

**CIRCULAR IN RELATION TO:**

**PROPOSED TRANSFERS OF INSURANCE BUSINESS**

**FROM**

**MERCANTILE INDEMNITY COMPANY LIMITED**

**and**

**ROMBALDS RUN-OFF LIMITED**

**TO**

**RIVER THAMES INSURANCE COMPANY LIMITED**

**UNDER PART VII OF THE FINANCIAL SERVICES AND MARKETS ACT 2000**

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## INTRODUCTION

This Circular relates to two proposed transfers of insurance business involving the following companies:

- Mercantile Indemnity Company Limited (**Mercantile**);
- Rombalds Run-Off Limited (**Rombalds**); and
- River Thames Insurance Company Limited (**River Thames**);

(together, the **Companies**).

Each of Mercantile and Rombalds (together, the **Transferors**) is proposing to transfer all of their respective insurance and/or reinsurance business and all assets and liabilities to River Thames (the **Transferee**) under Part VII of the Financial Services and Markets Act 2000 (the **Act**). The proposed transfers of insurance business are in the same terms in all material respects and are intended to be simultaneous; the transfers are referred to collectively in this document as the Scheme.

## PURPOSE OF THIS CIRCULAR

The purpose of this Circular is:

- (a) to provide background information in relation to each of the Companies and the decision to implement the Scheme;
- (b) to explain the nature of an insurance business transfer scheme and how it is implemented;
- (c) to explain who will be affected by the Scheme and summarise its main provisions and effect;
- (d) to summarise the report of the independent expert required to be appointed under the Act to consider the impact of the Scheme on policyholders; and
- (e) to explain what action policyholders and other interested parties may take if it is believed that they will be adversely affected by the Scheme.

Notice of the application to sanction the Scheme is set out at Appendix 2 to this Circular.

A summary of the principal provisions of the Scheme is set out in Appendix 3 to this Circular.

### **3 BACKGROUND TO THE COMPANIES**

The Companies are United Kingdom domiciled insurance companies with permission under Part 4A of the Act to effect (subject to regulatory non-objection), and to carry out, contracts of general insurance. The Companies are regulated by both the Prudential Regulation Authority (**PRA**) and the Financial Conduct Authority (**FCA**).

All of the Companies are indirect wholly owned subsidiaries of Enstar Group Limited (**EGL**). EGL was established to acquire and manage insurance and reinsurance companies in run-off and provide management, consulting and other services to the global insurance and reinsurance industry. The Companies are in run-off (i.e. they no longer underwrite new business).

Background history in relation to each of the Companies is at Appendix 1 to this Circular.

### **4 WHY IS THE SCHEME BEING PROPOSED?**

The Scheme is proposed in order to consolidate the run-off of the Transferors into a single regulated entity within the Enstar group in order to optimise the management of the Companies. In this way, duplication of effort (e.g. with regard to information technology, audit, regulatory compliance, financial accounting and management reporting) can be minimised.

Under the Scheme, it is proposed that all of the respective general insurance and reinsurance business of the Transferors will be transferred, together with the benefit of all associated reinsurance contracts, to River Thames.

### **5 WHAT IS AN INSURANCE BUSINESS TRANSFER SCHEME AND HOW DOES IT BECOME BINDING?**

An insurance business transfer scheme is a mechanism provided for in Part VII of the Act which enables one insurer to transfer its insurance business to another insurer. The Scheme requires the sanction of the Court, which has wide powers to authorise the transfer not only of inwards insurance business, but of outwards reinsurance protections protecting that business, and any other assets or liabilities of the Transferors.

## 6 **WHO WILL BE AFFECTED BY THE SCHEME?**

The business to be transferred under the Scheme (**Transferring Business**) can be summarised as follows:

- (a) all insurance and reinsurance business carried on by Mercantile; and
- (b) all reinsurance business carried on by Rombalds.

In addition, the rights and obligations of each Transferor under any outwards reinsurance protections applicable to its Transferring Business will transfer to River Thames, as will their rights and obligations under any other third party contracts of which they have the benefit and which relate to the Transferring Business.

All policyholders and reinsurers of the Transferors and policyholders of River Thames will therefore be affected by the Scheme.

Mercantile has a surplus lines trust fund in the US which provides security for its obligations under policies issued to direct US policyholders. Mercantile and River Thames are taking steps to ensure that the security and benefits provided by Mercantile's US surplus lines trust fund will be replicated post transfer, so that US surplus lines policyholders are not prejudiced.

