. I have concluded that the Transferring Policyholders will not be materially adversely affected by the reserving aspects of the Proposed Transfer. My key reasons are as follows:
 - I am satisfied that the approaches used to calculate the UK GAAP and Solvency UK technical provisions for RIUK's existing business and the Transferring Business are appropriate, and RIUK has confirmed that these will be materially unchanged post transfer. I intend to review RIUK's reserves in the context of actual versus expected claims experience for the Transferring Business over the period to 30 September 2025, and I will report on this in my supplementary report.
 - The results of an external independent review of reserves were within 2.5% of RIUK's reserves for the Transferring Business on a net of reinsurance basis. This supports my opinion that RIUK's estimates are within the range of reasonable best estimates.
 - Transferring Policyholders will move from being a policyholder of River Re, whose liabilities are reinsured by RIUK through the LPT agreement, to become direct policyholders of RIUK following the Proposed Transfer.
 - RIUK has confirmed that the future reserving process and governance for RIUK will be unchanged post-transfer.

Existing Policyholders

- 5.10.3. I have concluded that the Existing Policyholders will not be materially adversely affected by the reserving aspects of the Proposed Transfer. My key reasons are as follows:

- I am satisfied that the approaches used to calculate the UK GAAP and Solvency UK technical provisions for the existing and Transferring Business are appropriate, and RIUK has confirmed that these will be materially unchanged post transfer. I intend to review RIUK's reserves in the context of actual versus expected claims experience for the Transferring Business over the period to 30 September 2025, and I will report on this in my supplementary report.
- RIUK is already exposed to the Transferring Business through the LPT agreement. As such, the Proposed Transfer will have no material impact on the Existing Policyholders.
- RIUK has confirmed that the future reserving process and governance for RIUK will be unchanged post-transfer.

6. Capital considerations

6.1. Introduction to insurance capital setting

- 6.1.1. A key reason why insurers hold capital is to withstand adverse or extreme levels of claims and other losses. The capital is held in excess of the provisions for policyholders' claims and for the other costs associated with running an insurer.
- 6.1.2. A key metric under Solvency UK regulations is the Solvency Capital Requirement (SCR). This is an estimate of the capital required to cover the loss that an insurer could experience over the next 12 months with a probability of 99.5% (i.e. a 1 in 200 probability adverse outcome). Firms are required to hold capital equal to at least 100% of the SCR.
- 6.1.3. An insurer's SCR coverage ratio is calculated as the available capital in excess of provisions (also known as Own Funds), divided by the SCR. This is a measure of capital strength, with a higher ratio indicating there is more capital available per £ of capital required. The SCR coverage ratio does not capture all aspects of policyholder protection, but a higher coverage ratio indicates more protection, all else being equal.
- 6.1.4. I consider the SCR coverage ratio an appropriate measure to consider as part of my assessment of policyholder security before and after the transfer for the following reasons:
- I consider the SCR to be a suitable measure for the overall risks of River Re and RIUK;
 - The SCR coverage ratio is an objective measure of the financial strength of an insurer that can be compared on a consistent basis between insurers or for an insurer at different points in time; and
 - The SCR is a risk-based metric that is disclosed to both regulators and the public.
- 6.1.5. My assessment of the capital considerations regarding policyholder security is also supported by consideration of capital beyond a "one-year" view (section 6.4) and a review of the impact of a range of adverse scenarios on each of River Re and RIUK (section 6.10).

Definition of "well capitalised" and "very well capitalised"

- 6.1.6. For the purposes of this report, I describe a company as having "sufficient capital" if the SCR coverage ratio is between 100% and 150%. I describe a company as "well capitalised" if the SCR coverage ratio is between 150% and 200% and "very well capitalised" if the SCR coverage ratio is in excess of 200%.

6.2. My considerations related to capital

- 6.2.1. As IE, my overall assessments related to capital are:
- whether the projected capital requirements have been calculated appropriately for both River Re and RIUK;
 - whether there are expected to be any material adverse changes in the strength of capital protection for any group of policyholders (I have assessed this by comparing the projected SCR coverage ratios pre- and post- the Proposed Transfer); and
 - whether any other aspects of the capital considerations may lead to policyholders being materially adversely affected by the Proposed Transfer.
- 6.2.2. To make these assessments, I have considered the following areas:
- River Re and RIUK's approach to calculating capital requirements (section 6.4);
 - Capital requirements beyond a "one-year" view (section 6.4);
 - Components of River Re's and RIUK's capital requirements (section 6.5);
 - The risk appetite for River Re and RIUK (section 6.6);
 - Standard formula appropriateness for River Re and RIUK (section 6.7);
 - Projected SCR coverage ratios as at the Effective Date (section 6.8);
 - The planned capital structures for River Re and RIUK (section 6.9); and

- The SCR under stressed scenarios (section 6.10).

6.3. Approach to my review

- 6.3.1. I have reviewed a number of documents provided by River Re and RIUK relating to the calculation of capital requirements and projected coverage ratios. A list of the key data and documentation reviewed is provided in Appendix 4.

6.4. Calculating capital requirements

- 6.4.1. For both River Re and RIUK, the level of capital required is set in line with the Solvency UK standard.
- 6.4.2. Under Solvency UK, there are three ways in which the SCR can be calculated:
- Standard formula: under this approach, the SCR is set using a prescribed calculation and parameters, as specified in the Solvency UK/II regulations. Within the standard formula framework, insurers can use undertaking-specific parameters (USPs) to tailor specific aspects of the parameterisation of the calculation to better reflect their risk profile.
 - Internal model: under this approach, the SCR is set using the insurer's own internal capital model. The internal model is developed and parameterised by the insurer to reflect their specific business.
 - Partial internal model: under this approach, the SCR is set using a combination of the standard formula and the insurer's own internal capital model. Some aspects of the SCR are calculated using the internal model, and the remainder is calculated using the standard formula.
- 6.4.3. The choice of approach is made by the insurer. An insurer needs to obtain regulatory approval in order to use USPs, an internal model or a partial internal model to calculate its SCR. An insurer does not need approval to calculate its SCR using the standard formula without USPs. All insurers are required to complete their own assessment of the appropriateness of the standard formula for their own business.

How each firm calculates its SCR

- 6.4.4. River Re and RIUK both use the standard formula to calculate their SCRs.

Capital requirements beyond a “one-year” view

- 6.4.5. The SCR is a “one-year” view of risk, covering risks that insurers face over the next 12 months.
- 6.4.6. RIUK has provided projections of SCR coverage ratios until 31 December 2030 that indicate RIUK is projected to remain very well capitalised over this period, based on the existing and Transferring Business running off over time. In an alternative scenario, where RIUK takes on additional portfolios in line with its business plan and releases reserves, I am satisfied that RIUK is projected to remain well capitalised over this period.

Minimum Capital Requirement

- 6.4.7. In addition to the SCR, another key measure of capital under Solvency UK is the Minimum Capital Requirement (MCR).
- 6.4.8. The MCR is calculated using a formula based on volumes of premiums and Solvency UK technical provisions.
- 6.4.9. For non-life insurers, the MCR typically tends to be between 25% and 45% of the SCR.
- 6.4.10. Note that the MCR is subject to a minimum of £2.4m or £3.5m depending on the business written. This minimum typically only applies to the smallest insurers. The MCR as at 31 March 2025 for River Re was £3.5m and for RIUK was £33m.
- 6.4.11. Firms need to hold capital equal to at least 100% of the greater of the SCR and the MCR. The purpose of the MCR is to ensure that firms are holding at least a minimum level of capital. Breaching the MCR will result in more intensive regulatory intervention than would be the case for a breach of the SCR.

6.4.12. The MCR coverage ratio is calculated as the available capital in excess of provisions divided by the MCR. As at 31 March 2025, River Re and RIUK had MCR coverage ratios of 1,155% and 1,049% respectively. RIUK will continue to be very well capitalised on this measure immediately Pre- and Post-Transfer and through to 2030.

6.4.13. For River Re Pre-Transfer and RIUK both Pre-Transfer and Post-Transfer, the SCR is higher than the MCR. Therefore, I have not considered the MCR further as part of my assessment of capital considerations, and my primary focus is on the SCR.

6.5. Components of capital requirements

6.5.1. The key components of the SCR are:

- *Underwriting risk*: the risk that the value of insurance claims proves to be higher than expected. This includes the risk of an increase in claims and uncertainties related to existing liabilities included on the balance sheet (reserving risk). This also includes the risk of experience being worse than planned for business that will be earned or written over the following year (premium risk).
- *Operational risk*: the risk of losses caused by failures in an insurer's operational processes, people and systems, or from events that are external to the insurer. For example, this would include the risk of fraud or IT failure.
- *Market risk*: the risk of changes in an insurer's financial position due to changes in the market value of assets, liabilities and financial instruments. For example, this includes the risk of falls in the value of investment assets that are being held to make future claims payments.
- *Counterparty default risk*: the risk of defaults or downgrades by counterparties that either owe the insurer money or hold money on its behalf. For example, this includes the risk of the failure of a reinsurer or retrocession reinsurer.

6.5.2. For RIUK, the most material component of the SCR is underwriting risk. This is made up entirely of reserving risk, which is the risk of an increase in claims and uncertainties related to the existing earned liabilities included on the balance sheet. There is no premium risk for RIUK given that no new business is being written or earned over the following year.

6.5.3. For River Re, the most material component of the SCR is market risk. Due to the LPT agreement in place, underwriting risk is very small for River Re.

6.5.4. River Re and RIUK have provided SCR projections that contain the SCR risk components. I have summarised the key risks as a percentage of the total SCR, both pre-transfer and post-transfer, below. I have also shown the figures as at 31 March 2025.

River Re: Projected breakdown of SCR risk components pre- and post- Proposed Transfer

Risk components	As at 31 March 2025		Projected Day 0		Projected Day 1	
	£m	% of SCR	£m	% of SCR	£m	% of SCR
Underwriting risk	0.8	11%	0.2	3%	0.1	3%
Operational risk	1.4	19%	1.2	19%	0.1	2%
Market risk	5.1	70%	4.7	77%	2.9	91%
Counterparty default risk	1.2	16%	0.6	9%	0.6	18%
Diversification and other adjustments	(1.2)	(16%)	(0.5)	(9%)	(0.4)	(14%)
SCR	7.3	100%	6.1	100%	3.1	100%

Source: River Re

Note: At Day 1, given that the River Re SCR is projected to be less than the MCR of £3.5m, the MCR would apply.

- 6.5.5. The most material component of the SCR for River Re is market risk, which represents 70% of the 31 March 2025 SCR and 91% of the SCR post-transfer.
- 6.5.6. River Re's SCR is projected to decrease from £7.3m at 31 March 2025 to £6.1m immediately prior to the transfer. This is driven by a reduction in counterparty default risk due to maturity of an investment and a reduction in underwriting risk due to a decrease in the expense reserves. The expense reserves decrease between 31 March 2025 and Day 0 due to a lag in River Re's expense reserve estimation.
- 6.5.7. Immediately post-transfer, the SCR decreases further to £3.1m. This is driven by a reduction in operational risk due to the reduction in gross technical provisions post-transfer, and a reduction in market risk due to the removal of the discounting impact on the technical provisions post-transfer.
- 6.5.8. The counterparty default risk pre- and post-transfer is in respect of cash and deposits. Due to the collateral arrangement in place, there is no counterparty default risk for the LPT pre-transfer. The Proposed Transfer therefore has no impact on River Re's counterparty default risk.
- 6.5.9. All River Re policies will transfer to RIUK under the Proposed Transfer, so there will be no remaining River Re Policyholders at Day 1. However, River Re's Day 1 SCR is non-zero because River Re continues to have assets and a small amount of expenses post-transfer.
- 6.5.10. I understand that an Order is proposed to dissolve River Re without winding up post-Transfer. If in the event this Order is not agreed, River Re will take the necessary steps for the orderly closure of the company.

