



Transfer of business from Markel International Insurance Company Limited to Markel Insurance Societas Europaea

INTRODUCTION

The proposed transfer (the **Transfer**) involves transferring various policies, or parts of policy (the **Transferring Policies**), of Markel International Insurance Company Limited (**MIICL**) to Markel Insurance Societas Europaea (**MISE**):

- ▶ The Transfer is intended to be effected on 29 March 2019 (the **Transfer Date**), after the sanctions hearing scheduled for 28 March 2019.
- ▶ Post Transfer, transferring policyholders of MIICL will have their policies administered and claims paid by MISE.

MIICL and MISE are both a part of the Markel group of companies (the **Markel Group**) with the ultimate parent company being Markel Corporation, a company located in the United States. MIICL and MISE are located in the UK and Germany respectively.

APPROVAL OF THE TRANSFER

The Transfer is subject to sanction by the High Court of England and Wales (the **Court**).

A report produced by a suitably qualified person (the **Independent Expert**) is required under Section 109 of the Financial Services and Markets Act 2000 as amended by the Financial Services Act 2012 (together the **FSMA**) in order that the Court and all affected policyholders may properly assess the impact of the Transfer. The report describes the Transfer and addresses its likely effect on all affected policyholders. This document is a summary of that report.

WHICH POLICIES WILL TRANSFER

The Transferring Policies are the parts of any MIICL policy which have insured risk located in the EEA (where here, I refer to the EEA as the European Economic Area after the UK has withdrawn), expect that in the case where a policy has risk only in the EEA and the UK, all of the policy will transfer. The matrix below shows which policies, or parts of policies, will transfer, based on the MIICL office location from which the policy was purchased, and the geographical area of risk covered by the policy.

MIICL has branch offices in Ireland, Germany, Spain and the Netherlands. MIICL also writes business from its head office in the UK on a freedom of services basis; if a MIICL policy is not from one of the branch offices then it is from the head office of MIICL.

		Geographical location of risks insured			
		EEA only	EEA plus some UK	EEA plus some in rest of world	UK and/or rest of world only
MIICL office location	UK Head office	Fully Transfer	Fully Transfer	Only the EEA part transfers	Will not Transfer
	Ireland Branch	Fully Transfer	Fully Transfer	Only the EEA part transfers	Will not Transfer
	Germany Branch	Fully Transfer	Fully Transfer	Not Applicable	Not Applicable
	Spain Branch	Fully Transfer	Fully Transfer	Not Applicable	Not Applicable
	Netherlands Branch	Fully Transfer	Fully Transfer	Not Applicable	Not Applicable

After the Transfer, a policyholder might hold policies with each of MIICL and MISE if their policy is split, with only the EEA part transferring to MISE.

INDEPENDENT EXPERT'S CONCLUSIONS

I have considered the Transfer and its likely effects on policyholders of MIICL and MISE.

I conclude that the security provided to policyholders will not be materially adversely affected after the Transfer, that no group of policyholders would be adversely affected to a material extent by the Transfer, that the level of customer service provided to policyholders would be unaffected by the Transfer, and that therefore there is no reason that the Transfer should not go ahead.

I will provide a Supplementary Report identifying any issues that have arisen between the date of the Independent Expert Report and the final Court hearing.

PURPOSE OF THE TRANSFER

The purpose of the Transfer is to reorganise the European operations of the Markel Group in such a way as to comply with the relevant insurance regulations. There is considerable uncertainty in the UK with regard to the future regulatory landscape as a result of Brexit. In particular, I believe that it is unlikely that MIICL would be able to continue to write insurance business in the EEA post-Brexit. There is also uncertainty for the status of the existing policyholders of MIICL in the EEA, where MIICL would be required to administer the remainder of the policy and make any claim payments due. The regulations governing this process after Brexit are unclear.

Therefore, the Markel Group has elected to place all EEA (excluding the UK) risks into a European insurance carrier, MISE, so that continuity of operations can be guaranteed. This will enable the Markel Group to service the existing European client base, and also to write new business.

REASONS FOR REACHING MY CONCLUSION

I have carried out various analyses on the financial statements and data of MIICL and MISE in relation to the Transfer. Specifically this included testing the reasonableness of the claims reserves for MIICL and MISE, and the ability of each to meet regulatory capital requirements as separate entities before and after the Transfer.

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