

*Report on the proposed transfer of  
business from Haven Insurance  
Policies Limited to Norwich Union  
Insurance Limited*

*Date of report: 5 December 2005*

This report must be read in its entirety.  
Reading individual sections in isolation could be misleading.

There are restrictions on the use that may be made of this report.  
These restrictions are set out in Section 1.6.

---

# Report on the proposed transfer of business from Haven Insurance Policies Limited to Norwich Union Insurance Limited

Date of report: 5 December 2005

## Contents

1	Introduction .....	1
1.1	Purpose of report .....	1
1.2	The proposed Scheme .....	2
1.3	Independent Expert .....	2
1.4	Scope .....	3
1.5	Materials considered and limitations .....	3
1.6	Use and limitations .....	4
1.7	Professional guidance .....	5
2	Outline of Scheme .....	6
2.1	The companies involved in the Scheme .....	6
2.2	Description of the Scheme .....	7
2.3	Purpose of the Scheme .....	7
3	Analysis .....	8
3.1	Overview of approach .....	8
3.2	Policyholders affected .....	8
3.3	Effect of the Scheme on the assets and liabilities of Haven Insurance and NUI .....	8
3.4	Security of Haven Insurance policyholders .....	12
3.5	Security of NUI policyholders .....	13
3.6	Other considerations .....	14
4	Conclusion .....	15

## Appendices

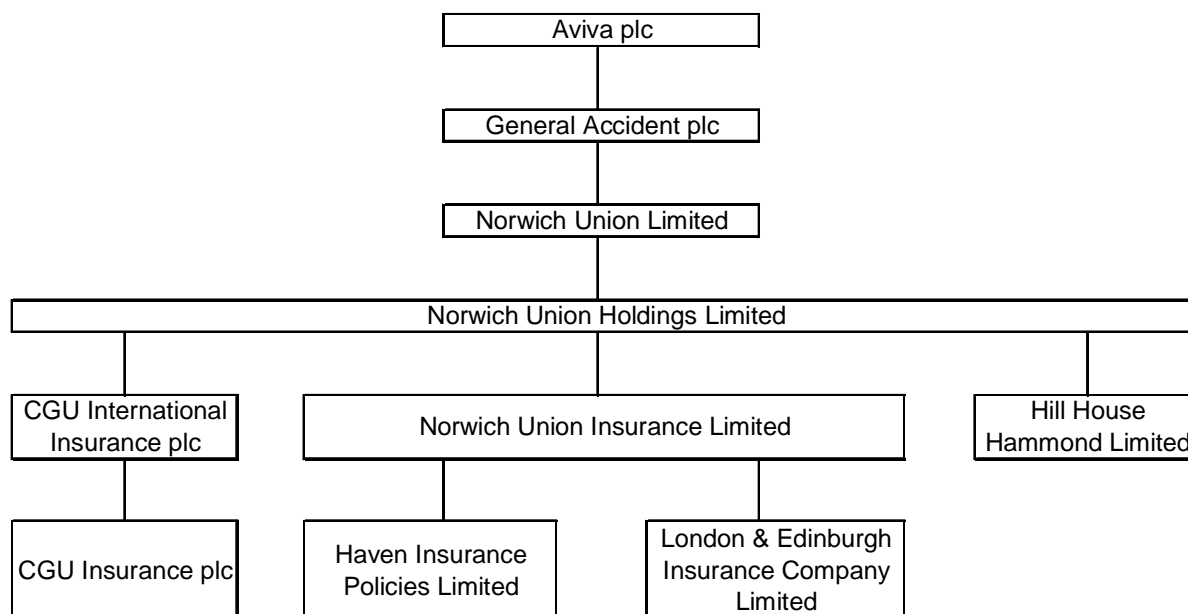
- A List of terms defined within this report
- B Personal experience
- C Data and other information considered
- D Authorisation classes
- E Approval of appointment

# 1 Introduction

## 1.1 Purpose of report

It is proposed that all of the general insurance business written by Haven Insurance Policies Limited (“Haven Insurance”) be transferred to Norwich Union Insurance Limited (“NUI”) by an insurance business transfer scheme (the “Scheme”) as defined in section 105 of the Financial Services and Markets Act 2000 (“FSMA”).

Haven Insurance and NUI are group companies of Aviva plc (“Aviva”). Haven Insurance is a direct subsidiary of NUI. The simplified diagram below illustrates the relationships between the relevant companies:



Note: it is proposed that Norwich Union Holdings Limited will become a direct subsidiary of Aviva plc on 12 December 2005.

