

Domestic & General Part VII Transfer

Questions and Answers about the Proposed Transfer

Further information about the Proposed Transfer and important changes to your policy

Section 1 – General Overview

Why is the Proposed Transfer happening?

Your policy is currently underwritten by Domestic & General Insurance PLC (**DGI**). We are proposing to transfer your policy to Domestic & General Insurance Europe AG (**DGIEU**) an insurance company based in Germany, which sits within the Domestic & General group of companies (**D&G Group**) (the **Proposed Transfer**).

The Proposed Transfer of your policy is in response to the decision of the United Kingdom (**UK**) to withdraw from the European Union (**EU**) (**Brexit**). The Proposed Transfer will allow the D&G Group to continue to service your policy and write new insurance business across Europe post-Brexit.

DGI currently sells insurance policies to customers across Europe from its headquarters in the UK. This is because insurance companies like DGI in any European Economic Area (**EEA**) state can use a "passporting" regime to establish a presence or carry out services in any other EEA state. DGI currently uses this passporting regime to carry out its insurance business across Europe.

After Brexit, and subject to any political agreement reached between the UK and the EU, the UK will become a 'third-country' in relation to the EU and will no longer have access to the EU passporting regime. As a result, DGI will not be able to carry out its European business from the UK as it does currently. This is the reason why we are proposing to transfer your policy to DGIEU. As a German company, DGIEU will have access to the passporting regime and will be authorised to carry out insurance business by the German regulator BaFin across the EEA.

Do I need to do anything?

We encourage you to read the information contained in this document in order that you fully understand the impact that the Proposed Transfer may have on you.

If you have no concerns with respect of the Proposed Transfer, and do not require any further information, you do not need to take any further action.

However, if you feel you are adversely affected by the Proposed Transfer then you have the right to raise objections to the High Court as well as to DGI directly. If you do wish to make representations or raise any concerns, please follow the procedure set out in the section "How can I object to the transfer" on page 5.

If you require further information on the Proposed Transfer please visit our website <http://www.domesticandgeneral.com/PartVIIITransfer>. You will be able to obtain copies of the full report (and any supplementary report) of the independent expert (**Independent Expert**), the summary of the Independent Expert's report and the scheme document for the Proposed Transfer on the website. For more information about the role of the Independent Expert in the Part VII Transfer process please see the section "What is an Independent Expert" on page 4.

Copies of these documents can also be requested by writing to Domestic & General's Company Secretary at Domestic & General Insurance PLC, 11 Worple Road, London SW19 4JS or by calling 0333 000 2235 or by emailing us at transfer@domesticandgeneral.com.

Translations of the summary of the Independent Expert's report are also available on our website <http://www.domesticandgeneral.com/PartVIIITransfer>. If you would like this information in large print, in Braille, or on audio tape or CD, please contact our Customer Care team on 0333 000 2235.

When will the Proposed Transfer happen?

The High Court hearing to consider the Proposed Transfer will take place at The Rolls Building, Fetter Lane, London, EC4A 1NL on 10th December 2018.

If the Proposed Transfer is approved by the High Court, it is intended that the transfer will take place at 00:01 on 22nd March 2019.

Any changes to the High Court hearing or the effective date will be published on our website <http://www.domesticandgeneral.co/PartVIIITransfer>. We will release an announcement on our website <http://www.domesticandgeneral.com/PartVIIITransfer> on 19th March 2019 if the Proposed Transfer is approved.

Please note, implementation of the Proposed Transfer may be delayed or may not proceed should the UK and the EU reach agreement on transitional arrangements for Brexit. We will update you through our website of any changes to the implementation of the Proposed Transfer.

Section 2 – About the transfer process

How will the Proposed Transfer be carried out?

The Proposed Transfer will be carried out by means of an insurance business transfer scheme under Part VII of the Financial Services and Markets Act (FSMA) 2000, known as a **Part VII Transfer**.

A Part VII Transfer is a mandatory UK statutory process by which general insurance business can be moved from one insurance company to another. In this case the transfer of insurance business will be between two Domestic & General Group companies.