RIUK: Projected breakdown of SCR risk components pre- and post- Proposed Transfer

Risk components	As at 31 March 2025		Projected Day 0		Projected Day 1	
	£m	% of SCR	£m	% of SCR	£m	% of SCR
Underwriting risk	82.0	66%	67.2	66%	67.2	66%
Operational risk	13.7	11%	11.2	11%	11.2	11%
Market risk	45.5	37%	37.3	37%	37.3	37%
Counterparty default risk	18.2	15%	14.9	15%	14.9	15%
Diversification and other adjustments	(34.9)	(28%)	(28.6)	(28%)	(28.6)	(28%)
SCR	124.5	100%	102.0	100%	102.0	100%

Source: RIUK (converted to GBP)

- 6.5.11. The most material component of the SCR for RIUK is underwriting risk, which represents 66% of the 31 March 2025 SCR and the pre- and post-transfer SCR.
- 6.5.12. RIUK's SCR is expected to decrease from £124.5m at 31 March 2025 to £102.0m immediately prior to the transfer. This is due to the projected run-off of reserves over this period.
- 6.5.13. The SCR is expected to be unchanged immediately post-transfer. This is because the transferring liabilities are already on RIUK's balance sheet before the transfer due to the LPT agreement in place. The Proposed Transfer is therefore not expected to change the risk profile or the capital requirements of RIUK.

6.6. Risk appetite for River Re and RIUK

- 6.6.1. I have reviewed River Re's and RIUK's Own Risk Solvency Assessment (ORSA), RIUK's capital management policy and River Re's risk appetite assessment.
- 6.6.2. River Re defines its target capital as the maximum of its Financial risk appetite and its Reserve risk appetite. The Financial risk appetite is based on a range of market shocks, and the Reserve risk appetite is based on a 1 in 20 year reserve shock. Overall, River Re's target capital is 187.4% of SCR for 2025. As at 31 March 2025, River Re's SCR coverage ratio was 555%, well in excess of its target.
- 6.6.3. RIUK has implemented a capital management policy which outlines the Company's capital risk appetite. Each RiverStone group entity's Board sets a target minimum solvency coverage level to reduce the risk of breaching the SCR in the future. It is the Board's policy to remain adequately capitalised on a continuous basis, to monitor their solvency and to manage liquidity and capital effectively. Capital management actions will be considered if the Board considers that the target minimum level of solvency coverage is threatened.
- 6.6.4. For RIUK, the target minimum level of solvency coverage is 125% of SCR. As at 31 March 2025, RIUK's SCR coverage ratio was 286%. RIUK is projected to remain very well capitalised, and well in excess of its target minimum of 125%, until 31 December 2030, in a scenario where it simply runs off the existing and Transferring Business or well capitalised in a scenario where it takes on additional portfolios.

6.7. Standard formula appropriateness for River Re and RIUK

- 6.7.1. I have considered the appropriateness of the standard formula for River Re and RIUK by:
 - Reviewing RIUK's assessment of the appropriateness of using the standard formula for the purposes of setting the SCR
 - Discussing with River Re its approach to past reviews of the appropriateness of the standard formula for the purposes of setting the SCR.
 - Reviewing River Re's and RIUK's documentation of their standard formula SCR processes and calculations to satisfy myself that the SCRs are being calculated materially in line with the Solvency UK Delegated Regulations.
- 6.7.2. Based on my review, I am satisfied that using the standard formula for purposes of setting the SCR is appropriate for both River Re and RIUK for the purposes of my opinion.
- 6.7.3. Based on my review, I am also satisfied that the SCR is being calculated materially in line with the Solvency UK Delegated Regulations.

River Re - appropriateness of standard formula

- 6.7.4. River Re uses the standard formula to calculate its SCR. The appropriateness of the standard formula for the purpose of calculating River Re's SCR was last assessed in 2019, by the previous owner of River Re.
- 6.7.5. I have discussed the appropriateness of the standard formula with River Re. I understand that the run-off nature of the liabilities has not materially changed since the last standard formula appropriateness assessment in 2019, and as such River Re's view remains that the standard formula is appropriate for the purpose of setting the SCR.
- 6.7.6. I note that River Re is very well capitalised both at Day 0 and Day 1, and River Re remains very well capitalised at Day 0 in all scenarios considered in section 6.10.

River Re – review of SCR calculation process

- 6.7.7. I have reviewed River Re's documentation of its process for calculating the SCR using the standard formula. I have also been provided with a copy of River Re's SCR calculation. River Re's standard formula documentation aims to provide a clear understanding of the SCR calculation process and its implications for risk management and regulatory compliance. This includes documentation of the process to reconcile inputs and calculate each aspect of the SCR. It also specified the key parameters. The results of the calculation are presented to all relevant stakeholders, including the CRO, CFO and the actuarial and finance teams, on a quarterly basis.

6.7.8. My review did not identify any areas where River Re's approach to calculating the SCR is materially different from what I would expect based on my interpretation of the Solvency UK regulations. As a result, I am satisfied that the SCR is being calculated materially in line with the Solvency UK Delegated Regulations.

RIUK - appropriateness of standard formula

6.7.9. RIUK has reviewed the appropriateness of the standard formula for the purpose of calculating the SCR in its 2024 ORSA report.

6.7.10. RIUK maintains its own unapproved internal capital model to use as a benchmark for the standard formula SCR calculation. This capital model is not approved for setting Solvency UK capital requirements.

6.7.11. The standard formula SCR is higher than the unapproved capital model one-year SCR:

- RIUK's insurance risk in the standard formula is materially higher than in the unapproved capital model. This is because RIUK's portfolio contains various diversified mature reserve classes. The standard formula calculation leads to a lower diversification benefit than RIUK's unapproved capital model, due to the grouping of reserve classes into Solvency UK lines of business. RIUK therefore considers the standard formula insurance risk to be prudent.
- For market risk, credit risk and operational risk, RIUK has concluded that the standard formula is materially appropriate.

6.7.12. Overall, RIUK considers the standard formula SCR to be appropriate for RIUK because it is higher than the SCR implied by its unapproved capital model.

6.7.13. I have reviewed the standard formula appropriateness assessment provided by RIUK and I am satisfied that it supports the conclusion that the standard formula is appropriate for RIUK, particularly as the standard formula SCR is higher than RIUK's unapproved capital model SCR.

RIUK – review of SCR calculation process

6.7.14. I have reviewed RIUK's documentation of its process for calculating the SCR using the standard formula. I have also been provided with a copy of RIUK's SCR calculation. RIUK maintains a Standard Operating Procedure (SOP) documenting the key steps involved in the standard formula SCR calculation. There are several governance controls in place for RIUK's SCR, including reviews by the Head of UK Finance and Finance Director, the Group CFO and the RIUK Capital Solvency Reporting Committee (CSRC).

6.7.15. My review did not identify any areas where RIUK's approach to calculating the SCR is materially different from what I would expect based on my interpretation of the Solvency UK regulations. As a result, I am satisfied that the SCR is being calculated materially in line with the Solvency UK Delegated Regulations.

6.8. Projected SCR coverage ratios for River Re and RIUK

Projected SCR coverage ratios immediately pre- and post-transfer

6.8.1. The Effective Date of the Proposed Transfer is expected to be 31 January 2026.

6.8.2. The table below sets out the projected SCR and coverage ratios, as prepared by River Re and RIUK, immediately before and after the Proposed Transfer i.e. at Day 0 (31 January 2026) and Day 1 (1 February 2026).

Projections before and after the Proposed Transfer	Own Funds	SCR	Own Funds less SCR	SCR coverage ratio	Movement in coverage ratio
Day 0 – before Transfer					
River Re £m	40.5	6.1	34.4	663%	
RIUK £m	204.0	102.0	101.9	200%	
Day 1 – after-Transfer					
River Re £m	43.7	3.1	40.6	1,394%	732%
RIUK £m	213.0	102.0	110.9	209%	9%

Source: River Re and RIUK (converted to GBP)

Note: At Day 1, given that the River Re SCR is projected to be less than the MCR of £3.5m, the MCR would apply and the MCR coverage ratio for River Re would be 1,250%.

6.8.3. In summary:

- **Transferring Policyholders:** the SCR coverage ratio for Transferring Policyholders is projected to decrease from 663% to 209% as a result of the Proposed Transfer. I do not consider the security provided to Transferring Policyholders to be materially adversely affected by this change in SCR coverage ratio as RIUK will still be very well capitalised. Further, RIUK's own funds are c.5 times higher than River Re's, so Transferring Policyholders will have access to a higher volume of assets.
- On the face of it, the reduction in SCR coverage ratio for Transferring Policyholders from 663% to 209% would appear to be a significant fall in capital strength. However, the SCR is calibrated such that a 100% coverage ratio would equate to a 0.5% probability of insolvency over the next year. A 209% coverage ratio therefore equates to a remote probability of insolvency (i.e. much less than 0.5%). The difference in capital coverage ratios of 663% and 209% does not, in my opinion, equate to a material difference in the probability of insolvency. In addition, the excess of own funds less the SCR for the Transferring Policyholders post-transfer in RIUK is expected to be £111m, approximately 3 times the amount pre-transfer in River Re (£34m).
- **Existing Policyholders:** the SCR coverage ratio for Existing Policyholders is projected to increase slightly from 200% to 209% after the Proposed Transfer.

6.8.4. RIUK is expected to be very well capitalised immediately following the Proposed Transfer.

Projected SCR coverage ratios after the Proposed Transfer

6.8.5. RIUK has provided me with their SCR coverage ratio projections following the Proposed Transfer through to 31 December 2030. All River Re policies will transfer to RIUK as part of the Proposed Transfer, so River Re has not provided me with SCR coverage ratio projections beyond Day 1.

6.8.6. RIUK's capital projections over the period to 31 December 2030 indicate that RIUK will remain very well capitalised over this period, based on the existing and Transferring Business running off over time. In addition, in an alternative scenario, where RIUK takes on additional portfolios in line with its business plan and releases reserves, I am satisfied that RIUK is projected to remain well capitalised over this period.

6.8.7. In practice, the actual coverage ratios may be higher or lower than projected depending on the claims and other experience of RIUK. RIUK will routinely monitor its capital and projected capital position in line with its capital management policy and risk appetite (considered in section 6.6 above). This could also lead to the coverage ratios being higher or lower than projected but they are expected to remain above their risk appetite levels.

Conclusion

6.8.8. Overall, considering all of the above factors, I have concluded that there is no materially adverse impact from the Proposed Transfer for any group of policyholders in terms of capital security.

6.9. The planned capital structures for River Re and RIUK

6.9.1. Based on data as at 31 December 2024, 98% of both River Re's and RIUK's total eligible Own Funds were classified as unrestricted tier 1, i.e. the highest quality. The remaining 2% for both River Re and RIUK were classified as tier 3. The only tier 3 Own Funds were the deferred tax assets for both River Re and RIUK (which are classified as tier 3 in accordance with the Solvency UK Regulations).

6.9.2. RIUK has confirmed that the proportion of Eligible Own Funds held across different tiers is not expected to change materially between 31 December 2024 and pre- and post-transfer.