A list of terms defined in this report is shown in Appendix A. Otherwise I use the same defined terms as are in the Scheme.

Section 109 of FSMA requires that an application to the Court for an order sanctioning an insurance business transfer scheme must be accompanied by a report on the terms of the scheme (a “Scheme Report”) by an independent person (the “Independent Expert”) having the skills necessary to make the report who is nominated or approved by the Financial Services Authority (“FSA”). The report is required in order that the Court may properly assess the effect of the proposed transfer, including the effect on policyholders (and third

---

party claimants who rely on their policies) of the insurance companies in question. The Sponsors of the Scheme have nominated me to act as an Independent Expert to provide this Scheme Report and the FSA has approved this nomination.

This Scheme Report describes the proposed transfer and discusses its possible effects on all affected policyholders and third party claimants, including effects on security and levels of service. For simplicity, any reference to “policyholders” in the rest of this report should be taken to include third party claimants.

## **1.2 The proposed Scheme**

The business to be transferred is the general insurance business of Haven Insurance. No other business is or has been written by Haven Insurance.

It is proposed that the transfer described above will become effective on 27 February 2006 (the “Effective Date”). The transfer is intended to have the effect that all insurance liabilities under these policies (and appropriate matching assets) will pass to NUI.

The business being transferred is currently administered by Capita Insurance Services Group Limited (“Capita Insurance Services”), and this will continue to be the case after the transfer.

The business involved, the arrangements for the transfer and the effect of the transfer are discussed in more detail in later parts of this report.

## **1.3 Independent Expert**

I have been nominated by the Sponsor of the Scheme and approved by the FSA to act as the Independent Expert for the Scheme.

NUI is the Sponsor of the Scheme, and will be bearing the costs associated with the production of this report.

I am an experienced actuary, having practised in general insurance for more than twenty-five years. I have previously provided independent expert reports for ten general insurance business transfers performed under Part VII of FSMA. I am a Fellow of the Institute of Actuaries. More details of my experience are attached at Appendix B.

I have no shareholding, investment or any other financial connection with Haven Insurance or NUI.

I have acted as the Independent Expert for previous transfer schemes involving other Aviva group companies, including a transfer to NUI (from Scottish General Insurance Company Limited).

---

The only other work for Aviva that I have been involved in during the last three years has been advice on actuarial aspects of accounting issues and IFRS. This advice was provided in the capacity of an independent external advisor and did not, at any stage, involve the independent estimation of reserve amounts or any similar advice for any Aviva group companies. I have never been involved with Aviva in an audit capacity and do not believe that the advice described in this paragraph conflicts in any way with my role as Independent Expert in relation to the Scheme.

I am a director in the Actuarial and Insurance Management Solutions practice of PricewaterhouseCoopers LLP (“PwC”). PwC has performed and continues to perform other work for Aviva. Although PwC has audited parts of the Aviva group in the past, it is no longer the auditor to any UK companies in the Aviva group. I am not involved in any work that PwC is performing or has performed for Aviva with the exception of the advice described above.

#### **1.4 Scope**

My report describes the proposed transfer and the likely effects on policyholders of Haven Insurance and NUI, including effects on security and levels of service. I have addressed the areas required by FSMA and the areas indicated in the guidance for Scheme Reports set out by the FSA in Chapter 18 of the FSA Supervision Handbook.

I have produced one report to cover both of the companies involved in the transfer, namely Haven Insurance and NUI.

My work has required a consideration of the liabilities of Haven Insurance and NUI, to the extent necessary for the purposes of describing the effect of the transfer and of showing simplified balance sheets for the companies. I have relied on the audited financial statements of both companies as at 31 December 2004, as well as discussions with relevant NUI and Aviva staff. In addition to the liabilities, I have assessed the appropriateness in nature and amount of the assets to be transferred under the Scheme.

I have not considered any alternative arrangement to the proposed transfer.

#### **1.5 Materials considered and limitations**

My work has been based on the data and other information made available to me by Haven Insurance and NUI (together with other information from Aviva). A list of data and other information that I have considered is shown in Appendix C. I have also held discussions with the NUI staff who have reviewed the reserve requirements for Haven Insurance.

I have conducted checks on the data provided to me for internal consistency and reasonableness. I have carried out a review of the processes used in the actuarial reserve

---

assessments for Haven Insurance and NUI, to the extent necessary for the purposes of assessing the effect of the transfer.

