



**INDEPENDENT EXPERT SUMMARY REPORT
OF PHILIP TIPPIN FIA
In the matters of**

**ZURICH INSURANCE COMPANY LTD (UK BRANCH)
AND
CATALINA WORTHING INSURANCE LIMITED**

**AND IN THE MATTER OF PART VII OF THE FINANCIAL
SERVICES AND MARKETS
ACT 2000**

DATED 10 NOVEMBER 2025

KPMG LLP
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This report contains 12 pages

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1 Introduction

The Proposed Transfer

Zurich Insurance Company Ltd ("**ZIC**") UK Branch ("**ZIC UK**") and Catalina Worthing Insurance Limited ("**CWIL**") have proposed a scheme to transfer certain legacy employers' liability ("**EL**") insurance policies (the "**Project Elbow portfolio**") from ZIC UK to CWIL (the "**UK Transfer**").

In addition to the UK Transfer, a parallel transfer is proposed in Jersey in respect of policies within the Project Elbow portfolio forming part of the business carried on in, or from within, Jersey (the "**Jersey Transfer**").

Both the proposed UK Transfer and Jersey Transfer are collectively referred to in this summary report as the "**Transfer**". Collectively ZIC UK and CWIL are referred to as the "**Transfer Companies**". My comments and conclusions apply equally to the Jersey Transfer.

Purpose of this Report

ZIC and CWIL appointed me as the Independent Expert for the Transfer. This appointment has been approved by the Prudential Regulation Authority ("**PRA**") following consultation with the Financial Conduct Authority ("**FCA**").

The High Court of Justice of England and Wales ("**the Court**") must approve the UK Transfer for it to happen. Similarly, the Royal Court of Jersey ("**the Jersey Court**") must approve the Jersey Transfer. My role is to consider the likely impact of the Transfer on the policyholders of the Transfer Companies and to set out my conclusions in a report.

This report is primarily for the Court and the Jersey Court, but is also for policyholders and any other parties affected by the Transfer. This Summary Report covers the main conclusions of my Independent Expert's Report, which is available on the Transfer Companies' web sites: catalinaworthing.co.uk/zurichtransfer and zurich.co.uk/eltransfer

The Independent Expert

I am a partner in the actuarial practice of KPMG LLP, and have been a Fellow of the Institute and Faculty of Actuaries for 26 years and worked in the general insurance market for 30 years.

To the best of my knowledge, information and belief, I have no conflicts of interest in connection with the parties involved in the proposed Transfer, either through my professional work, my personal relationships or my financial relationships.

In reporting to the Court on the proposed Transfer my overriding duty is to the Court. This duty applies irrespective of any person or firm from whom I have been instructed or paid.

My report does not consider any possible alternative arrangements other than the Transfer.

Overview of my approach

In considering the impact of the proposed Transfer on the security of policyholders, I have considered both the impact of the Transfer on the financial resources available to support policyholders and also a number of non-financial impacts on how a customers' experience

may change as a result of the Transfer. I have compared any changes with the arrangements that would be in place were the Transfer not to happen, and considered whether any of the changes represents a material adverse impact on policyholders.

Whilst materiality necessarily involves an element of judgement, rulings on previous Part VII Transfers have noted that it should be "material in the sense that there is the prospect of real or significant, as opposed to fanciful or insignificant, risk to the position of the stakeholder concerned." Applying to this matter in hand the question I need to answer is whether the change in security (or indeed any other aspects of the Transfer that have an impact on policyholder outcomes) introduces a significant enough risk that policyholders will not get their valid claims paid in full.

In my analysis I have identified and considered the following groups of policyholders:

- i) "Non-Transferring ZIC policyholders" (those policyholders which will remain with ZIC after the Transfer);
- ii) "Transferring ZIC policyholders" (those policyholders that transfer from ZIC to CWIL as part of the Transfer);
- iii) "Existing CWIL direct policyholders" (existing CWIL policyholders that are directly insured rather than reinsured); and
- iv) "Existing CWIL assumed policyholders" (existing CWIL policyholders who are reinsured rather than directly insured).