The terms of the Scheme are set out in a document, which is summarised at Appendix 3 to this Circular.

## 7 **THE INDEPENDENT EXPERT**

Section 109 of the Act requires a Scheme to be accompanied by a report by an independent expert on the terms of the transfer. The appointment of the independent expert and the form of the independent expert's report must both be approved by the PRA. The primary duty of the independent expert is owed to the Court, and this duty overrides the independent expert's duty to the parties who appoint the independent expert.

The independent expert is Ms Kate Angell of Towers Watson Limited (the **Independent Expert**). Ms Angell was appointed as independent expert with the approval of the PRA (having consulted the FCA) to report on the Scheme and has produced a report in relation to the Scheme, the form of which has been approved by the PRA (the **Scheme Report**). A summary of the Scheme Report is set out at Appendix 4 to this Circular. A copy of the Scheme Report may be obtained free of charge by writing to Bryan Cave Leighton Paisner LLP at the address and reference

in section 11 (*Further Assistance*) below, or can be downloaded from the website [www.enstargroup.com/mercantile-rombalds-transfers/](http://www.enstargroup.com/mercantile-rombalds-transfers/).

## 8 **WHAT HAPPENS IF THE SCHEME BECOMES EFFECTIVE?**

In broad terms, the effect of the Scheme is that the Transferors' respective rights and obligations under policies forming the Transferring Business will be transferred without alteration to River Thames, together with all assets (including the benefit of reinsurance protections) and liabilities of the Transferors. Each policyholder's rights and obligations under its policy or policies will remain unchanged, but will, following the Scheme, be exercisable against or owed to River Thames alone. Policyholders' valid claims will continue to be paid, although the party liable to make payment will be River Thames rather than the respective Transferors. There will be no change to the entities responsible for handling claims, and no change in applicable service levels or the approach to claims handling, as a result of the Scheme.

A summary of the provisions of the Scheme is at Appendix 3 to this Circular.

When making an order sanctioning a transfer, the Court has the power to order the dissolution without liquidation of the transferor. It is intended that such an order will be sought in relation to each of the Transferors who, following the Scheme, will have no further insurance liabilities.

Should the Scheme be sanctioned, it is expected to become effective for each Transferor on 1 January 2026.

## 9 **YOUR RIGHTS IN RELATION TO THE SCHEME**

The application for the sanction of the Scheme is intended to be heard before a Judge of the Chancery Division Companies Court at the High Court of Justice, The Rolls Building, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL, United Kingdom on 1 December 2025. Any change to the date will be published on the website [www.enstargroup.com/mercantile-rombalds-transfers/](http://www.enstargroup.com/mercantile-rombalds-transfers/).

Any person (including any employee of the Transferors or Transferee) who alleges that they would be adversely affected by the carrying out of the Scheme is entitled to:

- (a) appear at the hearing and make representations in person;
- (b) instruct a barrister or solicitor advocate to appear at the hearing and make representations on their behalf; or

- (c) make representations in writing.

If you intend to appear at the hearing in person, or to instruct someone to appear on your behalf, you are requested to give notice of your intention to do so and to send your representations in writing, setting out the reasons why you would be adversely affected, to Bryan Cave Leighton Paisner LLP at the address and reference given in section 11 (Further Assistance) below, to be received by close of business on 24 November 2025. If you do not give the requested notice, you will still be entitled to attend the hearing. You may also contact Bryan Cave Leighton Paisner LLP by telephone on the number given in section 11 (*Further Assistance*) below.

## 10 **LIAISON WITH REGULATORS**

The Companies have liaised closely with the PRA and the FCA in relation to the Scheme.

The form of the notice at Appendix 2 to this Circular has been approved by the PRA. The appointment of Ms Kate Angell of Towers Watson Limited as independent expert, and the form of the Scheme Report, were approved by the PRA having consulted the FCA.

## 11 **FURTHER ASSISTANCE**

You do not need to take any action in relation to the Scheme unless you believe that you will be adversely affected by it, in which case please refer to section 9 above for an explanation of the steps you may take.