6.10. SCR scenario analysis

6.10.1. I have considered the impact of a range of adverse scenarios for River Re and RIUK, based on projections prepared by each entity at my request.

6.10.2. I have considered the impact of each scenario on the Day 0 (i.e. 31 January 2026) SCR coverage ratios for both River Re and RIUK. For RIUK, I have also considered the impact of each scenario on the Day 1 (i.e. 1 February 2026) SCR coverage ratios. All River Re policies will transfer to RIUK as part of the Proposed Transfer, so I have not considered the impacts of the scenarios on River Re's Day 1 SCR coverage ratios.

6.10.3. The purpose of the analysis is to assess whether River Re and RIUK can withstand adverse experience for their business and whether, under these circumstances, each insurer still provides appropriate security to all groups of policyholders. The scenarios do not attempt to represent the full range of possible adverse events to which the insurers may be exposed. Rather, they aim to focus on key areas relevant to River Re and RIUK.

6.10.4. A 'reverse stress test' has also been considered by RIUK. This is an extreme scenario which, by design, considers potential events that could lead to the unviability or insolvency of an insurer. In light of the definition of materially adverse in section 2.8, I would consider this scenario to be more "fanciful", rather than "real".

6.10.5. All of the scenarios were specified and reviewed for reasonableness by me, but the calculations have been performed by River Re and RIUK respectively.

6.10.6. The assessment for each scenario is set out below.

River Re scenarios

River Re	Area	SCR coverage ratio	
		Day 0	Impact
Base result		663%	
A) 40% deterioration of reserves	Reserves	500%	(163%)
B) 60% deterioration of reserves	Reserves	442%	(220%)
C) PPO scenario: 1.5% pa increase in inflation, 1.8% pa decrease in discount rate and 5 year increase in life expectancy	Reserves	545%	(118%)
D) Nominal interest rates fall to 0%	Market	1,021%	358%
E) 600 basis points increase in credit spreads and instantaneous 3 notch downgrade of bond portfolio	Market	646%	(17%)
F) A combination of Test A and Test D	Combined reserve and market	1,023%	361%

6.10.7. The scenarios do not allow for any management actions that could mitigate the reduction in SCR coverage ratios. They also do not allow for the potential mitigating effect of any deferred tax assets.

RIUK scenarios

RIUK	Area	SCR coverage ratios			
		Day 0	Impact on Day 0	Day 1	Impact on Day 1
Base result		200%		209%	
A) Deterioration of reserves: 40% for Transferring Business, 20% for all other RIUK liabilities	Reserves	110%	(90%)	118%	(91%)
B) Deterioration of reserves: 60% for Transferring Business, 30% for all other RIUK liabilities	Reserves	79%	(122%)	85%	(124%)
C) PPO scenario: 1.5% pa increase in inflation, 1.8% pa decrease in discount rate and 5 year increase in life expectancy on all RIUK PPOs	Reserves	185%	(15%)	194%	(15%)
D) Nominal interest rates fall to 0%	Market	166%	(34%)	173%	(36%)
E) 600 basis points increase in credit spreads and instantaneous 3 notch downgrade of bond portfolio	Market	133%	(67%)	141%	(68%)
F) A combination of Test A and Test D	Combined reserve and market	80%	(120%)	86%	(123%)
G) Failure of two large reinsurance counterparties combined with failure of guarantee and 30% loss of collateral	Reinsurance	122%	(78%)	128%	(81%)
H) Default of all external reinsurance on the Transferring Business	Reinsurance	200%	(1%)	208%	(1%)
I) Reverse stress test: a combination of Test G and a 35% deterioration of reserves for all RIUK liabilities, including the Transferring Business	Reverse stress test	10%	(190%)	15%	(194%)

6.10.8. The scenarios do not allow for any management actions that could mitigate the reduction in SCR coverage ratios.

Scenario A – Deterioration of reserves: 40% for Transferring Business, 20% for all other RIUK liabilities

6.10.9. This scenario considers a reserve deterioration of 40% for Transferring Business and 20% for all other RIUK liabilities. RIUK continues to be sufficiently capitalised in this scenario at both Day 0 and Day 1, with an SCR coverage ratio in excess of 100%, albeit below its stated risk appetite level.

6.10.10. In this scenario, I have considered a larger reserve deterioration for the Transferring Business than the Existing Business due to the uncertainty in the provisions for the Transferring Business. In particular, there is a 17% difference between RIUK and River Re's view of the provisions for the Transferring Business (see section 5.5). This scenario considers the impact of the provisions for the Transferring Business increasing by the 17% difference in views plus an additional 23% deterioration.

6.10.11. As well as a 40% reserve deterioration for Transferring Business, Scenario A also considers a 20% reserve deterioration for all other RIUK portfolios at the same time. Instead, if only the reserves for the Transferring Business were stressed by 40%, and all other RIUK liabilities remained unchanged, the SCR

coverage ratio at Day 1 would instead be 171%, ie RIUK would remain well capitalised in this scenario. This shows that RIUK has sufficient capital to be able to withstand material deteriorations in the reserves for the Transferring Business.

- 6.10.12. The proportional impact of Scenario A on RIUK's SCR coverage ratio is greater than River Re, because the LPT agreement limits the impact of reserve deteriorations on River Re. River Re remains very well capitalised in this scenario.

Scenario B – Deterioration of reserves: 60% for Transferring Business, 30% for all other RIUK liabilities

- 6.10.13. The scenario considers a reserve deterioration of 60% for Transferring Business and 30% for all other RIUK liabilities. River Re remains very well capitalised in this scenario due to the LPT agreement. RIUK's SCR coverage ratio falls below 100% in this scenario at both Day 0 and Day 1. However, even in such an unlikely scenario, RIUK would still be able to pay its claims. I consider the likelihood of such a scenario to be remote.
- 6.10.14. Similarly to Scenario A, I have also considered the impact of this scenario on just the Transferring Business (ie a 60% reserve deterioration for Transferring Business and all other RIUK portfolios remain unchanged). In this alternative scenario, RIUK would remain well capitalised with an SCR coverage ratio at Day 1 of 161%. Even in more extreme scenarios where the reserves for the Transferring Business deteriorated by 80% or 100% (whilst RIUK's other portfolios remain unchanged), RIUK would be sufficiently capitalised with Day 1 SCR coverage ratios of 151% and 140% respectively. I am therefore satisfied that RIUK can withstand material adverse reserve experience for the Transferring Business and RIUK would continue to provide appropriate security to its policyholders under these scenarios.

Scenario C – PPO scenario

- 6.10.15. This scenario considers a deterioration in PPO claims, comprising a 1.5% per annum increase in inflation, a 1.8% per annum decrease in the discount rate and a 5 year increase in life expectancy compared to base assumptions. River Re remains very well capitalised and RIUK remains well capitalised in this scenario.

Scenario D – Fall in interest rates

- 6.10.16. The scenario considers a reduction in nominal interest rates to 0%. For RIUK, this scenario leads to an increase in the SCR due to an increase in the technical provisions with the removal of discounting. There is a greater impact of the removal of discounting benefits on liabilities than assets due to the longer-tail liabilities e.g. PPOs.
- 6.10.17. For River Re, this scenario leads to a decrease in the SCR due to a reduction in interest rate risk. There is no offsetting increase in reserve risk for River Re due to the LPT agreement.
- 6.10.18. River Re remains very well capitalised and RIUK remains well capitalised in this scenario.

Scenario E – Increase in credit spreads and bond downgrade

- 6.10.19. This scenario considers a 600 basis points increase in credit spreads and an instantaneous 3 notch downgrade of the bond portfolio. River Re remains very well capitalised and RIUK remains sufficiently capitalised in this scenario.

Scenario F – Combination of test A and test D

- 6.10.20. This scenario considers a combination of test A (40% deterioration in reserves for Transferring Business, 20% deterioration for all other RIUK liabilities) and test D (a reduction in nominal interest rates to 0%). River Re's SCR coverage ratio increases in this scenario due to the fall in interest rates, as explained in scenario D above. RIUK's coverage ratio falls below 100% in this scenario at both Day 0 and Day 1, but even in such an extreme scenario, RIUK would still be able to pay its claims. I consider the likelihood of such a scenario to be remote.

Scenario G (RIUK only) – Failure of two large reinsurance counterparties, guarantee and 30% loss of collateral

- 6.10.21. This scenario considers the failure and default of two large reinsurance counterparties, combined with the failure of an external guarantee provided by Fairfax to RIUK, and a 30% loss of the collateral backing the arrangement. This scenario is relevant for RIUK only. One of the reinsurance counterparties is A-rated, and this reinsurance arrangement is collateralised, with required collateral coverage levels of 100% of current best estimate reserves. The other reinsurance counterparty is an unrated intra-group reinsurer. This arrangement is also collateralised, with required collateral coverage levels of 105% of current best estimate reserves. This scenario considers the failure of both of these reinsurance counterparties, as well as the failure of an external guarantee backing these reinsurance arrangements, and a 30% loss of the collateral.
- 6.10.22. I therefore consider the likelihood of such a scenario to be remote, given the collateral arrangement, the external guarantee and the strong credit rating of one of the reinsurers. RIUK considers this to be an extremely unlikely event with a return period of greater than 1 in 400 years. Even in this extreme scenario, RIUK remains sufficiently capitalised.

Scenario H (RIUK only) – Default of external reinsurance on the Transferring Business

- 6.10.23. This scenario considers the default of the external reinsurance on the Transferring Business. This scenario has a very small impact on RIUK's SCR coverage ratio because there is only a small amount of external reinsurance on the Transferring Business. RIUK remains well capitalised at Day 0 and very well capitalised at Day 1 in this scenario.

Scenario I (RIUK only) – Reverse stress test

- 6.10.24. For RIUK, the reverse stress test considers a combination of all aspects of scenario G (failure of two large reinsurance counterparties, guarantee and 30% loss of collateral), followed by a 35% deterioration in reserves for all RIUK liabilities, including the Transferring Business.
- 6.10.25. As discussed in scenario G, I consider the likelihood of such a scenario to be remote, given the collateral arrangement, the external guarantee and the strong credit rating of one of the reinsurers. One of the reinsurance counterparties is A-rated, and this reinsurance arrangement is collateralised, with required collateral coverage levels of 100% of current best estimate reserves. The other reinsurance counterparty is an unrated intra-group reinsurer. This arrangement is also collateralised, with required collateral coverage levels of 105% of current best estimate reserves.
- 6.10.26. Scenario G considers the failure of both of these reinsurance counterparties, as well as the failure of an external guarantee backing these reinsurance arrangements, and a 30% loss of the collateral. This scenario (scenario I) considers all aspects of scenario G as well as a 35% deterioration in reserves for all RIUK liabilities, including the Transferring Business. I therefore consider the likelihood of this scenario to be remote.
- 6.10.27. This scenario leads to a reduction in RIUK's SCR coverage ratio from 200% to 10% at Day 0 and from 209% to 15% at Day 1. Even in this extreme scenario, RIUK is still expected to be able to pay its claims.
- 6.10.28. I have also considered the impact of only a 35% deterioration in reserves for all RIUK liabilities (including the Transferring Business). In this alternative scenario, the SCR coverage ratio at Day 1 would be 87%. RIUK would still be able to pay its claims in this scenario.
- 6.10.29. My conclusions from this scenario analysis are as follows. For each group of policyholders, I have considered how being exposed to the stressed scenarios post-transfer would compare to being exposed to the stressed scenarios pre-transfer.