I note that when I refer to 'direct' policyholders this refers to all beneficiaries of the policies. This includes individuals and entities who have directly taken out a policy, and for employers' liability policies, the beneficiaries will include individuals that have contracted an illness or disease associated with exposure to harmful working environments over the course of their careers.

Use and limitations

This Summary Report must be considered in conjunction with the Independent Expert's Report and reliance must not be placed solely on this summary. Both this summary and the Independent Expert's Report must be considered in their entirety, including the limitations on their use as set out in the Independent Expert's Report. In the event of any real or perceived conflict between this summary and the Independent Expert's Report, the latter shall be definitive.

This Summary Report is written in compliance with the same professional standards and regulatory requirements as the Independent Expert's Report, and has been subject to peer review.

I will issue a Supplementary Report containing the most up-to-date financial information prior to the final hearing. The Supplementary Report will also address any market developments, and any policyholder responses.

Professional guidance

In preparing my report I have followed the requirements of the Technical Actuarial Standards ("TAS's") issued by the Financial Reporting Council. The TAS's which apply to the work performed in preparing this Summary Report and my Independent Expert Report are Principles for Technical Actuarial Work ("TAS 100") and Insurance ("TAS 200").

2 About the Transfer

Background of the Transfer Companies

ZIC UK is the UK branch of ZIC. ZIC is a public limited company headquartered in Zurich, Switzerland and subject to group supervision by the Swiss Financial Market Supervisory Authority. ZIC is a wholly owned direct subsidiary of Zurich Insurance Group Ltd. ZIC writes non-life insurance business in Switzerland and through its 11 global branches licensed to carry on insurance business. ZIC also assumes internal reinsurance business for its subsidiaries and ensures pooling of risk and capital within the Zurich group.

ZIC UK is authorised by the PRA and is regulated by the FCA and subject to limited regulation by the PRA. ZIC UK is subject to requirements of the UK-Swiss Bilateral Treaty, the PRA Rulebook applicable to Non-Directive Firms and the rules in the FCA Handbook.

CWIL is a UK regulated insurance company. CWIL is part of the Catalina group which is headed by Catalina Holdings (Bermuda) Ltd. ("**CHBL**"), and the intermediate parent company of CWIL is Catalina General Insurance Ltd. (Bermuda) ("**CatGen**"). CatGen is regulated by the Bermuda Monetary Authority and is a material reinsurer of CWIL.

Both CHBL and CatGen are regulated under the Bermuda solvency regime, whilst CWIL is regulated under the PRA's Solvency UK regime. CWIL is a run-off non-life insurance company covering risks such as UK employers' liability, US asbestos, pollution and other health hazards, US abuse and other similar claim types.

Overview of the Transfer

"**Project Elbow**" is the name given to the project for CWIL to assume both economic and legal responsibility for the Project Elbow portfolio, which consists of all of the EL policies underwritten or assumed by ZIC UK prior to 1 January 2007 other than specific classes of policies outlined in the Independent Expert's Report.

Project Elbow has been structured into three phases:

- (1) The economic transfer of the Project Elbow portfolio through a loss portfolio transfer reinsurance ("**LPT**") with CatGen, which commenced on 1 April 2019.
- (2) The operational transfer of responsibility for claims handling and administration for the Project Elbow portfolio through a migration and outsourcing agreement ("**MOA**") with Catalina Services UK Limited ("**CSUK**") which commenced on 1 January 2022. In addition to this, since 1 January 2023, CSUK has also managed outwards third-party reinsurance collections for the Project Elbow portfolio.
- (3) The legal transfer of the Project Elbow portfolio through a Part VII Transfer. It is this third phase that my Independent Expert report and this Summary Report relate to.