Should you have any questions concerning the Scheme, they should be referred to:

Bryan Cave Leighton Paisner LLP,  
Governor's House,  
5 Laurence Pountney Hill,  
London, EC4R 0BR,  
United Kingdom  
Tel: +44 (0)20 3400 4855  
Email: [mercantile-rombalds-transfers@bcplaw.com](mailto:mercantile-rombalds-transfers@bcplaw.com)  
Ref: GQUI/3Y7.

## **APPENDIX 1: HISTORY OF THE COMPANIES**

### **Mercantile Indemnity Company Limited (Mercantile)**

Mercantile is an indirect wholly owned subsidiary of Enstar Group Limited. Its immediate holding company is Cavello Bay Reinsurance Limited. The run-off management of Mercantile is provided by Enstar (EU) Limited (**Enstar**), which is the Enstar group's principal service company in the United Kingdom.

Mercantile was incorporated in England and Wales on 6 June 1980 as Mercantile Mutual Insurance (UK) Limited. On 19 April 1984, it changed its name to Mercantile Indemnity Company Limited. The registered number of Mercantile is 01500302 and its registered office is 8<sup>th</sup> Floor, One Creechurch Place, London EC3A 5AY.

Mercantile is a PRA authorised insurance company (with firm reference number 202634) and has been in run-off since 1987.

Mercantile transferred the only business written by it, which was between 1980 and 1987, to River Thames by way of a transfer under Part VII of the Financial Services and Markets Act 2000 (a **Part VII Transfer**), effective 7 April 2017.

Mercantile's current business was acquired from Royal & Sun Alliance Insurance Limited (formerly Royal & Sun Alliance Insurance plc) (**RSAI**) and The Marine Insurance Company Limited (**MIC**) by way of Part VII Transfers, effective 1 July 2019. Mercantile has no other business save for the business transferred to it by RSAI and MIC. Mercantile has gross loss reserves (including IBNR) of £581m (net £132m) as at 31 December 2023.

The Transferring Business comprises the following portfolios as transferred to Mercantile by RSAI and MIC respectively:

#### Ex-RSAI

- 1 UK commercial general insurance policies of RSAI that were written prior to 2006 and were either (i) written by or on behalf of RSAI, or (ii) written by another insurer and transferred to RSAI prior to 7 February 2017, and that include liability cover (excluding those solely relating to marine or motor liabilities, or which were underwritten by a branch or agency incorporated outside the UK). The reserves in respect of the ex-RSAI business almost entirely relate to disease and abuse liabilities on commercial policies that include employers' liability and public liability; and



## Ex-MIC

1 The commercial general insurance business of MIC that was either (i) written by or on behalf of MIC, or (ii) written by another insurer and transferred to MIC prior to 7 February 2017, in the following categories:

- marine energy policies written prior to 2004;
- other marine policies written prior to 1997; and
- aviation policies written prior to 2009.

As much of the ex-MIC business was written through the London Market on a US surplus lines basis, there is a significant proportion of US policyholders within the ex-MIC business.

## **Rombalds Run-Off Limited (Rombalds)**

Rombalds is an indirect wholly owned subsidiary of Enstar Group Limited. Its immediate holding company is Cavello Bay Reinsurance Limited. The run-off management of Rombalds is provided by Enstar.

Rombalds was incorporated in England and Wales on 29 November 2007. The registered number of Rombalds is 06441337 and its registered office is 8<sup>th</sup> Floor, One Creechurch Place, London EC3A 5AY.

Rombalds is a PRA authorised insurance company (with firm reference number 760926).

Rombalds' business was acquired from the UK branch of Nisshin Fire & Marine Insurance Co., Ltd (**Nisshin**) by way of a Part VII Transfer, effective 31 December 2017. Rombalds has no other business save for the business transferred to it by Nisshin. Rombalds has gross loss reserves (including IBNR) of US\$3.1m (net US\$3.1m) as at 31 December 2023.

The Transferring Business comprises the international inwards reinsurance business written by Nisshin in Japan and relocated to its UK branch on 21 October 2016. This inwards reinsurance business includes reinsurance of marine, non-marine and aviation risks under treaty and facultative contracts. It was written from the 1950s up to 2013. The liabilities for business written up to and including 1985 are predominantly asbestos, pollution and health (**APH**) claims. The main underlying exposure for the business written after 1985 is property risks.

## **River Thames Insurance Company Limited (River Thames)**

River Thames is an indirect wholly owned subsidiary of Enstar Group Limited. Its immediate

holding company is Cavello Bay Reinsurance Limited. The run-off management of River Thames is provided by Enstar.