A Part VII Transfer cannot go ahead without the prior approval of the High Court of England and Wales (**High Court**). The applicable regulations governing the Part VII Transfer require DGI to appoint an Independent Expert approved by our UK regulators (the Prudential Regulation Authority (**PRA**) and Financial Conduct Authority (**FCA**)). For more information on the role of the Independent Expert please see the section "What is an Independent Expert" on page 4

To protect policyholders, the Part VII Transfer regulations require the High Court to consider the views of the Independent Expert, any objections to the transfer made by policyholders or other stakeholders, as well as the views of the PRA and FCA before sanctioning the transfer.

How will the interests of policyholders be protected?

The Part VII Transfer process involves strict procedures which are designed to protect the interests of policyholders. These processes include the following:

- a. the Part VII Transfer must be approved by the High Court. An Independent Expert must be appointed to write a report for the High Court which will consider the impact of the Proposed Transfer on policyholders (**Independent Expert's Report**);
- b. policyholders must be provided with advance warning of the transfer and are entitled to make objections to the High Court if they feel they will be adversely affected. The High Court will take these objections into account when deciding to sanction the Part VII Transfer;
- c. the High Court will consider (amongst other things) whether the Proposed Transfer is likely to materially adversely affect policyholders and whether it is appropriate to allow the transfer in all the circumstances;
- d. in addition, the PRA and FCA are involved at all stages of the transfer process. We have taken their views on our proposals into account and will continue to do so until the transfer becomes effective.

- e. the PRA and the FCA have the right to be heard at the High Court hearing and will provide a report to the High Court on the impact to policyholders; and
- f. the German financial services regulator, BaFin has also been informed of this Proposed Transfer, and will be formally consulted by the PRA prior to the High Court hearing.

What is an Independent Expert?

The Independent Expert is an independent advisor who prepares a report to the High Court on the effect of the transfer on policyholders and other key stakeholders. The Independent Expert's appointment is subject to approval by the PRA and FCA to ensure their independence and the Independent Expert's primary and overriding duty is to the Court and not to DGI or the D&G Group. The Independent Expert will be paid by D&G Group.

In this case, the Independent Expert is Mr Alex Marcuson of Marcuson Consulting, who is a fellow of the Institute and Faculty of Actuaries. Mr Marcuson has over 20 years experience in insurance and actuarial roles.

The Independent Expert has reviewed the terms of the Proposed Transfer as well as the actuarial models prepared in respect of the transferring business to determine the likely effects on policyholders and other key stakeholders and has concluded that the Proposed Transfer is not likely to have a material adverse effect on the interests of policyholders.

The Independent Expert's conclusions regarding the effects of the Part VII Transfer on the policyholders and other key stakeholders are set out in a report, in a form approved by the FCA, and presented to the High Court.

Please see the section "Do I need to do anything" on page 1 above for information on how to obtain copies of the full Independent Expert's report (and any supplementary report) as well as a summary of the report and the Scheme document.

What will happen at the High Court hearing?

At the High Court hearing, legal representatives for DGI will explain the proposals and inform the Court of the notifications made to policyholders and any objections received from policyholders or other interested parties. The High Court will consider the views of the Independent Expert, the PRA, FCA and any objections before deciding whether to approve the Proposed Transfer. The UK High Court will consider whether the Proposed Transfer will materially adversely affect particular policyholders or interested parties before deciding whether the Proposed Transfer as a whole is appropriate in the circumstances.

Have the regulators in other countries been consulted?

Yes. In accordance with FSMA, regulators in the EEA have been consulted. In addition, BaFin, the financial services regulator in Germany, has been consulted as the home state regulatory of DGIEU.

How can I object to the Proposed Transfer, raise any concerns or make representations?

You have the right to object to the Proposed Transfer if you feel you may be adversely affected. You can make objections known to DGI or to the High Court directly.

If you wish to raise an objection to the Proposed Transfer, please notify us as soon as possible at the following address:

- by post, to Domestic & General Insurance Plc, PO Box 75605, LONDON, SW19 9LW; or
- by email, to transfer@domesticandgeneral.com.