Transferring Policyholders

- 6.10.30. Because of the LPT agreement, Transferring Policyholders are already exposed to the scenarios impacting RIUK's balance sheet pre-transfer. However, the collateral arrangements through the LPT agreement would provide the Transferring Policyholders with additional protection prior to the Proposed Transfer in the scenario where RIUK experienced significant financial difficulties.

6.10.31. Following the Proposed Transfer, the LPT agreement and the collateral arrangement would fall away. I am satisfied that the Transferring Policyholders are not materially worse off after the Proposed Transfer following loss of the collateral through the LPT agreement. One of the reasons for this is because the scenario where RIUK would be unable to pay claims following the Proposed Transfer is remote. The scenario analysis in this section supports this argument. Under the majority of scenarios considered, RIUK remains sufficiently capitalised. Under all scenarios, even in the most extreme and remote scenarios considered, RIUK is still expected to be able to pay its claims.

6.10.32. In addition, as explained in section 1:

- The BTA contains a long stop date of 31 December 2027, after which it would be terminated and, following which, the LPT agreement can be terminated and unwound i.e. the policyholders may then not be benefitting from the collateral arrangements after this point; and
- RIUK is obliged to top up the collateral following deterioration in reserves, but in the event of financial difficulty for example, this obligation is unsecured.

6.10.33. Given this, I am satisfied that the Transferring Policyholders are not materially adversely affected as a result of the Proposed Transfer.

Existing Policyholders

6.10.34. The impact of each stressed scenario on RIUK is similar both immediately pre-transfer (i.e. at Day 0) and post-transfer (i.e. at Day 1).

6.10.35. In all adverse scenarios considered, the RIUK SCR coverage ratio is slightly higher at Day 1 than at Day 0. This is due to the reduction in ring-fenced funds (and therefore increase in eligible own funds) following the Proposed Transfer.

6.10.36. Therefore, under these scenarios, I am satisfied that Existing Policyholders are not materially adversely affected as a result of the Proposed Transfer.

6.11. Overall conclusion: Capital considerations

6.11.1. I have set out below my overall conclusions related to capital. These capital considerations should not be considered in isolation. For example, the overall level of protection for policyholders also depends on a range of other considerations. My overall conclusions on the Proposed Transfer are set out in section 10.

6.11.2. Based on the work and rationale described above I have concluded that:

- I do not consider the security provided to Transferring Policyholders to be materially adversely affected by the projected reduction in SCR coverage ratio post-transfer, as RIUK will still be very well capitalised, and Transferring Policyholders will have access to a higher volume of assets.
- For Existing Policyholders, the capital strength of RIUK, as measured by the SCR coverage ratio, is slightly higher post-transfer than pre-transfer.
- I have also considered a number of stress scenarios for both River Re and RIUK. Under all scenarios, even the most extreme and remote scenarios considered, RIUK is still expected to be able to pay its claims.
- Further, RIUK has provided capital projections until 31 December 2030, which indicate that RIUK will remain well capitalised until that date in a scenario where it simply runs off the existing and Transferring Business or in a scenario where it takes on additional portfolios.
- I do not expect there to be any materially adverse changes in the strength of capital protection for any group of policyholders as a result of the Proposed Transfer.

7. Policyholder security

7.1. My considerations relating to policyholder security

7.1.1. As IE, my overall assessments related to policyholder security are:

- whether the likelihood of valid policyholder claims being paid is maintained following the Proposed Transfer for Transferring Policyholders and Existing Policyholders.
- whether any change in policyholder security results in policyholders being materially adversely affected by the Proposed Transfer.

7.1.2. To make these assessments, I have considered the following areas:

- The Solvency UK balance sheets of River Re and RIUK (section 7.2)
- The solvency positions of River Re and RIUK (section 7.3)
- Reinsurance arrangements (section 7.4)
- Access to the Financial Services Compensation Scheme (section 7.5)
- Access to the Financial Ombudsman Service (section 7.6)
- Insurance regulation (section 7.7)

7.1.3. Further details on each of these considerations are set out below, and my overall conclusion related to policyholder security is set out in section 7.8.

7.2. Impact on the balance sheets of River Re and RIUK

7.2.1. I have based my analysis on the projected balance sheets provided by River Re and RIUK as at Day 0, (i.e. the day before the Effective Date of the Proposed Transfer), and the RIUK balance sheet as at Day 1, (i.e. the day after the Effective Date). I have not considered the River Re balance sheet as at Day 1 as there will be no remaining River Re policyholders after the Proposed Transfer.

Solvency UK balance sheets of River Re and RIUK: £m

	As at 31 December 2024		Projected Day 0		Projected Day 1	Movement due to Proposed Transfer
Converted £m	River Re	RIUK	River Re	RIUK	RIUK	RIUK
Cash and investments	116.4	700.5	54.3	522.4	522.4	0.0
Reinsurance recoverables	58.5	190.5	47.2	165.7	166.3	0.7
Receivables & other assets	2.8	123.8	2.4	96.0	96.0	0.0
Total assets	177.7	1,014.8	103.9	784.2	784.8	0.7
Technical provisions	63.1	533.8	50.4	451.2	451.8	0.7
Accounts payable & other liabilities	74.9	22.1	13.0	22.7	22.7	0.0
Total liabilities	138.0	555.9	63.4	473.9	474.5	0.7
Excess of assets over liabilities	39.7	458.9	40.5	310.3	310.3	0.0
Adjustment for restricted own fund items	0.0	(100.1)	0.0	(106.3)	(97.3)	9.0
Total Eligible Own Funds to meet the SCR	39.7	358.8	40.5	204.0	213.0	9.0
Tier 1	38.9	353.2	39.7	199.5	208.5	9.0
Tier 2	0.0	0.0	0.0	0.0	0.0	0.0
Tier 3	0.9	5.6	0.8	4.5	4.5	0.0
Total capital (SCR)	9.7	123.5	6.1	102.0	102.0	0.0
SCR coverage ratio	411%	291%	663%	200%	209%	9%

Source: River Re and RIUK (converted to GBP)

Note 1: RIUK figures as at 31 December 2024 have been converted from USD to GBP at an exchange rate of £1 = USD 1.25. RIUK figures as at Day 0 and Day 1 have been converted from USD to GBP at an exchange rate of £1 = USD 1.29.

Note 2: The balance sheet figures shown in this table include some simplifications eg allocating the (net) discount margin entirely to the (gross) technical provisions liability.

7.2.2. The table above shows the simplified Solvency UK balance sheets for River Re and RIUK pre- the Proposed Transfer and for RIUK post- the Proposed Transfer.

River Re

7.2.3. River Re's accounts payable reduce materially between 31 December 2024 and Day 0, and the cash and investments decrease accordingly. This is in respect of the reinsurance premium which was owed to RIUK as at 31 December 2024. At Day 0, the remaining accounts payable are in respect of the claims float (under the terms of the LPT agreement) and a small amount of (re)insurance and other payables.

7.2.4. Following the Proposed Transfer, River Re will have no remaining policyholders, as all River Re policies will transfer to RIUK as part of the Proposed Transfer. I have therefore not considered the River Re balance sheet after the Proposed Transfer.

RIUK

- 7.2.5. RIUK's SCR coverage ratio reduces from 291% as at 31 December 2024 to 200% at Day 0 (31 January 2026). This is driven by a \$200m (~£155m) dividend paid during June 2025, which reduces the eligible own funds. This dividend was proposed by the RIUK Board as RIUK's SCR coverage ratio was in excess of its target, and financial projections and stress testing showed that RIUK's capital position after the payment of the dividend was resilient. The PRA did not object to the dividend. Any future dividends would also be considered in the context of RIUK's financial strength, risk appetite and resilience to stress testing, and would require PRA non-objection. I am therefore comfortable that RIUK's projected Day 0 and Day 1 financial positions and future projections are reasonable in this regard.
- 7.2.6. Overall RIUK's excess assets over liabilities and SCR are unchanged between Day 0 and Day 1, because the Proposed Transfer replicates the current economic position due to the LPT agreement.
- 7.2.7. However, there is an increase in the eligible own funds to meet the SCR between Day 0 and Day 1 due to a reduction in ring-fenced funds. The LPT agreement includes a collateral arrangement pursuant to which RIUK has committed to maintaining a specified level of collateral above the reserves amount. These funds are restricted under Solvency UK and therefore this reduces the eligible own funds pre-transfer. Following the Proposed Transfer, the LPT agreement will terminate and the eligible own funds will increase accordingly.
- 7.2.8. There is also a small (£0.7m) increase in the technical provisions and a corresponding increase in the reinsurance recoverables following the Proposed Transfer. This represents the recoveries from the external reinsurance on the Transferring Business, which RIUK will receive directly from the external reinsurers after the Proposed Transfer. Prior to the Proposed Transfer, under the LPT agreement, the recoveries from the external reinsurance on the Transferring Business are received by River Re and then passed on to RIUK.

7.3. Impact on the solvency positions of River Re and RIUK

- 7.3.1. The projected solvency positions of River Re and RIUK pre- and post-transfer are summarised in the following table.

Projected solvency positions of River Re and RIUK immediately pre- and post-transfer

	River Re £m	RIUK £m
Pre-transfer (Day 0)		
Total Own Funds eligible to meet SCR	40.5	204.0
SCR	6.1	102.0
SCR coverage ratio	663%	200%
Post-transfer (Day 1)		
Total Own Funds eligible to meet SCR	43.7	213.0
SCR	3.1	102.0
SCR coverage ratio	1,394%	209%

Note: At Day 1, given that the River Re SCR is projected to be less than the MCR of £3.5m, the MCR would apply and the MCR coverage ratio for River Re would be 1,250%.

- 7.3.2. River Re is very well capitalised immediately before and after the Proposed Transfer. RIUK is well capitalised immediately before the Proposed Transfer and very well capitalised immediately after the Proposed Transfer (as described in section 6.8).
- 7.3.3. RIUK has also provided SCR coverage projections to 31 December 2030 (see section 6.8).

7.4. Reinsurance arrangements

- 7.4.1. The LPT agreement between River Re and RIUK, whereby all of the Transferring Business is reinsured by RIUK, will terminate as part of the Proposed Transfer.
- 7.4.2. There is a small amount of external reinsurance for the Transferring Business. These outwards reinsurance policies are provided by Australian Reinsurance Pool Corp, Tokio Marine Kiln and Pool Re.
- 7.4.3. The Proposed Transfer will not affect the underlying terms and conditions of the existing Tokio Marine Kiln and Pool Re reinsurance arrangements on the Transferring Business. RIUK will assume all of River Re's rights and obligations under these arrangements for the Transferring Business including any entitlements in respect of reinsurance recoveries, with effect from the Effective Date. The reinsurers of the Transferring Business will be exposed to the same claims after the Proposed Transfer.
- 7.4.4. As discussed in section 1, River Re has engaged with ARPC to secure a novation of their reinsurance contract from River Re to RIUK, as the Proposed Transfer may not automatically be recognised by New South Wales. ARPC has confirmed in writing that it is comfortable with the novation provided RIUK agrees to the current operative wording of the reinsurance policy. RIUK has confirmed that it accepts the policy wording as is. Once the Proposed Transfer has taken place, ARPC will need to be notified, and it will draft a name change endorsement to reflect RIUK as the new policyholder.