River Thames was incorporated in England and Wales on 29 December 1948 under the name River Thames Insurance Company Limited. The registered number of River Thames is 00462838 and its registered office is 8<sup>th</sup> Floor, One Creechurch Place, London EC3A 5AY.

River Thames is a PRA authorised insurance company (with firm reference number 202320) and has been in run-off since 17 February 1997.

River Thames' business, as written by River Thames, can be classified into four separate and distinct major accounts, as follows:

- 1 Old Non-Marine Account: underwritten between 1952 and 1967;
- 2 R Account: underwritten between 1 January 1964 and 31 December 1968 and comprising both marine and incidental non-marine direct and reinsurance business;
- 3 Z Account: underwritten from 1970 to 1977 and fully ceded to either of two reinsurers; and
- 4 River Thames Major Account: comprising marine and non-marine direct and excess of loss reinsurance business.

In addition, in the context of prior consolidations of the Enstar group's run-off business in the UK:

- 1 River Thames accepted Part VII Transfers of insurance business from five other companies in the Enstar group, namely Cavell Insurance Company Limited, Fieldmill Insurance Company Limited, Hillcot Re Limited, Longmynd Insurance Company Limited and Unione Italiana (UK) Reinsurance Company Limited, effective 30 June 2014; and
- 2 River Thames also accepted Part VII Transfers of insurance business from six other companies in the Enstar group, namely Bosworth Run-Off Limited, Brampton Insurance Company Limited, Knaption Insurance Limited, Marlon Insurance Company Limited, Mercantile Indemnity Company Limited and Unionamerica Insurance Company Limited, effective 7 April 2017.

River Thames has gross loss reserves (including IBNR) of US\$208m (net US\$90m) as at 31<sup>st</sup> December 2023.

## APPENDIX 2: LEGAL NOTICE OF SCHEME

IN THE HIGH COURT OF JUSTICE

No. CR-2025-004099

BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES

COMPANIES COURT

**IN THE MATTER OF**  
**MERCANTILE INDEMNITY COMPANY LIMITED**  
**and**  
**IN THE MATTER OF**  
**ROMBALDS RUN-OFF LIMITED**  
**and**  
**IN THE MATTER OF**  
**RIVER THAMES INSURANCE COMPANY LIMITED**  
**and**  
**IN THE MATTER OF**  
**PART VII OF THE FINANCIAL SERVICES AND MARKETS ACT 2000**

**NOTICE IS HEREBY GIVEN** that, by application dated 22 July 2025, Mercantile Indemnity Company Limited and Rombalds Run-Off Limited (the **Transferors**) applied to the High Court of Justice of England and Wales for, amongst other things, an order under Section 111(1) of the Financial Services and Markets Act 2000 (the **Act**) sanctioning insurance business transfer schemes (the **Scheme**) to River Thames Insurance Company Limited (the **Transferee**) and for an order making provision under Section 112 of the Act.

The business included in the Scheme comprises all of the Transferors' respective insurance and/or reinsurance business and all their respective assets and liabilities.

Copies of a report on the terms of the Scheme prepared by an independent expert in accordance with section 109 of the Act (the **Scheme Report**) and copies of a statement setting out the terms of the Scheme and containing a summary of the Scheme Report may be obtained, free of charge, by contacting Enstar (EU) Limited, FAO Stephen Murphy, 8<sup>th</sup> Floor, One Creechurch Place, London, EC3A 5AY, United Kingdom, or may be downloaded from the website [www.enstargroup.com/mercantile-rombalds-transfers/](http://www.enstargroup.com/mercantile-rombalds-transfers/).

Anyone who has questions regarding the proposed Scheme or who requires any further information regarding the Scheme may contact Bryan Cave Leighton Paisner LLP at Governor's House, 5 Laurence Pountney Hill, London EC4R 0BR, United Kingdom tel: +44 (0)20 3400 4855, email: [mercantile-rombalds-transfers@bclplaw.com](mailto:mercantile-rombalds-transfers@bclplaw.com) ref: GQUI/3Y7.

The application will be heard on 1 December 2025 before a Judge of the Chancery Division of the High Court at The Rolls Building, 7 Rolls Buildings, Fetter Lane, London, EC4A 1NL, United Kingdom. Any person (including an employee of the Transferors or the Transferee) who alleges that they would be adversely affected by the carrying out of the Scheme is entitled to:

- (i) appear at the hearing and make representations in person;

- (ii) instruct a barrister or solicitor advocate to appear at the hearing and make representations on their behalf; or
- (iii) make representations in writing.