In all other respects I have relied on the integrity of the information provided to me. My review of the processes used in the actuarial reserve assessments and my checks on the data for internal consistency have not revealed any reason to doubt that it would be appropriate for me to rely on the integrity of the information provided for the purpose of this report.

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. I understand that the witness statements to be submitted to the Court by Haven Insurance and NUI will state that all information provided to me by the companies was correct and complete in all material respects and that there have been no material adverse changes to the financial position of Haven Insurance or NUI since that information was provided to me.

## **1.6 Use and limitations**

This report must be read in its entirety. Individual sections of this report could be misleading if considered in isolation from each other.

This report is addressed to the Sponsor of the Scheme.

A copy of this report will be sent to the FSA and it will also be available to policyholders and other members of the public as required by the relevant applicable legislation.

**This report has been prepared for and only for the Court in accordance with Part VII of FSMA in connection with the Scheme and for no other purpose. I do not accept or assume responsibility or liability for any other purpose or to any other person to whom this report is shown or into whose hands it may come (other than the Sponsor of the Scheme) save where I expressly agree to accept or assume responsibility by my prior consent in writing.**

My responsibilities and liabilities are limited to the Court and the Sponsor of the Scheme and exist only in the context of their use of my report for the purpose set out above. I will not accept any liability or responsibility in relation to the use of my report by the Court or the Sponsor of the Scheme for any other purpose. I will not accept any liability or responsibility to any third party recipients of my report under any circumstances, except where expressly agreed by my prior consent in writing.

The responsibilities and liabilities of PwC shall also be limited as stated above.

## **1.7 Professional guidance**

This report has been prepared in accordance with guidance set out by the Courts as to the duties and responsibilities of expert witnesses in civil cases and with guidance for Scheme Reports set out by the FSA in Chapter 18 of the FSA Supervision Handbook.

It has also been prepared in accordance with Guidance Note 12 issued by the Faculty and Institute of Actuaries, which governs the content of formal actuarial reports on general insurance business.

---

## 2 Outline of Scheme

### 2.1 The companies involved in the Scheme

#### 2.1.1 *Haven Insurance*

Haven Insurance was incorporated in England and Wales on 3 September 1986 under the Companies Act 1985 with the name Angelcove Limited. The company changed its name to Haven Policies Limited on 18 November 1986, and then to Haven Insurance Policies Limited on 6 March 1987.

Haven Insurance is a relatively small general insurance company, and is a direct subsidiary of NUI. Its insurance business comprises solely of motor and household property risks.

Haven Insurance is currently in run-off. (By “run-off” I mean that it is no longer underwriting new business but it continues to administer and pay claims relating to business underwritten in the past.) During May and June 2004, NUI took over the process of offering renewal policies to any Haven Insurance policyholders who wished to renew. This process was completed by 30 June 2004, and Haven Insurance has written no new or renewal business since that date. The typical length of policy term written by Haven Insurance was 12 months and I understand that it no longer has any live policies. The gross insurance technical provision held as at 31 December 2004 was £122m.

Haven Insurance is authorised by the FSA (FSA number 202705) and has permission to effect and carry out classes 1-3, 7-10, 13, 16 and 17 of general insurance business (defined in Appendix D).

#### 2.1.2 *NUI*

The Norwich Union Society, for insuring Buildings, Goods, Merchandise and Effects from Loss by Fire was founded by deed of settlement on 1 March 1797 as a mutual society. On 6 August 1821 a new deed of settlement was entered into establishing the Norwich Union Fire Insurance Society, the new society ceasing to be a mutual society. The Norwich Union Fire Insurance Society Act 1908 allowed it to be incorporated as a limited company in England and Wales on 6 August 1908 with the name Norwich Union Fire Insurance Society Limited. On 16 June 1997 it changed its name to Norwich Union Insurance Limited.

NUI was acquired by the Norwich Union Life Insurance Society in 1925.

NUI is authorised by the FSA (FSA number 202280) to carry out classes 1-18 and to effect classes 1-4, 7-10 and 13-18 of General Insurance Business.

---

NUI is the major UK general insurance company within Aviva's UK group and is also the direct holding company for two of the Aviva group's UK general insurance companies, Haven Insurance and London & Edinburgh Insurance Company Limited (as shown on the group structure diagram on page 1). NUI historically has written and will continue to write the same types of business as Haven Insurance.

## **2.2 Description of the Scheme**

All of Haven Insurance's general insurance business is to be transferred to NUI. The Scheme will transfer all Haven Insurance's insurance liabilities under the transferring policies and the transferring reinsurance contracts with a matching amount of assets.