7.5. Access to the Financial Services Compensation Scheme

- 7.5.1. The Financial Services Compensation Scheme (FSCS) in the UK provides consumer protection. This statutory "fund of last resort" compensates customers in the event of the insolvency of a financial services firm.
- 7.5.2. If an insurer fails and is unable to pay claims, the FSCS will provide protection to eligible policyholders. The FSCS will pay 100% of any claim incurred for compulsory insurance (e.g. motor third party liability insurance) and 90% of claims incurred for non-compulsory insurance (e.g. home insurance), without any limit on the amount payable. The protection for non-compulsory insurance only applies to individuals and small businesses (being businesses with an annual turnover of less than £1m). No protection is available for Goods in Transit, Marine, Aviation and Credit Insurance. There is also no protection for reinsurance contracts.
- 7.5.3. River Re and RIUK are both UK regulated entities with portfolios covering a range of non-life reinsurance and direct insurance business. 99.7% of River Re's outstanding liabilities relate to reinsurance, which is not covered by the FSCS. The remaining 0.3% of liabilities for direct insurance relate to non-compulsory insurance with large businesses and is therefore also not covered by the FSCS.
- 7.5.4. The rights of policyholders in respect of access to the FSCS will not change as a result of the Proposed Transfer.

7.6. Access to the Financial Ombudsman Service

- 7.6.1. The Financial Ombudsman Service (FOS) provides private individuals, micro enterprises and small businesses with a free, independent service for resolving disputes with financial companies. For the purposes of the FOS, a micro enterprise is defined as having an annual turnover or balance sheet of less than £2m and fewer than 10 employees, and small businesses are defined to be businesses with less than £6.5m turnover and either fewer than 50 employees or a balance sheet total of less than £5m.
- 7.6.2. It is not necessary for the private individual, micro enterprise or small business to live or be based in the UK for a complaint regarding an insurance policy to be dealt with by the FOS. However, it is necessary for the insurance policy concerned to be, or have been, administered from within the UK and/or issued from within the UK.
- 7.6.3. River Re and RIUK are both UK companies, so the Transferring Business will continue to be based in the UK. As such, any Transferring Policyholders that are currently eligible for access to the FOS will continue to benefit from this access following the Proposed Transfer.
- 7.6.4. The rights of policyholders in respect of access to the FOS will not change as a result of the Proposed Transfer. Any policyholders of River Re or of RIUK who are currently eligible to refer complaints to the FOS will continue to be eligible following the Proposed Transfer.

7.7. Insurance regulation

Prudential regulation

- 7.7.1. Prudential regulation requires financial firms to control risks and hold adequate capital to ensure regulated firms are being run in a safe and sound way.
- 7.7.2. The UK is currently regulated under Solvency UK. Solvency UK covers the prudential regulation of insurers, including risk management and capital requirements.
- 7.7.3. Both River Re and RIUK are authorised and regulated by the PRA on prudential matters. Based on this consideration, I do not expect Transferring Policyholders to be adversely affected by the Scheme due to prudential regulation.

Conduct regulation

- 7.7.4. Conduct regulation of financial firms includes consumer protection, market conduct rules and ethical codes of conduct. Conduct is generally regulated by the insurance regulator in the country in which a risk is located and/or the location from which the business is carried out.
- 7.7.5. In the UK, the Financial Conduct Authority (FCA) is responsible for conduct regulation. The FCA seeks to ensure that consumers are treated fairly in their dealings with insurers. Its rules and guidance include conduct related requirements covering the way in which an insurance firm organises, manages and oversees and governs its business, including codes of conduct, fit and proper requirements and training and competence standards. In addition, conduct regulation covers the full product life cycle, from product design and development, sales and communications with customers, cancellations and claims handling, and complaints handling and compensation.
- 7.7.6. Both River Re and RIUK are regulated by the FCA on conduct matters and I would not expect the conduct regulation to change for policyholders. Based on this consideration, I do not expect Transferring Policyholders to be adversely affected by the Proposed Transfer due to conduct regulation.

Conclusion on regulation

- 7.7.7. As River Re and RIUK are subject to the same UK based regulatory regime, I have concluded that policyholders will not be adversely affected by the Scheme from a regulatory standpoint.
- 7.7.8. River Re and RIUK's legal advisers have confirmed that no additional transfer process and/or approval is required from overseas regulators in respect of:
 - Policies that are not subject to the laws of England and Wales; and
 - River Re's outwards reinsurance policies, with the exception of ARPC, which River Re is seeking to novate prior to the Transfer as discussed in section 3.2.

7.8. Overall conclusion: Policyholder security

- 7.8.1. Policyholders will continue to be protected by the same statutory and regulatory mechanisms post-transfer.
- 7.8.2. Based on the work and rationale described above, I have concluded that policyholders will not be materially adversely affected by the Proposed Transfer in regard to policyholder security.

8. Policyholder communications

8.1. My considerations relating to policyholder communications

- 8.1.1. I have assessed the appropriateness of River Re and RIUK's proposed communication strategy to inform policyholders of the Proposed Transfer.
- 8.1.2. The key focus of my assessment was whether the policyholders are to be provided with sufficient and clear enough information so that they can understand how the Proposed Transfer may affect them.

8.2. Overview of communications strategy

- 8.2.1. River Re and RIUK have developed a communications strategy to notify affected parties of the Proposed Transfer and allow time for any affected parties to raise objections to the High Court. I have summarised the main points of the communications strategy below, including the waivers that River Re and RIUK will be seeking:

- **Transferring Policyholders:** River Re will notify all Transferring Policyholders, either directly or via brokers, by providing a Communication Pack. Where business was placed via brokers, River Re generally does not hold contact details for the underlying Transferring Policyholders but it does hold contact details for the relevant brokers.
 - River Re will provide direct notice to any Transferring Policyholders for whom it underwrote policies on a direct basis (this represents approximately 2% of the Transferring Business).
 - River Re will also provide direct notice to any Transferring Policyholders for whom there is an open claim or an outstanding loss reserve currently shown in River Re's records, and River Re has directly handled the claim and has the Transferring Policyholder's contact details.
 - River Re will provide notice via the relevant broker to any Transferring Policyholders for whom River Re underwrote policies through a broker (this represents approximately 98% of the Transferring Business).

River Re and RIUK are seeking two waivers in respect of Transferring Policyholder notifications. These are detailed in section 8.3.

- **Existing Policyholders:** River Re and RIUK are seeking a waiver from the requirement to send written notification packs to RIUK's existing policyholders.
- **Transferring Reinsurers:** River Re will provide direct notice to all three Transferring Reinsurers in respect of the Transferring Outwards Reinsurance Policies
- **Brokers:** River Re will provide direct notice to all brokers who have placed transferring inwards policies with River Re or who have placed transferring outwards reinsurance policies for River Re.

- 8.2.2. River Re currently has a small number of contracts with third parties. However, these will not form part of the Proposed Transfer (see section 1.3).
- 8.2.3. I am satisfied that the communications strategy will ensure that those who will be materially affected by the Proposed Transfer will be informed appropriately.

8.3. Requested waivers and rationale

- 8.3.1. River Re and RIUK intend to request that the Court grant a dispensation from the need to directly notify the following policyholders:
- **Existing Policyholders** of RIUK.
 - **Transferring Policyholders** for whom the business was underwritten through a broker and that broker does not notify the relevant policyholder, despite reasonable steps taken by River Re and RIUK.
 - Any **Transferring Policyholders** for whom direct notice is not provided due to unforeseen errors, omissions and inadequacies in the historical records held (see detail below).

8.3.2. River Re and RIUK have provided a rationale to support their requests for dispensation which included consideration of the judgment of Norris J in the Directions Hearing in *Re Aviva International Insurance Limited* [2011] EWCH 1901 (Ch.) (the Aviva Judgment). The Aviva Judgment summarised the following factors as a rationale for granting a dispensation:

- the **impossibility** of contacting policyholders;
- the **practicality** of contacting policyholders;
- the **utility** of contacting policyholders;
- the **availability of other information channels** through which notice of the application can be made available;
- the **proportionality** of strict compliance and the impact of collateral commercial concerns; and
- the likely **impact** of the Proposed Transfer on policyholders.

8.3.3. I have reviewed this rationale and discussed and challenged it with River Re and RIUK. I am satisfied that the requested waivers are proportionate and reasonable, and I provide more detail on this below.

Existing Policyholders

8.3.4. River Re and RIUK do not propose to individually notify Existing Policyholders whose policies will remain with RIUK, and is seeking a dispensation in this regard for the following reasons:

- Writing directly to all RIUK policyholders for whom records are held would substantially and disproportionately increase the cost and timescale of the Proposed Transfer. As at 31 December 2024, RIUK had 5.1 million existing policies recorded on its current and legacy claims management systems. It would take a significant amount of time to identify the relevant policyholders, as RIUK's legacy claims systems have not been used for many years.
- River Re and RIUK consider that the costs of circulation to all RIUK policyholders would be considerable and disproportionate. RIUK estimates that the costs of communicating to RIUK policyholders and handling responses are likely to exceed £10m based on an estimate of £2 per policy. There would also be significant time and cost incurred in obtaining the necessary policyholder details and data.
- Given the maturity and nature of the RIUK policies, a significant number of RIUK's policyholders would no longer have a right to claim under the policies, either because the policies require claims to be submitted during the period of cover, or because the relevant governing law requires claims to be made within a defined limitation period, and that period has now expired.
- The service levels provided to RIUK policyholders are not expected to be adversely affected by the Proposed Transfer. In addition, my conclusions in this report are that the Existing Policyholders will not be materially adversely affected by the Proposed Transfer.

8.3.5. River Re and RIUK have applied the **practicality, utility, proportionality, impact** and **availability of other information channels** arguments from the Aviva Judgement to support their request for dispensation.

8.3.6. I have reviewed the information regarding the waivers sought and am satisfied that these are reasonable arguments in support of such waivers.

Transferring Policyholders

8.3.7. River Re and RIUK are seeking a waiver of the statutory requirement to notify policyholders of River Re directly where their business was placed via brokers. Where business was placed via brokers, River Re generally does not hold contact details for the underlying Transferring Policyholders, but instead holds contact details for the relevant brokers. As outlined in section 8.2, River Re will provide notice to these Transferring Policyholders via the relevant broker.

8.3.8. Whilst River Re and RIUK will take reasonable steps to procure that those brokers make onwards notifications to the relevant Transferring Policyholders, they accept that they do not have absolute control over this process. River Re and RIUK are therefore seeking a waiver in this regard.

- 8.3.9. In addition, River Re and RIUK are seeking a waiver on general grounds to ensure there is no inadvertent breach of the Regulations should there be unforeseen errors, omissions and inadequacies in the historical records held. Whilst River Re believes that its records are generally accurate and comprehensive, River Re has previously been owned by two other insurance groups since the current portfolio began being written. River Re therefore acknowledges that minor inaccuracies in their records may have arisen as a result of data migrations following these changes in ownership. Despite this, and allowing for minor inaccuracies inherent with historical data, River Re has maintained good records since its acquisition by AXA in August 2020 and believes that its policyholder records are accordingly comprehensive and accurate.
- 8.3.10. River Re has made considerable efforts to validate the contact information held to ensure all communications are successfully delivered. In addition, River Re will put a procedure in place to ensure that any bounce-backs are closely monitored and that follow-up action carried out. River Re therefore expects the proportion of records with unforeseen errors, omissions and inadequacies in the historical records held to be very low.
- 8.3.11. River Re and RIUK believe that their publicity and advertising strategy, combined with the individual notifications that they do propose to make, will give appropriate reach and transparency for these groups of Transferring Policyholders.
- 8.3.12. River Re and RIUK have applied the [impossibility, practicality, proportionality](#) and [availability of other information channels](#) arguments from the Aviva Judgement to support their request for dispensation.
- 8.3.13. I have reviewed the information regarding the waivers sought and am satisfied that these are reasonable arguments in support of these waivers.