At the point of the Transfer a series of other transactions will also take place, additional capital to support the incoming Project Elbow portfolio, providing additional reinsurance protection to CWIL from CatGen, and a number of guarantees to CWIL from CHBL to provide additional policyholder security.

Whilst many of the policies in the Project Elbow portfolio are pure EL policies, some were underwritten as part of a package alongside public liability for example. In these cases, the policy is "split" as part of the Transfer, with the EL coverage being moved to CWIL and

the residual policy coverage remaining behind with ZIC. Similarly, certain outwards reinsurance agreements that ZIC currently has that cover policies both within and outside of the Project Elbow portfolio will also be split as part of the Transfer so as to maintain existing cover for both transferring and remaining policyholders.

Nature of the liabilities transferring and within CWIL

All of the policies intended to transfer and all of those currently in CWIL are now very old, with the latest new underwriting on any of the Project Elbow or CWIL portfolios having taken place in 2012. Because of this the vast majority of unsettled claims are in respect of third party liability covers where the policy wording requires that a claim be attached to the policy period in which the injury or damages are deemed to have occurred, and where the injury or damage takes a very long time after that occurrence to be identified. These are often referred to as “**latent claims**”. Despite the age of the policies, considerable uncertainty remains around the ultimate liabilities given their long duration and nature of the underlying risk.

These latent claims include asbestos related diseases and noise induced hearing loss. The latency period between exposure to asbestos and developing some diseases is estimated to be as long as 40 years or more, so there will continue to be new third-party claimants in respect of these old policies for many years to come.

Key risks

In my Independent Expert report, I have considered all of the risks to policyholders of any of the Transfer Companies of the Transfer proceeding, but the key, and most material financial risks are summarised below.

ZIC is a major international insurance company based in Switzerland underwriting premiums of CHF27.5 bn in 2024, with risk-bearing capital of \$34.1 bn. The transferring policies make up less than 1% of its gross insurance claims reserves. By contrast, CWIL is a materially smaller legacy insurance specialist. The Transfer will more than double the size of CWIL's balance sheet, including a trebling of its insurance claims reserves. CWIL's available Solvency capital is expected to be £150m immediately before the Transfer.

As such, I focus a large section of my Independent Expert Report on the capital resources available to policyholders after the Transfer, in the form of the provisions already established for the liabilities, the assessment of required capital, and the durability of that capital and wider reinsurance and guarantee support under stress scenarios.

The Catalina group has recently changed strategy to focus on different types of future new business transactions such that neither CWIL nor CatGen, its major reinsurer are expected to add new business for the foreseeable future. The strategic change is intended to reduce volatility and increase profitability within the group. Without any new business this means that both CWIL and CatGen become more reliant on the wider Catalina group if additional capital is needed in the future, which has informed my stress testing analysis.

In addition, the liabilities that are proposed to transfer into CWIL are very long-tailed in nature, and are expected to take in excess of thirty years before they are fully settled. With CWIL and CatGen both now in run-off this means that over time the liability profile of each will become increasingly concentrated in these very long-tailed risks and also increasingly correlated with each other. Such an increase in correlation means that many stress scenarios for CWIL will also cause stresses on the CatGen balance sheet, which also increases the counterparty credit risk. Again, I consider this in my stress testing



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analysis, along with the effectiveness of the different forms of capital available to CWIL in these stress scenarios.

3 What is the impact of the Transfer on policyholders?

In the section below I have summarised my conclusions by considering the impact of the Transfer on each group of stakeholders. When I refer to a coverage ratio, this is the ratio of available capital to the applicable regulatory capital requirement.

Non-Transferring ZIC policyholders

The Project Elbow portfolio is already 100% reinsured to CatGen from ZIC, so the impact on net of reinsurance reserves for ZIC of the Transfer occurring is nil. The Transfer is expected to have a negligible impact on overall ZIC capital requirements. As such, I do not consider that the Transfer will have any material impact on the financial security of non-Transferring ZIC policyholders.