In the unlikely event of there being any policies that cannot be transferred to NUI under the Scheme on the Effective Date, these "Excluded Policies" will be excluded from the Scheme until they can be transferred. It is not currently expected that there will be any Excluded Policies.

The business to be transferred is protected by internal quota share reinsurances (with CGU International Insurance plc) and by NUI's external reinsurance protections (which cover all of NUI's subsidiaries, including Haven Insurance). This will continue to be the case after the transfer. The Scheme will transfer Haven Insurance's right to claim under its reinsurance arrangements to NUI. Other rights and obligations of Haven Insurance will also be transferred to NUI.

NUI, Haven Insurance and London & Edinburgh Insurance Company Limited are parties to a Deed of Guarantee, stating that all parties mutually agree to guarantee their respective liabilities arising out of general insurance policies. In the event that one of the parties is unable to pay claims under its general insurance contracts, the other parties will pay it an amount sufficient to enable it to pay those claims. The purpose of this mutual guarantee agreement is to enable the parties to benefit from a waiver from the FSA permitting them to submit general insurance regulatory returns as a group rather than individually.

Capita Insurance Services is the claims administrator for the business to be transferred. It will continue to administer the Haven Insurance business after the transfer. Policy administration will also remain unchanged after the transfer.

## **2.3 Purpose of the Scheme**

The Scheme is part of a larger project to rationalise the general insurance business within the Aviva group following a series of mergers. The Aviva group is taking the opportunity to consolidate the business of companies with similar insurance liabilities.

---

## 3 Analysis

### 3.1 Overview of approach

My approach to assessing the likely effects of the Scheme on policyholders has been to:

- Identify the groups of policyholders affected;
- Understand the effect of the Scheme on the assets and liabilities of Haven Insurance and NUI (in order to assist me in assessing the effect on policyholders);
- Consider the likely effect of the Scheme on the security of each group of policyholders, by comparing their position if the Scheme were or were not implemented;
- Consider other aspects of the likely effects of the Scheme (for example the effect on policyholder service).

The sections below address each area in turn.

### 3.2 Policyholders affected

I have considered the effects of the Scheme on the following groups of policyholders:

- The policyholders of Haven Insurance, all of whose policies are to be transferred to NUI;
- Policyholders of NUI.

For the avoidance of doubt, any reference to NUI policyholders in this report should be taken to include those who become policyholders between the date of this report and the Effective Date.

I do not believe that the policyholders of any other insurance companies are affected by the Scheme.

### 3.3 Effect of the Scheme on the assets and liabilities of Haven Insurance and NUI

#### 3.3.1 *Assets and liabilities as at 31 December 2004*

To indicate the effect on Haven Insurance and NUI of the proposed transfer, I have shown pre- and post-transfer balance sheets below. For ease of explanation, I have shown the balance sheets in a summarised format.

The balance sheets show amounts as at 31 December 2004. I have chosen this date because it is the latest date for which audited balance sheets of both Haven Insurance and NUI are available at the time of writing my report. I have commented in Section 3.3.2 below on the changes that I would expect to impact the balance sheets between 31 December 2004 and the Effective Date.

**Summary Balance Sheets as at 31 December 2004  
(pre and post transfer)**

	Haven Insurance Policies			Norwich Union Insurance		
	Pre Transfer £m	Limited Transfer £m	Post Transfer £m	Pre Transfer £m	Limited Transfer £m	Post Transfer £m
<b>Assets</b>						
Intangibles	0	0	0	110	0	110
Investments	157	-94	63	3,230	94	3,324
Reinsurers' share of technical provisions	57	-57	0	2,000	57	2,057
Debtors	19	-18	0	1,472	18	1,490
Cash at bank and in hand	44	0	44	153	0	153
Prepayments and accrued income	3	0	3	442	0	442
<b>Total Assets</b>	<b>279</b>	<b>-169</b>	<b>110</b>	<b>7,407</b>	<b>169</b>	<b>7,576</b>
<b>Liabilities</b>						
Shareholders' funds	41	0	41	1,227	0	1,227
Technical provisions	122	-122	0	4,382	122	4,504
Provision for other risks and charges	0	0	0	0	0	0
Creditors	116	-47	69	1,478	47	1,525
Accruals and deferred income	1	0	1	320	0	320
<b>Total Liabilities</b>	<b>279</b>	<b>-169</b>	<b>110</b>	<b>7,407</b>	<b>169</b>	<b>7,576</b>
Ratio of assets to liabilities excluding shareholders' funds				119.9%		119.3%

**Notes:**

- This schedule does not allow for a proposed dividend of £20m to be paid by Haven Insurance in December 2005, prior to the transfer.

