

IN THE HIGH COURT OF JUSTICE

BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES

COMPANIES COURT (ChD)

IN THE MATTER OF

AMT MORTGAGE INSURANCE LIMITED

and

IN THE MATTER OF

AMTRUST EUROPE LIMITED

and

IN THE MATTER OF

PART VII OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

SUMMARY OF THE TERMS OF THE SCHEME

AND

SUMMARY OF THE SCHEME REPORT

Summary of the Terms of the Scheme

1 Introduction

- 1.1 AMT Mortgage Insurance Limited (**AMIL**) is proposing to transfer all of its UK general insurance policies (being policies which solely relate to a risk or risks situated in the UK) (the **Transferring Business**) through an insurance business transfer scheme (the **Scheme**). The Scheme will be carried out through the High Court of Justice in England (the **High Court**) in accordance with Part VII of the UK Financial Services and Markets Act 2000. This will transfer the Transferring Business to AmTrust Europe Limited (**AEL**).
- 1.2 This document sets out a summary of the effect of the Scheme.
- 1.3 This document is only a summary. Full details of the Scheme can be found in the complete versions which are available free of charge online to view at www.amtrustinternational.com/portfoliotransfers, or in hard copy by emailing PartVII@amtrustgroup.com or by telephoning 020 7280 6440 (available between 9:00am to 5:00pm Monday to Friday), or by writing to AmTrust International (Part VII), Exchequer Court 33 St Mary Axe London EC3A 8AA.

2 Background of AMIL and AEL

- 2.1 AMIL is a private limited company registered in England and Wales with registered company number 02624121 and its registered office at Exchequer Court 33 St Mary Axe London EC3A 8AA.
- 2.2 The Transferring Business includes all UK business written by AMIL. AMIL's other business will not transfer to AEL pursuant to this Scheme. However, a further scheme for AMIL's other business is under consideration and further information will be provided following the conclusion of this Scheme.
- 2.3 AEL is a private limited company registered in England and Wales with registered company number 01229676 and its registered office at 10th Floor Market Square House, Saint James's Street, Nottingham, Nottinghamshire, NG1 6FG.
- 2.4 Both AMIL and AEL are part of the AmTrust group, with AMIL being a wholly-owned subsidiary of AEL.
- 2.5 AMIL is both authorised and regulated by the UK Prudential Regulation Authority (**PRA**) and it is also regulated by the UK Financial Conduct Authority (**FCA**). Before 1 April 2013 it was authorised and regulated by the FCA and PRA's predecessor, the Financial Services Authority (**FSA**).

2.6 AEL is both authorised and regulated by the PRA and it is also regulated by the FCA. Before 1 April 2013 it was authorised and regulated by the FCA and PRA's predecessor, the Financial Services Authority.

3 Process and timings of the Scheme

3.1 The proposed timings for the Scheme are:

High Court hearing	11 June 2019
Proposed "Effective Date" (when the policies will transfer to AEL)	30 June 2019

3.2 The Scheme will not go ahead unless the High Court approves it (which is currently anticipated to take place on 11 June 2019).

3.3 If the High Court imposes any change or conditions to the proposed Scheme, the Scheme will not take effect unless AMIL and AEL consent.

4 Summary of the Scheme

4.1 The following is a summary of the main points of the Scheme. As noted above, the full version of the scheme document is available free of charge online at www.amtrustinternational.com/portfoliotransfers, or in hard copy by emailing PartVII@amtrustgroup.com or by telephoning 020 7280 6440 (available between 9:00am to 5:00pm Monday to Friday), or by writing to AmTrust International (Part VII), Exchequer Court 33 St Mary Axe London EC3A 8AA.

4.2 In addition, copies of the following documents in connection with the Scheme are available to view at www.amtrustinternational.com/portfoliotransfers and hard copies will be given free of charge to anyone who requests them using the contact details at paragraph 4.1 above:

- (a) a letter to policyholders;
- (b) the independent expert's report (**Report**);
- (c) this Scheme Summary and the summary of the Report;
- (d) a press notice in the form approved by the PRA in consultation with the FCA of the Scheme;
and

(e) a Question and Answer Booklet.

The Effect of the Scheme

4.3 As stated above, the Scheme is intended to transfer all of the Transferring Business from AMIL to AEL.

Claims paid by AEL after the Effective Date

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

Exceptions

4.5 Despite the intention explained in 4.4 above, there may be a small number of policies which fall outside the Scheme. These would be "Residual Policies", as described in more detail in the full version of the Scheme. Any Residual Policies will transfer to AEL once the relevant impediment to their transfer has been resolved.

No Changes to Policy Terms and Conditions

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

Continuity of proceedings or litigation

4.7 From the Effective Date, any current proceedings or litigation which are brought by or against AMIL in connection with the business transferred by the Scheme shall be continued by or against AEL, and AEL shall be entitled to all defences, claims, counterclaims and rights of set-off that would have been available to AMIL.

4.8 From the Effective Date, any judgement, settlement, order or award under current or past proceedings obtained by or against AMIL in relation to the business transferred by the Scheme shall be enforceable by or against AEL in place of AMIL.

Costs and Expenses

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

5 Further information on the Scheme

If you have any further questions please:

- go to www.amtrustinternational.com/porfoliotransfers; or
- telephone 020 7280 6440 (available between 9:00am to 5:00pm Monday to Friday); or
- write to AmTrust International (Part VII), Exchequer Court 33 St Mary Axe London EC3A 8AA; or
- email: PartVII@amtrustgroup.com.