Any outwards reinsurance contracts that cover both remaining and transferring business will be split as part of the Transfer process, so there is no loss of reinsurance protection for non-Transferring ZIC policyholders.

As the non-Transferring ZIC policyholders remain with the company that they are currently insured by there is no change for them in respect of any of the non-financial element of their customer experience (e.g. claims handling; complaints management; policy administration) either.

Those non-Transferring ZIC policyholders that have access to benefits such as Financial Services Compensation Scheme ("FSCS") protection or access to the Financial Ombudsman Service ("FOS") will retain those rights after the Transfer.

I conclude that the impact of the Transfer on non-Transferring ZIC policyholders is negligible, and there is no material adverse impact on this group of policyholders.

Transferring ZIC policyholders

Transferring ZIC policyholders are moving from a company operating under the Swiss Solvency Test ("SST") regime with available risk bearing capital of \$34.1bn and a provisional SST coverage ratio of 234% at 31 December 2024 to an entity that operates in the Solvency UK regime with Own Funds of £151.3m and a Solvency UK coverage ratio of 204%.

The two regimes are considered equivalent for regulatory purposes and the coverage ratios are both very high. Before the Transfer however, Transferring ZIC policyholders currently have claims paid indirectly by CatGen (as reinsurer of ZIC) and the further protection of the ZIC balance sheet (as the direct insurer) if CatGen were ever unable to meet its liabilities under the current reinsurance arrangement. After the Transfer they would have the protection of CWIL and CatGen as reinsurer, and would lose the back-up of the much larger ZIC balance sheet. That said, the ZIC balance sheet supports a proportionately much bigger volume of reserves than CWIL's, so the important question I need to address is not one based on relative size and scale, but whether CWIL has the capital resources to provide adequate security of benefits to transferring policyholders.

In the Independent Expert's Report, I explain why I consider the proposed target capitalisation of CWIL at 135% of the unapproved ultimate capital requirement

(“**unapproved UCR**”) (i.e. the level of capital to support the ultimate run-off of the portfolio, which is a higher target than the regulatory requirement) to be a reasonable target level. In addition, I also explain why I consider CWIL's calculation of their target capital to have been appropriately performed; and by consideration of stress tests and reverse stress tests I consider that the scenarios that would lead to CWIL being unable to meet all its valid claims in full are sufficiently remote.

Based on my analysis, I consider that CWIL is capitalised to a reasonable level and protected by such reinsurances from CatGen and guarantees from CHBL that it can withstand a large range of stress and reverse stress tests after the Transfer. CWIL is capitalised significantly in excess of its regulatory requirements, and instead measures itself against a higher threshold that more accurately reflects the risks to the business.

I have also considered more extreme stress scenarios that would cause CWIL and/or CatGen to run out of capital (and therefore where ZIC can be expected to pay any remaining claims were the Transfer not to have occurred), how the impact of these stresses may change on CWIL with the passage of time, and how the different components of CWIL's capital would respond in these more extreme scenarios. The stress tests and reverse stress tests suggest that CWIL could withstand realistically extreme shocks after the Transfer, and whilst no-one can know for sure the likelihood of these events occurring, I consider the stresses that would cause CWIL to fail to pay all policyholder claims in full to be sufficiently remote that there is no material adverse impact on the capital security of policyholders if the Transfer were to be approved.

As the full range of additional stress scenarios that I have considered in this report and the likelihood of their occurrence are key to the conclusions that I have drawn, I will reassess these in light of the latest financial position of the Transfer Companies in my Supplementary Report, and will explain in my executive summary how I have reached my conclusions in respect of Transferring ZIC policyholders. With this group of policyholders losing the back-up of the much larger ZIC balance sheet under the Transfer they are the only group of policyholders I have identified that could suffer a detriment relative to their starting position in respect of the most extreme scenarios, so I consider it appropriate to come back to this point and highlight the updated analysis in my Supplementary Report. I also note that the more extreme stress scenarios that I have considered in this report cause CWIL to call upon the full range of the capital resources available to it, including the letters of credit (“**LOCs**”) provided to CWIL on behalf of CatGen. Given the importance of the performance of these LOCs in the scenarios I have considered I will also confirm the availability of these LOCs under these stress scenarios in my Supplementary Report and any impact that this may have on my conclusions.