I have obtained all the items shown on the balance sheets directly from the audited balance sheets of Haven Insurance and NUI as at 31 December 2004. Numbers in the above table have been rounded to the nearest multiple of £1m; as a consequence, there are some small rounding differences in the totals.

The table above does not, however, allow for a proposed dividend of £20m to be paid in December 2005 (prior to the Effective Date) to release some of the excess capital within Haven Insurance. There have also been updates to the technical provisions since 31 December 2004, due to the continued payment of claims. The schedule below illustrates how the balance sheet would look if the dividend is allowed for, and technical provisions updated to 30 June 2005. Please note that these figures have not been audited, and therefore are used for illustration purposes only.

**Summary Balance Sheets as at 31 December 2004; technical liabilities updated to 30 June 2005  
(pre and post transfer)**

	Haven Insurance Policies Limited			Norwich Union Insurance Limited		
	Pre Transfer £000s	Transfer £000s	Post Transfer £000s	Pre Transfer £000s	Transfer £000s	Post Transfer £000s
<b>Assets</b>						
Intangibles	0	0	0	110	0	110
Investments	145	-82	63	3,230	82	3,312
Reinsurers' share of technical provisions	46	-46	0	2,000	46	2,046
Debtors	19	-18	0	1,472	18	1,490
Cash at bank and in hand	24	0	24	153	0	153
Prepayments and accrued income	3	0	3	442	0	442
<b>Total Assets</b>	<b>237</b>	<b>-147</b>	<b>90</b>	<b>7,407</b>	<b>147</b>	<b>7,554</b>
<b>Liabilities</b>						
Shareholders' funds	21	0	21	1,227	0	1,227
Technical provisions	100	-100	0	4,382	100	4,482
Provision for other risks and charges	0	0	0	0	0	0
Creditors	116	-47	69	1,478	47	1,525
Accruals and deferred Income	1	0	1	320	0	320
<b>Total Liabilities</b>	<b>237</b>	<b>-147</b>	<b>90</b>	<b>7,407</b>	<b>147</b>	<b>7,554</b>

Ratio of assets to liabilities excluding shareholders' funds 119.9% 119.4%

**Notes:**

- This schedule allows for a proposed dividend of £20m to be paid by Haven Insurance in December 2005, prior to the transfer.
- The Haven Insurance technical provisions are updated to 30/6/2005. A number of other elements cannot be updated as I do not have this information.
- The gross cost of claims paid during the first half of 2005 will be borne by Haven Insurance's assets. A proportion of this cost will be recoverable from reinsurers.

### ***Haven Insurance***

Haven Insurance's year-end 2004 pre-transfer balance sheet shows gross technical provisions of £122m and reinsurers' share of technical provisions of £57m. As a result of the transfer, Haven Insurance's gross and reinsurers' share of technical provisions will reduce to zero.

The creditor and debtor amounts arising out of insurance and reinsurance operations will also be transferred.

The assets to be transferred to NUI (in addition to both the reinsurers' share of technical provisions and debtors arising from insurance operations referred to above) will be cash or cash-equivalent assets sufficient to match the liabilities being transferred.

Other material amounts on Haven Insurance's year-end 2004 pre-transfer balance sheet are as follows: financial investments of £157m and creditors of £116m.

---

## *NUI*

NUI's year-end 2004 pre-transfer balance sheet shows gross technical provisions of £4,382m and reinsurers' share of technical provisions of £2,000m. The amount of business being transferred to NUI is small compared to its existing business. Gross technical provisions will increase by around 2.8% (£122m) as a result of the transfer.

### **3.3.2 *Expected changes in assets and liabilities to Effective Date***

Having examined the balance sheets as at 31 December 2004, I have considered the changes that may be expected to occur between 31 December 2004 and the Effective Date.

I understand that Haven Insurance intends to pay a dividend prior to the transfer to release some excess in shareholder's funds. The timing and amount of this dividend is yet to be confirmed, but it is likely to be close to £20m in total. For the purpose of assessing the impact of the proposed transfer on policyholder security, I have assumed that a dividend of £20m will be paid.

On 30 June 2005, the business of Scottish General Insurance Company Limited was transferred into NUI under the provisions of FSMA. The effect of this transfer has not been reflected in the tables above. The liabilities transferred were approximately 1% of NUI's technical provisions. I do not believe that this would affect any conclusion that I reach in this report.