Conclusion on waivers

- 8.3.14. Overall, I am satisfied with River Re's and RIUK's rationale for the waivers sought, as information regarding the Proposed Transfer is available from other sources and my conclusions in this report are that none of the Transferring Policyholders or Existing Policyholders will be materially adversely affected by the Proposed Transfer.

8.4. Planned notices

- 8.4.1. River Re and RIUK will comply with the regulations and place a notice of the Proposed Transfer in:
- the London, Belfast and Edinburgh Gazettes;
 - the following national newspapers in the UK:
 - The Times (UK edition)
 - The Financial Times (UK edition)
 - The following overseas publications:
 - The Financial Times (International edition)
 - Insurance Day (Worldwide edition)
 - The Wall Street Journal (US edition)
- 8.4.2. A dedicated website will also be set up, which will be linked from the websites of both River Re and RIUK. The website will contain all relevant documents, including those contained within the communication pack and the full Independent Expert's Report.
- 8.4.3. I am satisfied with the proposal for planned notices.

8.5. Translation of key documents

- 8.5.1. All publication notices and major documents (including this report) will be provided in English and there are no plans to translate any documents into other languages.
- 8.5.2. River Re does not anticipate needing to translate any documents, as all policies were originally issued in English and all ongoing correspondence with active business is also conducted in English. However, if requested, River Re and/or RIUK will arrange for translations or accessible formats to support non-native

English speakers and vulnerable customers, including options such as hard copy, large print, braille or in CD/audio format. I would rely on River Re and/or RIUK to ensure the accuracy and appropriateness of any such materials.

8.6. Clarity of communication

- 8.6.1. I have reviewed a draft of the proposed covering letters, policyholder information booklet and Q&A document to be provided to policyholders, brokers and outwards reinsurers, explaining the background to the Proposed Transfer and the transfer process. I have also reviewed the template public notice to be published.
- 8.6.2. I understand that the communication pack to be provided to policyholders, brokers, reinsurers and third-party contract counterparties by River Re will include:
- A **covering letter** explaining the Proposed Transfer, tailored to the relevant recipient. This covering letter will explain why the recipient has been sent the communication pack, where further information may be obtained and any actions that the recipient may need to take.
 - A frequently asked **questions and answers document (Q&A)**.
 - A document summarising the terms of the Proposed Transfer (**Information Document**). This will also contain a summary of my Scheme report, and will set out the notified parties' rights to make enquiries, request additional information and/or to object to the Proposed Transfer.
 - A copy of the legal notice of the Proposed Transfer and details of the Court hearings.
- 8.6.3. Based on my review, and discussions with River Re and RIUK, I am satisfied the communication to policyholders regarding the Proposed Transfer is clear, fair and not misleading.

8.7. Overall conclusion: Policyholder communications

- 8.7.1. Based on my review of the communication strategy, I have concluded the planned communications strategy will ensure adequate coverage of affected parties.
- 8.7.2. I note the dependence on the co-operation with brokers with respect to communication regarding the Transferring Policyholders, and that this reflects the nature of the Transferring Business. I will consider this issue in my Supplementary Report.
- 8.7.3. River Re and RIUK are applying for a number of waivers from communicating to the groups of policyholders, each of which is supported by an appropriate and pragmatic rationale.
- 8.7.4. I have also concluded that the planned communication is sufficiently clear for policyholders to understand the effects of the Proposed Transfer and that River Re and RIUK have sufficient resources to deal with any objections, enquiries or complaints received following the Part VII communication exercise.

9. Customer service and other considerations

9.1. Customer service

- 9.1.1. I have reviewed the customer service arrangements of River Re and RIUK and concluded that there will be no material changes to policyholder administration and claims handling, i.e. the policyholder experience, in respect of Transferring Policyholders and Existing Policyholders.

Claims handling

- 9.1.2. AXA LM, on behalf of River Re, has been managing the claims in relation to the Transferring Business since 18 August 2020. Under the LPT agreement, River Re continues to be responsible for claims handling but may set a migration date, following notification to policyholders in relation to the Proposed Transfer, prior to the Effective Date. With effect from the migration date, RIUK shall be responsible for the claims handling and administration of the Transferring Business.
- 9.1.3. Pursuant to the terms of a Service Agreement, RIUK outsources its back-office functions including finance, accounting and claims administration to an intergroup service company, RiverStone Management Limited (RSML). RSML is authorised and regulated by the FCA. RIUK has confirmed that it does not envisage appointing any other group or third-party entities to carry out claims handling and administration activities for the Transferring Business.
- 9.1.4. The RIUK claims department seeks to accurately reserve claims in line with the Reserving Guidelines and to settle claims at the correct measure of indemnity, inclusive of fees, expenses, costs and interest. The claims team follows a best estimate reserving philosophy as it provides for the most likely outcome of each case taking into account the underlying claim circumstances and policy details.
- 9.1.5. RIUK is aiming to minimise any potential disruption to the claim notification process. Any change in the notification practice or process will be communicated by both River Re and RIUK to affected counterparties. RIUK has standard protocols for this correspondence which will be completed in line with its Part VII transfer process.
- 9.1.6. RIUK's in-house claims handling operations is subject to clear internal governance rules. RIUK has extensive experience in acquiring books of insurance business. It transfers the claims and policy data from the seller to its systems, ensuring that there is no disruption to the handling and settlement of claims for the Transferring Business during the transition.
- 9.1.7. I have discussed with River Re and RIUK their claims handling approaches. The scale of the Proposed Transfer is small in claims terms relative to the wider RIUK portfolio. River Re's open claim volumes make up c. 4% of RIUK's open claims. RIUK and River Re are working collaboratively to achieve a better understanding of systems and process to help plan for a smooth transition. Based on this, I have concluded that Existing Policyholders and Transferring Policyholders are not expected to be materially adversely affected by the Proposed Transfer in respect of claims handling.

Policy administration

- 9.1.8. I understand that the RIUK and River Re operational teams are currently collaborating to achieve a clear understanding of systems, processes, policies and records in preparation for a smooth transition. This has included the RIUK IT team analysing subsets of River Re's data, and both teams having initial conversations with third parties on any system changes that need to be implemented.
- 9.1.9. The scale of the Proposed Transfer, in terms of the volume of claims, is small relative to the wider RIUK portfolio. The RIUK claims team is currently (as at July 2025) handling approximately 18,000 open claims (or approximately 11,000 excluding nil claims). The number of open claims from River Re as at Q2 2025 was 764 claims. It is expected that a similar number of claims will be involved in the Proposed Transfer. River Re's open claim numbers represent approximately 4% of RIUK's current open claim count.
- 9.1.10. Whilst recognising that the volume of claims handled can vary from one year to the next, the number of open claims that are expected to transfer across is expected to be relatively small in comparison to the number of claims that RIUK would typically expect to handle each year. As such, RIUK does not expect its claims handling procedures to change for Existing Policyholders as a result of the Proposed Transfer.

9.1.11. In my view, I expect RIUK to be able to absorb the volume and complexity of the transferring claims so that Transferring Policyholders and Existing Policyholders are not materially adversely affected in this respect by the Proposed Transfer.

Complaints procedures

9.1.12. River Re and RIUK aim to handle all complaints in compliance with regulatory requirements.

9.1.13. At River Re, complaints which are not resolved by close of business on the third business day following receipt are considered “reportable complaints”. For these reportable complaints, any correspondence must be conducted by a Manager or, for more serious cases, the Head of Compliance. Reportable complaints must be lodged within 3 working days. After this, an initial written response is sent within 1 working day and a final written response provided to the complainant within 8 weeks.

9.1.14. At RIUK, the UK Compliance Director has overall responsibility for the management of complaints. The Compliance team oversee and manage all aspects of the formal complaints process, including a triage process to determine the best course of action. This includes the provision of a written acknowledgement to the complainant within 5 working days of receipt, and a full written response to the complainant to advise on the outcome of their investigation within 8 weeks.

Consumer Duty

9.1.15. River Re considered the Consumer Duty requirements prior to the Duty coming into force on 31 July 2024 for closed products. River Re’s Board concluded that the Consumer Duty requirements are not applicable to River Re as its business is predominantly reinsurance business and its policyholders are not retail customers. However, River Re does continue to comply with wider FCA principles including Treating Customers Fairly. I have been provided with a copy of AXA LM’s Treating Customers Fairly Policy Statement.

9.1.16. AXA LM considers its “customers” (for the purpose of Treating Customers Fairly) to be claimants who have brought personal injury claims against any insured or alleged insured of any relevant AXA entity. Accordingly, AXA LM has in place a complaints procedure, a procedure for dealing with coverage disputes, training for its claims employees and claims manuals and guidelines for claims handlers.

9.1.17. I have been provided with a copy of RIUK’s Consumer Duty Board Readiness Report, which concluded that RIUK was prepared for the Consumer Duty regulation which came into force on 31 July 2024. RIUK has implemented a Consumer Duty Framework to ensure it complies with Consumer Duty, which includes:

- Providing training to staff to understand the enhanced requirements under Consumer Duty.
- Further enhancements to the Claims Quality Assurance process considering vulnerability alongside overall customer support and understanding.
- Implementing an enhanced Complaints Root Cause Analysis process.
- Introducing Customer Satisfaction surveys which are issued at the claim closure stage.
- Extending the Delegated Claims Authorities Audit scope to include Consumer Duty.
- Updating internal policies and procedures to reflect the higher standards under Consumer Duty.
- Identifying data gaps and steps to remediate.
- Creating a monitoring and reporting process through to ExCo and the Board

9.1.18. I have also been provided with a copy of RIUK’s Consumer Duty Framework. RIUK has confirmed that, following the Proposed Transfer, their processes to meet the Consumer Duty obligations for UK retail customers (which applies to all beneficiaries, including policyholders and the underlying claimants) will apply to the Transferring Business as well as its existing business.

9.2. Tax implications

- 9.2.1. In relation to the Proposed Transfer, the three types of tax that potentially impact the premium policyholders are charged are:
- Corporation tax: this is levied on profits and policyholders are not directly affected by the obligation for River Re or RIUK to pay corporation tax.
 - Value added tax (VAT): policyholders do not pay VAT on insurance premiums.
 - Insurance premium tax (IPT): the applicable IPT rate for each policyholder is determined by the location of the risk insured which will not change. Therefore, the amount of IPT charged will not be affected by the Proposed Transfer.
- 9.2.2. In addition, as all the business written by the transferor and transferee is now in run-off, there are no direct tax implications of the Proposed Transfer on Transferring or Existing Policyholders.
- 9.2.3. River Re and RIUK have both informed me that they do not anticipate any material tax implications as a result of the Proposed Transfer. Although I am not an expert in matters of taxation, I consider it to be a reasonable assumption that there will not be any material tax implications for any group of policyholders as a result of the Proposed Transfer.

9.3. Pension arrangements

- 9.3.1. River Re and RIUK have both informed me that there are no pension arrangements in place for either entity as they do not directly employ any staff. Therefore, the Transferring and Existing Policyholders are not impacted by the Proposed Transfer in terms of pensions arrangements.