The responsibility of managing the claims of the Project Elbow portfolio has been outsourced to CSUK since 1 January 2022, and this will continue to be the case after the Transfer. Operationally nothing should change for Transferring ZIC policyholders as a direct impact of the Transfer.

Those Transferring ZIC policyholders that have access to benefits such as FSCS protection or access to the FOS will retain those rights after the Transfer.

CWIL is investigating potential changes to its operating model given the expectation that the reserves under management will decline relatively quickly over the coming years. Such considerations are commonplace in the market, especially for companies in run-off. That CWIL has a requirement under the Reinsurance and Transfer Deed to Elbow

policyholders to maintain the servicing standards set out in the MOA for a minimum of two years following the effective date of the Transfer is not affected by any change in operating model. I also note that the potential changes to the operating model of CWIL could proceed irrespective of the Transfer.

I will provide an update on the target operating model for CWIL in my Supplementary Report. This potential uncertainty aside there are no non-financial changes that I have identified in the course of my work that would constitute a material adverse impact on policyholders should the Transfer proceed.

On the basis of the discussion above I conclude that there is no material adverse impact on Transferring ZIC policyholders as a result of the Transfer.

Existing CWIL direct policyholders

Existing CWIL direct policyholders remain with CWIL after the Transfer. As a consequence of the large volume of business being added, CWIL's capital coverage ratios measured against both Solvency UK Solvency Capital Requirement ("SCR") and unapproved UCR reduce. This means that existing policyholders' relative capital security level drops as an immediate consequence of the Transfer, to the 135% of unapproved UCR target level achieved with the capital injection at that time.

I note that Project Elbow is a transaction that has already taken more than six years in its execution. The current capitalisation of CWIL is in excess of the target capital ratio post-Transfer of 135% of unapproved UCR and 165% of SCR, which is the point at which management would consider releasing capital in the form of dividends. Whilst such a move would require regulatory approval, management have said that if the Transfer was not contemplated then they would be making such an application to pay dividends. The current level of capital held by CWIL is as high as it is because actions have already been taken to increase the capital strength of the company in anticipation of the Transfer. I have already concluded, in my consideration of Transferring ZIC policyholders above, that the post-Transfer capital coverage of 135% of unapproved UCR is a reasonable level for CWIL.

The new business transferring into CWIL is almost all direct business. In the event of any insolvency of CWIL they would rank equally with the Existing CWIL direct policyholders as creditors, which does not cause material detriment to the Existing CWIL direct policyholders.

As a consequence of the above points, I consider that despite the headline capital coverage ratio dropping for Existing CWIL direct policyholders as a consequence of the Transfer, CWIL management would likely seek to reduce it to the same coverage levels if the Transfer were not to proceed, and therefore conclude that there can be no real material adverse impact on the security of Existing CWIL policyholders as a consequence of the Transfer.

Existing CWIL policyholders that have access to benefits such as FSCS protection or access to the FOS will retain those rights after the Transfer.

With respect to non-financial changes as a consequence of the Transfer, there should be none for existing CWIL direct policyholders as administration of their policies and handling of their claims remains as it was before. The potential operating model changes are under consideration because of the run-off status of CWIL, so these would be occurring whether

or not the Transfer proceeds, and as such would not constitute a change for existing CWIL policyholders.

I therefore conclude that there is no material adverse impact on Existing CWIL direct policyholders as a result of the Transfer.

Existing CWIL assumed policyholders

For Existing CWIL assumed policyholders the situation is similar to that for direct policyholders, and much of the commentary above applies equally to them. As at 31 December 2024 there were 274 US and European reinsured policyholders with case reserves reported to CWIL.