I expect that the current activities of both companies will continue between 31 December 2004 and the Effective Date (and after the Effective Date, in the case of NUI). NUI will continue to write new business, and both companies will continue to settle claims and re-assess reserves in the light of experience. Since Haven Insurance is in run-off, its technical provisions will continue to decline as claim payments are made (since no new business is written). I do not consider that any additional risk to either group of policyholders will emerge as a result of the continuation of normal business.

Further to considering the continuation of normal business, I have discussed with Aviva group staff the possibility of management actions that could affect the financial position of NUI (such as corporate restructuring or significant changes in new business strategy or operational plans). I have been informed that NUI has no planned activities that would have a material effect on the security of its policyholders, whether existing at 31 December 2004 or having become a new policyholder since then.

I believe that it is unlikely that any events occurring between 31 December 2004 and the Effective Date (other than the dividend payment and Haven Insurance claims run-off described above) would affect any conclusion that I reach based on my review as at

---

31 December 2004. I have taken the dividend payment and Haven Insurance claims run-off into account in forming my conclusion.

### **3.4 Security of Haven Insurance policyholders**

#### **3.4.1 *General comments***

I have considered the likely effects of the Scheme on the security of Haven Insurance policyholders, by comparing their position if the Scheme were or were not implemented.

If the Scheme were not implemented, Haven Insurance policyholders would remain with Haven Insurance: a company that is small but has a good solvency position (even after the level of capital is reduced by the planned dividend payment), and whose security is bound together with NUI by the Deed of Guarantee.

If the Scheme were implemented, Haven Insurance policyholders would be transferred to NUI: a much larger company with a good solvency position, which writes the types of business written by Haven Insurance, and whose security is bound together with Haven Insurance by the Deed of Guarantee.

Based on this overview of the position, the security of Haven Insurance policyholders does not appear to be adversely affected by the proposed transfer. In order to confirm this conclusion I consider NUI's strength in further detail below.

#### **3.4.2 *Assessment of the current insurance liabilities of NUI***

I believe that the most significant of the risks to NUI – as to almost all insurance companies – is the risk that the technical provisions prove inadequate to cover the company's insurance liabilities. This section describes my assessment of that risk.

NUI's actuarial team perform quarterly reviews of NUI's insurance liabilities. For the purposes of my work, I have used their 30 June 2005 review. It should be noted that the estimation of reserve requirements for insurance liabilities is an inherently uncertain exercise. An element of subjectivity is inevitably included in any reserve assessment.

NUI's actuarial team have used standard actuarial techniques that I consider appropriate to the circumstances, and their approach and key assumptions in respect of the major issues do not appear unreasonable.

I am satisfied that the technical provisions held by NUI as at 30 June 2005 are reasonable for the purposes of describing the effect of the transfer in my report and of showing simplified balance sheets.

---

### **3.4.3 *Internal Capital Assessment for NUI***

In line with regulatory requirements, NUI has made an assessment of the capital that it needs to retain in order to maintain its ability to meet its obligations to a level of certainty prescribed by the FSA. (This is known as an Internal Capital Assessment; a definition is given in Appendix A).

Due to the existence of the Deed of Guarantee (referred to on page 7 of this report), NUI assesses its capital needs at a consolidated level (i.e. including Haven Insurance and any other parties to the guarantee).

NUI has provided me with an overview of its approach to its Internal Capital Assessment and the results of a number of stress tests used in the assessment. The stress tests examine the financial impact of the key risks to which NUI believes it is subject in the course of its business. It concludes that the net assets actually held by NUI exceed the required level indicated by the assessment.

Nothing emerged from the documents provided to me or my discussions with NUI staff to give me concerns as to the financial strength of NUI.

### **3.4.4 *Conclusion***

I have concluded that the security of the transferring Haven Insurance policyholders is not adversely affected by the proposed transfer.

### **3.5 *Security of NUI policyholders***

In assessing the likely effect of the transfer on NUI policyholders, the main risk to consider is that the liabilities of the transferring policies deteriorate post-transfer to such an extent that NUI's solvency is threatened.

NUI is, however, very large in relation to the liabilities to be transferred to it from Haven Insurance. NUI held shareholders' funds of £1,227m as at 31 December 2004; Haven Insurance's net technical provisions were only £65m. Even if Haven Insurance's net technical provisions were to deteriorate by 100% post-transfer, NUI would still hold shareholders' funds of more than £1,000m.