9.4. Investment management implications

- 9.4.1. River Re's investment objective is to invest in a diversified portfolio of fixed income securities in an efficient manner that will, over the life of the investment portfolio, broadly seek to deliver future cashflows consistent with those of the liabilities.
- 9.4.2. River Re's investment guidelines specify that their investment manager should aim to: limit exposure to securities at risk of defaults or downgrade below investment grade; hold securities to maturity; and minimise trading activity and associated costs. Authorised investments include debt securities and cash and deposits. There are a number of prohibited investments including derivatives transactions, equities and mortgage-backed securities. The minimum average portfolio credit rating is BBB- and there are maximum concentration limits per issuer.
- 9.4.3. The goals of RIUK's investment strategy are to:
- Preserve the invested capital.
 - Protect policyholders' interests and the ability to meet liability payments and operating expenses as they are due.
 - Manage the investment portfolio in line with legal and regulatory frameworks.
 - Create a portfolio that broadly seeks to match the assumed pay-out pattern of the liabilities (including currency and duration).
 - Manage the investment portfolio within RIUK's risk appetite framework and investment guidelines.
 - While working to the goals above, achieve a high and sustainable investment return to fulfil RIUK's financial targets and generate an attractive risk adjusted return on invested capital.
- 9.4.4. RIUK's strategic asset allocation (SAA) seeks to optimise the investment portfolio within the limitations of economic risk, solvency risk, currency and duration risk and liquidity risk. RIUK's SAA pillars include:
- Asset-liability matching: interest rate and currency sensitivities of the asset portfolio should match the liability portfolio.
 - Security and quality: the asset portfolio backing 100% of the net technical provisions is comprised of investment grade quality assets.

- Liquidity: there are limits on the amount of illiquidity risk that can be taken to ensure the liquidity of the overall portfolio.
- Diversification: investment guidelines have been established to ensure a broad diversification of asset classes and related credit risk.

9.4.5. The Board has ultimate responsibility for RIUK's investment portfolio and its management and oversight.

9.4.6. As at 30 June 2024, 100% of RIUK's investment portfolio was made up of cash, government bonds and investment grade corporate bonds. 74% of the portfolio was rated A- or above. RIUK also has a Responsible Investment policy that outline its commitment to incorporate, monitor and report on sustainability considerations in its investments and asset manager selection process.

9.4.7. There are no planned changes to RIUK's investment strategy or risk appetite as a result of the Proposed Transfer. Therefore, I do not anticipate any materially adverse impact for Transferring or Existing Policyholders in terms of investment management as a consequence of the Proposed Transfer.

9.5. Implications for ongoing expense levels

9.5.1. All costs and expenses incurred relating to the Proposed Transfer will be borne by River Re and RIUK and will not be borne by policyholders. One-off costs associated with the Proposed Transfer are expected to be modest relative to the size of the Transferring Business and existing portfolios of River Re and RIUK.

9.5.2. Therefore, there are no impacts for Transferring or Existing Policyholders as a result of any changes to ongoing expense levels.

9.6. Impact on liquidity position

9.6.1. The liquidity position of a company represents its ability to meet all claim payments and other obligations as and when they fall due.

9.6.2. River Re has developed a strategy to ensure that it can pay its liabilities, including day-to-day cash requirements. River Re aims to achieve this objective by holding investment asset types of a highly secured, good quality and liquid nature such as cash and highly rated bonds.

9.6.3. RIUK manages and minimises liquidity risk through its Asset-Liability Management (ALM) framework and liquidity management processes. This involves regular analysis and planning to develop expected cashflow requirements over different timeframes. The cashflow projections are assessed against the liquidity profile of the investments and cash. RIUK has a liquidity key risk indicator (KRI) that is monitored monthly. This KRI measures unencumbered cash and fixed income investments with a maturity of less than 6 months, and ensures this is sufficient to meet 6 months of expected cashflows with a buffer of 20%. 90% of RIUK's assets are deemed highly liquid.

9.6.4. There are no expected changes to RIUK's liquidity position as a result of the Proposed Transfer. Therefore, I do not anticipate any materially adverse impacts on the liquidity position for Transferring or Existing Policyholders as a consequence of the Proposed Transfer.

9.7. Impact of other transfers

9.7.1. I am not aware of any other future transfers into or out of RIUK that will affect any of the Transferring or Existing Policyholders.

9.7.2. Any future transfers would need to go through a separate approval process to ensure that policyholders would not be materially adversely affected.

9.8. Set-off

9.8.1. I have considered whether the Proposed Transfer is likely to lead to any changes in the rights of set-off for creditors or debtors of River Re or RIUK. 'Set-off' is a right that allows parties to cancel or offset mutual debts with each other by subtracting one from the other and paying only the balance.

9.8.2. River Re and RIUK have confirmed that there are no changes in set-off rights as a result of the Proposed Transfer. I have also not identified any material set-off rights as part of my review.

9.8.3. Therefore, considerations around set-off do not impact my conclusions.

9.9. Overall conclusion: Customer service and other considerations

9.9.1. Based on the work and rationale described above, I have concluded that no material impact on service standards (or any other considerations within this section of the report) is expected following the Proposed Transfer.

10. Conclusions and Statement of Truth

10.1. Conclusion

- 10.1.1. I have considered the Proposed Transfer and its likely effects on the Transferring Policyholders, the Existing Policyholders and the reinsurers of the Transferring Business.
- 10.1.2. In reaching the conclusions set out below, I have applied the principles as set out in relevant professional guidance, being the Technical Actuarial Standards (TASs) TAS 100: General Actuarial Standards and TAS 200: Insurance.
- 10.1.3. I have concluded that:
- The security provided to Transferring Policyholders will not be materially adversely affected by the Proposed Transfer. No material impact on service standards is expected for Transferring Policyholders following the Proposed Transfer.
 - The security provided to Existing Policyholders will not be materially adversely affected by the Proposed Transfer. No material impact on service standards is expected for Existing Policyholders following the Proposed Transfer.
 - Reinsurers who provide cover for the Transferring Business will not be materially adversely affected by the Proposed Transfer.

10.2. Issues to highlight

- 10.2.1. I consider it necessary that I review the most recent information, up to the date of the Sanction Hearing for the Proposed Transfer, when this becomes available later in the year, before confirming my opinion and conclusions.
- 10.2.2. Specific issues that I have highlighted in this report which require further review include:
- Any updates to the financial information provided in this report e.g. financial projections including SCR coverage ratios and balance sheets;
 - The implementation of the communication plan for Transferring Policyholders;
 - Any policyholder objections received; and
 - Any developments regarding the structure of the Proposed Transfer.

I will consider these points further as part of my Supplementary Report.

10.3. IE duty and declaration

- 10.3.1. My duty to the High Court overrides any obligation to those from whom I have received instructions or paid for this Report. I confirm that I have complied with that duty.
- 10.3.2. I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.
- 10.3.3. I confirm that I am aware of the requirements applicable to experts in Part 35 of the Civil Procedure Rules, Practice Direction 35 and the Guidance for the Instruction of Experts in Civil Claims 2014. As required by Part 35 of the Civil Procedure Rules, I hereby confirm that I have understood and complied with my duty to the Court.



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Professional standards

Our work in preparing this document and the associated documents described above complies with Technical Actuarial Standard 100: General Actuarial Standards, together with Technical Actuarial Standard 200: Insurance.

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<https://www.lcp.com/en/important-information-about-us-and-the-use-of-our-work> contains important information about LCP and LCP Delta (including LCP's regulatory status and complaints procedure), and about this communication (including limitations as to its use).

Appendix 1 – Glossary

Term	Definition
Best estimate	An estimate prepared with no margin for either prudence or optimism.
Bornhuetter-Ferguson (BF) method	A blend of Development Factor Modelling and the Expected Loss Ratio Method (defined later in this glossary). The weighting given to each is dependent on how developed the claims are for a policy year.
Counterparty default risk	The risk of defaults or downgrades by counterparties that either owe an insurer money or hold money on its behalf. For example, this covers the risk of the failure of a reinsurer or a broker.
Development Factor Modelling (DFM)	An actuarial method for estimating future claims development using assumptions based on past patterns of claims development. 'Development' could mean the reporting of claims, payment of claims or the progression of case reserves.
Effective Date	The effective date of the Proposed Transfer, expected to be 31 January 2026.
Events not in data (ENIDs)	An estimate of possible future events or developments that are not reflected in the insurer's historical data. Insurers need to make allowance for ENIDs in their Solvency UK technical provisions.
Existing Policyholders	Policyholders of RIUK at the time of the Proposed Transfer, who will remain with RIUK after the Proposed Transfer.
Expected Loss Ratio method	An actuarial method for estimating future claims development based on combining an exposure measure and an assumed rate per unit of exposure (the 'initial expected loss ratio').
Financial Conduct Authority (FCA)	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.
Financial Ombudsman Service (FOS)	Set up by the UK Parliament, the FOS is a free service that settles complaints between consumers and businesses that provide financial services. Parliament set up the FOS and has legal powers in the UK to address unresolved complaints between a business and a customer relating to financial services.
Financial Reporting Council (FRC)	The body responsible for setting actuarial standards in the UK. The FRC also regulates auditors and accountants and sets the UK's Corporate Governance and Stewardship Codes.
Financial Services and Markets Act 2000 (FSMA)	The legislation under which Part VII governs the transfer of (re)insurance business between (re)insurance undertakings.
Financial Services Compensation Scheme (FSCS)	The FSCS is the compensation fund of last resort for customers of UK authorised financial services firms. This covers insurance for individuals and some insurance for small businesses.
Generally accepted accounting principles (GAAP)	A collection of commonly followed accounting rules and standards for financial reporting. GAAP specifications include definitions of concepts and principles, as well as industry-specific rules.
High Court	The High Court of Justice of England and Wales.
Incurred but not enough reported (IBNER)	See definition of IBNR.
Incurred but not reported (IBNR)	The provision for claims that may be reported in the future but relate to events that have already occurred. This also includes provision for possible future development of existing open claims, i.e. those that have been reported but not fully settled. The provision for possible development of open claims is called IBNER (Incurred But Not Enough Reported). Depending on the type of insurance being considered and the claims handling approach, both the IBNR and IBNER can be either positive or negative.

Term	Definition
Independent Expert	A suitably qualified person appointed by the Court to produce an independent report on an insurance business transfer scheme, in accordance with the FSMA. The Independent Expert's primary duty lies with the Court, and the opinion of the expert is independent of those of the sponsoring companies involved in the Transfer and the PRA.
Loss Portfolio Transfer (LPT) agreement	The Loss Portfolio Transfer (LPT) agreement which River Re and RIUK entered into on 31 December 2024 in preparation for the Proposed Transfer, under which all of the liabilities arising from the Transferring Business were reinsured by RIUK.
Market risk	The risk of changes in an insurer's financial position due to changes in the market value of assets, liabilities and financial instruments. For example, this covers the risk of falls in the value of assets that are being held to make future claims payments.
MCR coverage ratio	The MCR coverage ratio is the ratio of Own Funds to Required Capital (MCR). This is a measure of the capital strength of the insurer – the higher the ratio, the stronger the insurer.
Minimum Capital Requirement (MCR)	A formulaic calculation of the capital requirement as part of the Solvency UK/II regulations for insurers. Breaching the MCR defines the point of intensive regulatory intervention. The calibration of the MCR is to be the capital required to give an 85% confidence level of sufficient capital to last one year. The MCR is a simpler calculation than the SCR and is typically a less onerous requirement.
Operational risk	The risk of losses caused by failures in an insurer's operational processes, people and systems, or from events that are external to the insurer. For example, this would cover the risk of fraud or IT failure.
Own Funds	The capital in excess of provisions available to meet the SCR capital requirements under Solvency UK/II.
PRA's Statement of Policy	The Statement of Policy issued by the PRA entitled 'Statement of Policy – The PRA's approach to insurance business transfers – April 2015'
Proposed Transfer	The proposed insurance business transfer from River Re to RIUK under Section 105 of the FSMA.
Prudential Regulation Authority (PRA)	The part of the Bank of England that 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.
Reinsurance	An arrangement with another insurer to share or pass on risks.
Reinsurance bad debt	Reinsurance bad debt is a provision for amounts that are owed by reinsurers but which may not be paid, e.g. due to the insolvency of the reinsurer.
Required Capital	The amount of capital an insurer must hold in order to meet its regulatory capital requirements (i.e. the SCR).
Scheme Document	A document submitted to the High Court setting out details of the Scheme or Proposed Transfer.
Scheme Report	This report prepared by me, as the Independent Expert, for submission to the High Court.
SCR coverage ratio	The ratio of an insurer's available capital to its Required Capital (SCR). This is a measure of the capital strength of the insurer – the higher the ratio, the stronger the insurer (all else being equal).
Solvency Capital Requirement (SCR)	The amount of capital an insurer is required to hold under Solvency UK/II regulations. This is an estimate of the capital required to cover the loss that an insurer could experience over the next 12 months with a probability of 99.5% (i.e., a 1 in 200 event). If an insurer's capital (ie the excess of its assets over its liabilities) falls below the SCR, it will trigger regulatory intervention, with the intention of remedying that position.

