

## MILLIMAN REPORT

## 1. About the Independent Expert's Report and this Summary

- 1.1 I, Derek Newton, am a principal of Milliman LLP and a Fellow of the Institute and Faculty of Actuaries. I have been appointed as the independent expert to provide, in accordance with Part VII of the Financial Services and Markets Act 2000, a report on the potential impact of the proposed transfer (the **Scheme**) on the policyholders of FM Insurance Company Limited ( **FMI** ) and of FM Insurance Europe S.A. ( **FMIE** ) (the "**Scheme Report**"). FMI and FMIE are both members of the FM Global group ( **FM** ), which comprises those companies for which the ultimate parent is Factory Mutual Insurance Company. The Scheme Report is intended to assist the Court in assessing the effect of the proposed transfer on all affected policyholders, in particular commenting on possible material adverse effects in respect of the security of the benefits to which they are entitled under their policies and the levels of service that they could expect to receive post-Scheme.
- 1.2 In the Scheme Report, I comment only on the Scheme as presented and do not consider any possible alterations or alternative arrangements.
- 1.3 This is a summary (the "**Summary**") of the Scheme Report, dated 29



- 3.7 Taking all of these aspects into account, I have concluded that the security of the Transferring Policyholders will not be adversely affected to a material extent on implementation of the Scheme by differences in the financial strength between FMI on the one hand and FMIE on the other.

#### **RISK PROFILE**

- 3.8 FMI (pre-Scheme) and FMIE (both pre-Scheme and post-Scheme) are exposed to broadly similar types of risk, due to significant overlap in their respective governance processes and practices, in the types of business that they write and in the investment of their assets. However, there are differences in their profile:

FMI (pre-Scheme) is smaller than FMIE (both pre-Scheme and post-Scheme).

3.12 In the event that FMIE became insolvent post-Scheme, Transferring Policyholders who are not reinsureds would rank alongside Transferring Policyholders who are reinsureds (as well as alongside the Current FMIE Policyholders), whereas, in the event of the pre-Scheme insolvency of FMI, they would have ranked ahead of those Transferring Policyholders. Therefore, in the event of FMIE becoming insolvent post-Scheme, Transferring Policyholders who are not reinsureds would be worse-off post-Scheme than they would have been pre-Scheme. However, I consider the likelihood of FMIE becoming insolvent post-Scheme to be remote. Therefore, I am satisfied that the Transferring Policyholders will not be materially adversely affected by the implementation of the Scheme in respect of local insolvency rules.

3.13 FMI believes that none of its policyholders are currently elig375.())-3insokelihood of





## 7. Conclusions

7.1 I confirm that I have been provided with access to all material facts of which I am aware and that I consider relevant in order to assess the proposals under the proposed Scheme, and I further confirm that all information that I have requested in relation to my review has been provided. In performing my review and in producing the Scheme Report, I have relied, without detailed verification, upon the accuracy and completeness of the data and information provided to me by the Companies. My conclusions depend on the substantial accuracy of this data, information and the underlying calculations. At the time of preparing the Scheme Report, I was unaware of any issue that might cause me to doubt the accuracy of the data and other information provided to me by the Companies. As far as I am aware, there are no matters that I have not taken into account in undertaking my assessment of the proposed Scheme and in preparing the Scheme Report, but that nonetheless should be drawn to the attention of policyholders in their consideration of the proposed Scheme.

7.2 In summary, in my opinion, provided the proposed Scheme operates as intended, and I have no grounds for believing that it will not do so, I am satisfied that the implementation of the proposed Scheme would not have a material adverse effect on:

The Transferring Policyholders;

- Their benefit expectations;
- The security of their benefits;
- The level and standards of administration and service that would apply to their policies;

The FMI Non-Transferring Policyholders;

- Their benefit expectations;