The technical provisions for Haven Insurance are established by NUI's actuarial team. I have read the report produced by the NUI team and have held discussions with them.

I note that the business is motor and household property business, and is in run-off. I am satisfied, based on my experience, my understanding of the type of business underwritten by Haven Insurance and my review of the actuarial reserve analysis, that any potential

---

deterioration in the technical provisions held by Haven Insurance at 31 December 2004 would be immaterial compared to NUI's shareholders' funds at the same date.

Between 31 December 2004 and the Effective Date, Haven Insurance has continued, and will continue, its run-off. I do not believe that my opinion would change between 31 December 2004 and the Effective Date as a result of this run-off.

I have concluded that the security of NUI's policyholders is not adversely affected by the transfer.

### **3.6 Other considerations**

#### **3.6.1 Administration of the business to be transferred**

As described earlier, the claims and policy administration for the business to be transferred will remain unchanged.

I do not, therefore, anticipate any change in the level of service to policyholders as a result of the transfer.

#### **3.6.2 Nature of the assets to be transferred**

The assets to be transferred to NUI comprise cash (or cash-equivalent assets), reinsurance and debts arising from insurance operations, equal to the liabilities to be transferred. Because of this and the relative size and financial strength of NUI, I am satisfied that the nature of the assets to be transferred does not generate any material risk to the security of the affected policyholders.

#### **3.6.3 Cost and tax effects of the Scheme**

The costs of the Scheme are being borne by NUI. I understand that the Scheme is not expected to have tax implications that would affect any policyholders.

I do not believe that the cost or tax effects of the Scheme will adversely affect the policyholders.

#### **3.6.4 Future changes in operational arrangements**

I have not considered the possibility of future changes to the administration, reinsurance or other operational arrangements relating to the Haven Insurance business to be transferred or the existing business of NUI.

I have been informed by NUI that there are currently no plans for any such changes.

---

## 4 Conclusion

I have considered the Scheme and its likely effect on the policyholders of Haven Insurance and NUI. I have concluded that no policyholders (or third party claimants who rely on their policies) would be adversely affected by the proposed transfer.

I confirm that I understand my duty to the Court. I confirm that insofar as the facts stated in my report are within my own knowledge I have made clear which they are and I believe them to be true, and that the opinions I have expressed represent my true and complete professional opinion.



Fred Duncan FIA

5 December 2005

## A List of terms defined within this report

“Aviva”	Aviva plc
“Capita Insurance Services”	Capita Insurance Services Group Limited
the “Effective Date”	the date on which the proposed transfer is to become effective
“FSA”	the Financial Services Authority or such other successor authority, body or organisation as shall for the time being carry out and perform the functions and responsibilities of the Financial Services Authority in relation to general insurance activities in the UK
“FSMA”	the Financial Services and Markets Act 2000
“Haven Insurance”	Haven Insurance Policies Limited (registered with FSA number 202705)
the “Independent Expert”	the individual appointed to report on the terms of a Scheme and approved by the FSA pursuant to Section 109 of FSMA
“Internal Capital Assessment”	an insurance company’s own assessment of the capital it needs for regulatory purposes in order to mitigate appropriately the risks to which it is exposed and that could otherwise cause it be unable to meet its liabilities as they fall due
“net assets”	assets held in excess of those required to meet the liabilities, also known as shareholders’ funds
“NUI”	Norwich Union Insurance Limited (registered with FSA number 202280)
“PwC”	PricewaterhouseCoopers LLP
the “Scheme”	the Scheme that is the subject of this report
“Scheme Report”	report on the terms of the Scheme by an Independent Expert
“Sponsor of the Scheme”	NUI
“technical provisions”	the estimated value of all current and future liabilities that an insurance company will be liable to pay relating to policies written to date

## **B Personal experience**

### **Fred Duncan**

#### **Curriculum Vitae**

---

I am a Director of the Actuarial and Insurance Management Solutions (AIMS) practice of PricewaterhouseCoopers LLP (PwC). I am a Fellow of the Institute of Actuaries.

Prior to joining PwC in 1997, I headed and built the actuarial department of a London Market insurance and reinsurance company, where I also served as a member of the board of directors. I was involved in a wide variety of management and actuarial projects ranging from reserving to financial planning and reporting, acquisitions and reinsurance purchasing.

Since 1997, I have continued to work in the above areas for a wide variety of insurance company clients in the UK and Europe. I have also worked on projects as varied as capital management and allocation, insurance insolvencies, US GAAP conversions, insurance business transfers, and advising clients on the impact of legislative and accounting changes.