The difference for Existing CWIL assumed policyholders arises because almost all of the business transferring to CWIL is in the form of direct EL insurance policies, which in the event of any insolvency of CWIL would rank ahead of the existing CWIL assumed policyholders as creditors. Given the relative size of the Project Elbow portfolio to CWIL's existing book this would represent a substantial dilution of the assets remaining to pay the claims of existing CWIL assumed policyholders were this to occur. Furthermore, as these policies are all reinsurance policies they would not be eligible for FSCS protection to mitigate this dilution.

Certain of the reinsured policyholders have the right to request that CWIL post letters of credit or other collateral against their claims. As at 31 December 2024 77 of the 274 US and European reinsurers with case reserves had some form of collateral or letters of credit posted by CWIL worth a total of \$30.8m. Whilst this is clearly not covering the full reserve it does help to mitigate some of this risk.

Any adverse impact as a consequence of this priority could only happen in an insolvency situation, an event that I have concluded is unlikely. These reinsured policyholders are commercially sophisticated insurance company counterparties rather than individuals and have a fundamentally different financial position to the other groups of policyholders. They can also take proactive steps to reduce their exposure by, for example, seeking commutations, which would not be available to these other groups of policyholders.

I therefore conclude that there is no material adverse impact on Existing CWIL assumed policyholders as a result of the Transfer. As discussed above for direct policyholders, the likelihood of not getting paid in full for all policyholders is a remote one, and even if this were to occur there are steps that could reasonably be taken to mitigate any risk of detriment for assumed policyholders.

Reinsurers of ZIC UK whose policies of reinsurance transfer

I have also considered the impact of the Transfer on reinsurers of ZIC UK whose policies transfer. As it stands today, CSUK already handles the collection of reinsurance recoveries on the Project Elbow portfolio, so there is no change to the administration of claims payment for reinsurers of the portfolio. Continuity of claims handling approach means that amounts payable by reinsurers should be the same whether or not the Transfer occurs, and the splitting of policies should not cause detriment to reinsurers.

I consider then that the only other material way in which a reinsurer could be adversely affected by the Transfer would be if they were to lose out because of a change in set-off



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rights, but conclude that there is no realistic potential of a material change given the very small exposures to the few companies that this could apply to.

As such I conclude that there is no material impact on reinsurers of the Project Elbow portfolio as a consequence of the Transfer.

Communications

Detail of the Transfer Companies' proposed communications approach and my consideration of the appropriateness of this approach is included in Appendix 6 of the Independent Expert's Report. Overall, I conclude that the communications waivers being applied for by the Transfer Companies are reasonable and in line with my experience of similar waiver requests on previous Part VII transfers involving these sorts of liabilities.

4 Overall conclusion

I have considered the Transfer and its likely effect on each of the affected policyholder groups, including Jersey policyholders.

I have concluded that there is no material adverse impact on any of the different policyholder groups that I have identified as a result of the Transfer.

Whilst CWIL does not have a balance sheet the size of ZIC, it is capitalised significantly in excess of the regulatory SCR requirement and is expected to have additional protections in place to ensure that immediately post-Transfer it will be capitalised to its higher target level considering the run-off of the portfolio to its ultimate position.

I have considered in detail and performed testing on the calculations made by CWIL in their stress and scenario tests and reverse stress tests to understand the longer-term risks to CWIL in forming my conclusion.

In summary, provided the proposed Transfer operates as intended (and I have no grounds for believing that it will not do so), it is my opinion that:

- the Transfer will not materially adversely affect the security of benefits to any of the policyholders identified; and
- the Transfer will not affect the service standards experienced by any of the policyholders identified.

I will issue a Supplementary Report containing the most up-to-date financial information prior to the final hearing, at which sanction to proceed with the Transfer will be sought from the Court. This will provide an update to the Court on my conclusions in respect of the effect of the proposed Transfer on the different groups of policyholders, in light of any significant events subsequent to the date of the finalisation of my Independent Expert Report.



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