Your objection and our reply will be sent to the Court, the Independent Expert, the PRA and the FCA ahead of the High Court hearing on 18th March 2019.

If you would prefer to raise your objection to the High Court directly you can do so by contacting the court following address:

High Court of Justice, Business & Property Courts of England & Wales, Companies Court (ChD)
The Rolls Building, Fetter Lane, London, EC4A 1NL

If you wish, you may also appear at the hearing in person or via a representative.

You will not be able to raise any objections after the High Court hearing has taken place.

We will bring any representations received to the attention of the PRA, FCA, Independent Expert and the High Court.

Section 3 – How will the Proposed Transfer affect policyholders of DGI?

What will change post-transfer?

If the Proposed Transfer is approved by the High Court, DGIEU will become the insurer in relation to your policy from the Proposed Transfer date of 22nd March 2019. Any rights you have under your policy against DGI prior to the Proposed Transfer will become equivalent rights against DGIEU after the Proposed Transfer date.

From the Proposed Transfer date, you will start seeing references to DGIEU on any correspondence. DGIEU's branding will also be reflected on any online portals. In short, you should expect to see DGIEU's name where you currently see DGI's today.

The terms and conditions of your DGI policy will not change as a result of the Proposed Transfer. Your policy will continue to be serviced in the same way as now by the same people using the same systems.

Will I be protected post-transfer?

The UK Financial Services Compensation Scheme (**FSCS**) provides compensation for eligible customers of insurance companies like DGI if their insurer is declared in default by the PRA. To be declared in default, the insurer must be unable to pay or be likely to be unable to pay claims against it. The FSCS is therefore a statutory fund of last resort. As a policyholder of DGI you are likely to have access to the FSCS.

The Proposed Transfer will mean that you lose access to the FSCS in respect of your existing policy. The FSCS will continue to cover any claims under your policy that occur before the Proposed Transfer date but the FSCS will not cover any claims occurring after the Proposed Transfer date.

In Germany, where DGIEU is incorporated, there is no equivalent insurance guarantee scheme for general insurance products. Please be assured, however, that the Independent Expert has reviewed the protections available to policyholders in DGIEU and concluded that there will be no material detriment to DGI policyholders as a result of the loss of FSCS cover.

Will I be covered by the FOS post-transfer?

The UK Financial Ombudsman Service (FOS) is an unbiased and free complaints service set up by Parliament to help resolve complaints between customers and financial services businesses operating in the UK like DGI. If the FOS decides that someone has been treated unfairly, they have the legal powers to put things right. The FOS' decisions are binding on the firm.

After the Proposed Transfer, you will lose access to the FOS in respect of your existing policy. The FOS will however, be available to you in respect of acts or omissions on the part of DGI which occurred prior to the Proposed Transfer date.

After the transfer, DGIEU's policyholders will instead automatically be covered by the German financial ombudsman, the Versicherungsombudsmann e.V.. You can find more information about the Versicherungsombudsmann e.V. at the following link: https://www.bafin.de/EN/Verbraucher/BeschwerdenAnsprechpartner/Ansprechpartner/Finanzombudsstellen/finanzombudsstellen_artikel_en.html

The Independent Expert has concluded that DGI policyholders are unlikely to face any material detriment as a result of the loss of access to the UK FOS.

How does the Proposed Transfer affect any premiums I am paying to DGI?

If you are paying regular premiums to DGI, any future premiums will be payable to DGIEU in place of DGI.

Any bank mandate or other instruction relating to the payment of premiums to DGI will take effect from the effective date of the Proposed Transfer as if it provided for payment to be made to DGIEU. Mandates and instructions directing how DGI should make payments to policyholders and other beneficiaries will continue in force from the effective date of the Proposed Transfer as an effective authority to DGIEU.

Will the Proposed Transfer cost me anything?

There are no additional costs that you will incur as a result of the Proposed Transfer and the associated restructuring. All costs and expenses incurred in connection with the Proposed Transfer, including the Independent Expert's fees, legal fees and the fees of the PRA and FCA, shall be borne by Domestic & General.