I am a former chairman and founder member of the London Market Actuaries Group. I have also been involved in the educational aspects of the actuarial profession, which I served as a member of the General Insurance Board.

Recent assignments particularly relevant to the proposed work as an Independent Expert include the following:

- Providing the Independent Expert reports in 2002 for
  - WASA International (UK) Insurance Company Limited
  - AGF Insurance Company Limited
- Independent Expert in the transfer of American Re-Insurance Company UK Branch policies to Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in Munchen (Munich Re) – 2003

- Independent Expert on the transfer of all of Stockholm Reinsurance Company (UK) Limited's liabilities to WASA International Insurance Company Limited (Sweden) – 2003
- Independent Expert on the transfer of the general insurance liabilities of twelve Aviva plc group companies to The Ocean Marine Insurance Company Limited – 2004
- Independent Expert on the transfer of all the general insurance liabilities of The Guarantee Society Limited to CGU Insurance plc – 2005
- Independent Expert on the transfer of all the general insurance liabilities of Scottish General Insurance Company Limited to Norwich Union Insurance Limited – 2005
- Independent Expert on the transfer of all the Employers Liability policies of Lakewood Insurance Company Limited to If Property and Casualty Insurance Limited (Sweden) – 2005
- Independent Expert on the transfer of all the general insurance liabilities of The Northern Assurance Company Limited to The Ocean Marine Insurance Company Limited and CGU International Insurance plc – 2005
- Independent Expert on the transfer of general insurance liabilities of Privilege Insurance Company Limited to Direct Line Insurance plc – 2005

## C Data and other information considered

I have used the following documents, reports, data and other information provided by Aviva, NUI and Haven Insurance.

- Background information on structure of the Aviva plc group and information about Haven Insurance and NUI
- 31 December 2004 report and accounts and FSA returns for Haven Insurance and NUI
- Review by NUI's actuaries of the Haven Insurance claims reserves as at 30 June 2005
- Review by NUI's actuaries of the NUI claims reserves at 30 June 2005
- Summary, written by NUI, of the Internal Capital Assessment conducted for NUI (which includes Haven Insurance)
- Deed of Guarantee (between NUI, Haven Insurance and London & Edinburgh); the latest update being a Deed of Release on 23 November 2003. This removed both Aviva Insurance and Security Insurance Limited from the Deed of Guarantee
- Documents showing contractual relationships between Haven Insurance and NUI and Haven Insurance and its reinsurers
- The Scheme document

Information relating to the items listed above was also gathered during conversations with staff of Aviva, NUI and Haven Insurance.

## D Authorisation classes

### D 1 General insurance business

1	Accident
2	Sickness
3	Land vehicles
4	Railway rolling stock
5	Aircraft
6	Ships
7	Goods in transit
8	Fire and natural forces
9	Damage to property
10	Motor vehicle liability
11	Aircraft liability
12	Liability for ships
13	General liability
14	Credit
15	Suretyship
16	Miscellaneous financial loss
17	Legal expenses
18	Assistance

### D 2 Long-term insurance business

I	Life and annuity
II	Marriage and birth
III	Linked long term
IV	Permanent health
V	Tontines
VI	Capital redemption
VII	Pension fund management
VIII	Collective insurance
IX	Social insurance

## **E Approval of appointment**

A letter from the FSA approving my appointment as the Independent Expert is attached on the next page.

# Financial Services Authority

Direct line: 020 7066 9652  
Local fax: 020 7066 9798  
Email: mark.conlon@fsa.gov.uk

***By post and fax***

Mr David Rose  
Director of Tax, Norwich  
Aviva plc  
St Helen's  
1 Undershaft  
London  
EC3P 3DQ



24 October 2005

Our Ref: REGTD/transfers/mc/202705

Your Ref:

Dear David,

**Insurance Business Transfer Scheme: Proposed transfer from Haven Insurance Policies Limited to Norwich Union Insurance Limited**

I refer to your letter of 19 October 2005 to my colleague Mr Tony Culligan seeking the FSA's approval to the appointment of Mr Fred Duncan as the independent expert in respect of the above transfer scheme.

Pursuant to section 109(2) of the Financial Services and Markets Act 2000 the Financial Services Authority approves the appointment of Mr Fred Duncan.

Yours sincerely

A handwritten signature in black ink, appearing to read "Mark Conlon".

Mark Conlon  
Regulatory Decisions Department