Term	Definition
Solvency and Financial Condition Report (SFCR)	Solvency UK/II requires each insurer to publish an SFCR annually that contains certain qualitative and quantitative information.
Solvency UK	The system for establishing (among other things) minimum capital requirements for UK insurers, originally under the Solvency II Directive 2009/138/EC.
Standard formula	A prescribed approach under Solvency UK/II for the calculation of capital based on an insurer's financial information (e.g. premiums and claims provisions).
TAS 100	The FRC issued Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) which applies to all technical actuarial work completed on or after 1 July 2023.
TAS 200	The FRC issued Technical Actuarial Standard 200: Insurance (TAS 200) which applies to all technical actuarial work completed on or after 1 January 2025.
Technical provisions	Under Solvency UK, the technical provisions cover the ultimate costs of settling all claims arising from events occurring up to the balance sheet date plus the provisions for future claims (and premiums) arising on unexpired periods of risk.
Tier 1 capital	Under Solvency UK, capital is categorised into 3 tiers based on the permanence and loss absorbency of the form of capital. Tier 1 capital is the highest quality.
Transferee	The insurer to which the business is being transferred, Riverstone Insurance (UK Limited (RIUK).
Transferor	The insurer from which the business is being transferred, River Re Limited (River Re).
Transferring Policyholders	River Re policyholders whose policies will transfer to RIUK as a result of the Proposed Transfer.
Underwriting risk	The risk that the value of insurance claims proves to be higher than expected.
Unearned Premium Reserve (UPR)	A provision for the unexpired portion of insurance policies. This appears as a liability on the insurer's balance sheet, since the premium would be paid back upon cancellation of the policy.

Appendix 2 – Extract from Terms of Reference

Summary of agreed scope of work

I, Charl Cronje, will act as IE to support the planned Part VII transfer from River Re Limited to RIUK.

The key deliverables from the work will be the following reports in respect of the Transfer (the “Reports”):

- The main Independent Expert report prior to the Directions Hearing;
- The summary report prior to the Directions Hearing; and
- The supplemental report prior to the Sanction Hearing.

The Reports and any other analysis, advice and opinions in respect of the Transfer will be in accordance with the relevant requirements set out in Part VII of the Financial Services and Markets Act 2000 (and associated supplemental guidance).

Other key deliverables from the work will be:

- Input as required to address any issues arising, including addressing comments raised by the PRA from their review of the Reports; and
- Presentation of my findings as the IE to the court, if required, and responding to any queries and additional court requests.

Appendix 3 – CV of Charl Cronje FIA

Charl is a leading actuary in the general insurance market, with over 30 years' experience. He advises general insurers on underwriting strategy, reserving, mergers and acquisitions, capital modelling, risk management, pricing, reinsurance strategy and a variety of other matters.

He has acted as Chief Actuary (SMF 20) on an outsourced basis for a number of insurers.

Charl holds a Lloyd's Syndicate Actuary practising certificate and a UK Chief Actuary practising certificate. He has acted as the signing actuary providing SAOs on nine Lloyd's syndicates.

He also acts as an expert witness on reinsurance disputes.

Independent Expert experience

- Charl has acted as the Independent Expert on several Part VII transfers.
- Has also acted as the formal peer reviewer on a number of further Part VII transfers.

Appendix 4 – Summary of data provided

The following is a list of the key data items I have requested and received in assessing the Proposed Transfer. All data I have requested has been provided to me. Each of River Re and RIUK has provided a data accuracy statement confirming that the data and information provided to me regarding the Proposed Transfer are accurate and complete.

- Draft High Court and regulatory documents prepared by River Re and RIUK for the Proposed Transfer, including:
 - Scheme Document (draft received on 25 July 2025)
 - First Witness Statements for River Re and RIUK (dated received on 25 July 2025)
 - Draft proposed communication plan and communications prepared by River Re and RIUK received on 25 July 2025 including:
 - Proposed communications strategy
 - Covering letters to the Transferring Policyholders and other stakeholders
 - Policyholder information document, including a summary of the Scheme Document of the Proposed Transfer
 - Q&A document
 - Template legal notice
- Documents relating to provisions and reserving processes, including:
 - Actuarial reserving reports for River Re (as at 31 December 2024) and RIUK (as at 30 September 2024)
 - Actuarial reserving committee reports for River Re (as at 31 December 2024 and 31 March 2025) and Actuarial Board report for RIUK (as at 30 September 2024)
 - Reserves summary for RIUK (as at 31 March 2025)
 - Actuarial Function Report for RIUK (dated May 2025)
 - Reserving Policy for River Re and TPs policy for RIUK
 - Reserving Committee Terms of Reference for River Re and Governance Document and Terms of Reference for RIUK
 - External actuarial reserving report for RIUK (as at 30 September 2024 for Existing Policyholders and as at 31 December 2023 for Transferring Policyholders)
- Documents relating to capital and related processes, including:
 - Solvency and Financial Condition Report (SFCR) for River Re and RIUK year ending 31 December 2024
 - Own Risk and Solvency Assessment (ORSA) reports for River Re and RIUK
 - River Re capital risk appetite (2025) and RIUK Capital Management Policy (2024)
 - River Re and RIUK SCR calculations
 - Various capital stress scenarios for River Re and RIUK
 - Projections of future balance sheets and capital requirements up to 31 December 2030 for RIUK

Appendix 5 – Mapping to requirements

The table below shows the relevant section references in the Scheme Report where I have addressed each point in the guidance from Chapter 18 of the Supervision Manual of the FCA Handbook and the PRA's 'Statement of Policy – The PRA's approach to insurance business transfers – April 2015' with regards to the Scheme Report.

The guidance references for 'PRA x.x' are taken from the PRA Statement of Policy and 'FCA x.x' are taken from Chapter 18 of the Supervision Manual.

Guidance reference	Guidance	Scheme report reference
PRA 2.30 (1) FCA 18.2.33 (1)	Who appointed the independent expert and who is bearing the costs of that appointment	2.2 (page 12)
PRA 2.30 (2) FCA 18.2.33 (2)	Confirmation that the independent expert has been approved or nominated by the appropriate regulator (the PRA)	2.2 (page 12)
PRA 2.30 (3) FCA 18.2.33 (3)	A statement of the independent expert's professional qualifications and (where appropriate) descriptions of the experience that makes them appropriate for the role	2.2 (page 12) Appendix 3
PRA 2.30 (4) FCA 18.2.33 (4)	Whether the independent expert, or his employer, has, or has had, direct or indirect interest in any of the parties which might be thought to influence his independence, and details of any such interest	2.2 (page 12)
PRA 2.30 (5) FCA 18.2.33 (5)	The scope of the report	2.3 (page 13)
PRA 2.30 (6) FCA 18.2.33 (6)	The purpose of the scheme	3.3 (page 19)
PRA 2.30 (7) FCA 18.2.33 (7)	A summary of the terms of the scheme in so far as they are relevant to the report	3 (page 16)
PRA 2.30 (8) FCA 18.2.33 (8)	What documents, reports and other material information the independent expert has considered in preparing the report and whether any information that they requested has not been provided	Appendix 4
PRA 2.30 (9) FCA 18.2.33 (9)	The extent to which the independent expert has relied on: (a) information provided by others; and (b) the judgement of others	2.5 (page 14)
PRA 2.30 (10) FCA 18.2.33 (10)	The people the independent expert has relied on and why, in their opinion, such reliance is reasonable.	2.5 (page 14)
PRA 2.30 (11) FCA 18.2.33 (11)	Their opinion of the likely effects of the scheme on policyholders (this term is defined to include persons with certain rights and contingent rights under the policies), distinguishing between: (a) Transferring Policyholders; (b) policyholders of the transferor whose contracts will not be transferred; and (c) policyholders of the transferee	1.3 (page 8) 10 (page 65)
PRA 2.30 (12) FCA 18.2.33 (11A)	Their opinion on the likely effects of the scheme on any reinsurer of a transferor, any of whose contracts of reinsurance are to be transferred by the scheme.	1.3 (page 10) 10 (page 65)

Guidance reference	Guidance	Scheme report reference
PRA 2.30 (13) FCA 18.2.33 (12)	What matters (if any) that the independent expert has not taken into account or evaluated in the report that might, in their opinion, be relevant to policyholders' consideration of the scheme.	10 (page 65)
PRA 2.30 (14) FCA 18.2.33 (13)	For each opinion that the independent expert expresses in the report, an outline of their reasons	Reserving: 5.10 (page 36) Capital: 6.11 (page 50) Policyholder security: 7.8 (page 55) Policyholder communications: 8.7 (page 59) Customer service and other considerations: 9.9 (page 64)
PRA 2.32 (1) FCA 18.2.35 (1)	A description of any reinsurance arrangements that it is proposed should pass to the transferee under the scheme	3.2 (page 18)
PRA 2.32 (2) FCA 18.2.35 (2)	A description of any guarantees or additional reinsurance that will cover the transferred business or the business of the transferor that will not be transferred	3.2 (page 18)
PRA 2.33 (1) FCA 18.2.36 (1)	Include a comparison of the likely effects if it is or is not implemented	3.4 (page 19)
PRA 2.33 (2) FCA 18.2.36 (2)	State whether they considered alternative arrangements and, if so, what	3.4 (page 19)
PRA 2.33 (3) FCA 18.2.36 (3)	Where different groups of policyholders are likely to be affected differently by the scheme, include comment on those differences they consider may be material to the policyholders	1.3 (page 8)
PRA 2.33 (4) FCA 18.2.36 (4)	Include their views on: (a) the effect of the scheme on the security of policyholders' contractual rights, including the likelihood and potential effects of the insolvency of the insurer; (b) the likely effects of the scheme on matters such as investment management, new business strategy, administration, claims handling, expense levels and valuation bases in relation to how they may affect: (i) the security of policyholders' contractual rights; (ii) levels of service provided to policyholders; or (iii) for long-term insurance business, the reasonable expectations of policyholders; and (c) the cost and tax effects of the scheme, in relation to how they may affect the security of policyholders' contractual rights, or for long-term insurance business, their reasonable expectations	(a) 1.3 (page 8) (b) and (c) 9 (page 60)

The Proposed Transfer does not involve a mutual company. As such, PRA 2.35 and FCA 18.2.38 do not apply.

The Proposed Transfer does not involve any long-term insurance business. As such, PRA 2.36 (FCA 18.2.39) does not apply.