Summary of the Scheme Report

1 Introduction

- 1.1 AMIL and AEL have appointed Mr Michael Tripp of Mazars LLP, as the Independent Expert to provide a report to the High Court on the effect of the Scheme on the policyholders of AMIL and AEL (the **Report**). The appointment of Mr Tripp has been approved by the PRA, in consultation with the FCA.
- 1.2 The summary is subject to the same limitations on its use as those set out in the Report. The Report contains the reasoning behind Mr Tripp's conclusions, including his assumptions and some of the detail which has been omitted from this summary. The Report also includes further information regarding AMIL and AEL which has not been included within this summary. While Mr Tripp is satisfied that this summary provides an appropriate synopsis of the Report, reliance on this summary alone may not give you the whole picture. Copies of the full Report and any supplementary report can be obtained free of charge at www.amtrustinternational.com/portfoliotransfers, or by emailing PartVII@amtrustgroup.com, or by telephoning 020 7280 6440 (available between 9:00am to 5:00pm Monday to Friday), or by writing to AmTrust International (Part VII), Exchequer Court 33 St Mary Axe London EC3A 8AA.
- 1.3 The Independent Expert has considered the impact of the Scheme on the security and the levels of service afforded to affected policyholders. He has also considered the impact of the Scheme on other matters pertinent to the affected policyholders, such as complaint procedures.
- 1.4 The Independent Expert has identified three main groups of policyholders affected by the Scheme and he has considered the effect of the Scheme on each of these groups separately. The three groups identified are: policyholders of the Transferring Business, the non-transferring policyholders of AMIL and the existing policyholders of AEL.

Security of Policyholders

- 1.5 Policyholder security is provided by the amount of assets held by an insurer in excess of its liabilities, as well as the level of capital of the insurer and the probability that it will not make payment of claims as they fall due. The Independent Expert has assessed the amount of assets held in excess of liabilities by AMIL and AEL, and its level of capital, both currently and as is projected to be the case if the Scheme is sanctioned.
- 1.6 Based on his review of the excess assets and capitalisation of AMIL and AEL, the Independent Expert has concluded that the policyholders of the Transferring Business will not be materially adversely impacted by the Scheme (i.e. the likelihood that the claims of these policyholders will be paid in full will for all practical purposes be the same before and after the Scheme comes into

effect) as, following the Transfer, AEL will still be sufficiently capitalised to meet claims as they fall due.

- 1.7 Having reviewed the projected excess assets and level of capital of AEL if the Scheme is sanctioned, the Independent Expert has concluded that the security of the existing policyholders of AEL will not be materially adversely impacted as a result of the Scheme (i.e. the likelihood that the claims of these policyholders will be paid in full will for all practical purposes be the same before and after the Scheme comes into effect) as, following the Transfer, AEL will still be sufficiently capitalised to meet claims as they fall due.
- 1.8 Having reviewed the projected excess assets and level of capital of AMIL if the Scheme is sanctioned, the Independent Expert has concluded that the security of the non-transferring policyholders of AMIL will not be materially adversely impacted as a result of the Scheme (i.e. the likelihood that the claims of these policyholders will be paid in full will for all practical purposes be the same before and after the Scheme comes into effect) as, following the Transfer, AMIL will still be sufficiently capitalised to meet claims as they fall due.

Levels of Service

- 1.9 The administration (including claims handling) of the Transferring Business is currently undertaken by staff employed by AmTrust Management Services Limited and other AmTrust Group companies. These staff will continue to administer the business in the same way whether the Scheme is sanctioned or not, although claims greater than €100,000 will require approval from the head of AEL's claim team. Such large claims are unusual and the Independent Expert has therefore concluded that the Scheme should not have any adverse effect on the service provided to the policyholders within the Transferring Business, the non-transferring policyholders of AMIL or the existing business of AEL.

Other Considerations

Effect of the Scheme on Reinsurers

- 1.10 The reinsurance arrangements protecting the Transferring Business will transfer by virtue of the Scheme and continue to protect the business once it has transferred to AEL. The amount of the liabilities of each external reinsurer of AMIL and AEL will not change as a result of the Scheme. The Independent Expert is therefore satisfied that the Scheme will not have a materially adverse impact on current and historic reinsurers of AMIL whose contracts of reinsurance are to be transferred by the Scheme and current and historic reinsurers of AEL.

2 Updated Report

Mr Tripp's analysis is based upon the material supplied to him, including balance sheets and other information, based on accounting positions as at 31 December 2017. Since the proposed

Effective Date for the Scheme is 30 June 2019, he will revisit the analysis closer to the time to confirm that there have been no material changes to the arrangements that he has reviewed that would affect his overall opinion. He will then prepare and issue an updated report to be made available to the High Court prior to the second High Court hearing. Copies of the updated Report can be obtained at www.amtrustinternational.com/portfoliotransfers, or in hard copy by emailing PartVII@amtrustgroup.com or by telephoning 020 7280 6440, or by writing to AmTrust International (Part VII), Exchequer Court 33 St Mary Axe London EC3A 8AA.

3 Further information on the Report

If you have any further questions please:

- go to www.amtrustinternational.com/portfoliotransfers; or
- telephone 020 7280 6440 (available between 9:00am to 5:00pm Monday to Friday); or
- write to AmTrust International (Part VII), Exchequer Court 33 St Mary Axe London EC3A 8AA; or
- email PartVII@amtrustgroup.com.