If you intend to appear at the hearing in person, or to instruct someone to appear on your behalf, you are requested to give notice of your intention to do so in writing, setting out the reasons why you believe you may be adversely affected. If you do not give the requested notice you will still be entitled to attend the hearing, or to instruct someone to appear on your behalf.

You are requested to send such notice, or if you are not intending to appear in person or by your legal representative, any written representations that you may have, to Bryan Cave Leighton Paisner LLP, at the address and reference given above. Please provide such notice or such written representations by close of business on 24 November 2025.

If the Scheme is sanctioned by the Court, it will result in the transfer of all the contracts, property, assets and liabilities of the Transferors to the Transferee, notwithstanding that a person would otherwise be entitled to terminate, modify, acquire or claim an interest or right or to treat an interest or right as terminated or modified as a result. Any such entitlement will only be enforceable to the extent the order of the Court makes provision to that effect.

Bryan Cave Leighton Paisner LLP, Governor's House, 5 Laurence Pountney Hill, London EC4R 0BR, United Kingdom

Solicitors to the Transferors and the Transferee (Ref: GQUI/3Y7).

## **APPENDIX 3: SUMMARY OF THE SCHEME**

### **TRANSFERRING BUSINESS**

At the time the Scheme takes effect (the **Effective Date**), the Transferring Business of the Transferors will be transferred to River Thames by virtue of the Order sanctioning the Scheme and on the terms of the Scheme.

The **Transferring Business** is defined in the Scheme and, in summary, means the business of each of the Transferors, namely:

- (1) all insurance and reinsurance business carried on by Mercantile; and
- (2) all reinsurance business carried on by Rombalds;

and all assets and liabilities of each Transferor. These include:

- (i) the rights and obligations of the Transferors under the policies of (re)insurance comprised within their respective business (**Transferring Policies** and each a **Transferring Policy**), and any reinsurance or retrocession policy under which a Transferor is reinsured in respect of a Transferring Policy (**Outwards Reinsurance**);
- (ii) the rights and obligations of each Transferor under any other contracts to which they are a party or of which they are a beneficiary, including claims handling and policy administration outsourcing agreements entered into with Enstar, and all contracts or documents evidencing collateral or security of which a Transferor has the benefit (**Third Party Contracts**);
- (iii) premiums, subrogation recoveries and other receivables, causes of action against third parties, transferrable permits or licences, goodwill and records; and
- (iv) all other assets and liabilities of the Transferor as at the Effective Date and all other debts, liabilities and obligations outstanding or accrued as at the Effective Date.

On the Effective Date, all of the Transferring Business of the respective Transferors will be transferred to River Thames as Transferee.

References to the Transferors in Transferring Policies, Outwards Reinsurance and Third Party Contracts will, after the Effective Date, be read and construed as references to River Thames as Transferee under the Scheme.

The Scheme also provides that the Transferee will accept the transfer of liabilities whatever the governing law of the relevant insurance or reinsurance policies.

## **RETAINED BUSINESS**

The Scheme contains provisions designed to deal with the unlikely event that there may be inwards or outwards policies which it is not possible or appropriate to transfer on the Effective Date. Such policies are described in the Scheme as **Retained Policies** and **Retained Reinsurances** respectively. Reinsurances providing protection in relation to Retained Policies (**Related Reinsurances**) and inwards insurance policies protected under Retained Reinsurances (**Related Policies**) will also remain with the Transferor to the extent that this is necessary to retain the benefit of the reinsurance protections.

On the Effective Date, the Transferors shall hold their respective rights under each Retained Policy, Retained Reinsurance, Related Policy and Related Reinsurance (together **Retained Business**) on trust for the Transferee. The Transferee will indemnify the relevant Transferor against all liabilities or claims under such policies and will pay such claims on behalf of the Transferor. The Retained Business will transfer (if appropriate) after the Effective Date but subject to the terms of the Scheme, once the relevant impediment to its transfer has been removed.

The parties do not expect that there will be any Retained Business.

## **INDEMNITY**

The Transferee is obliged to indemnify the Transferors in respect of any liability they incur in respect of the Transferring Business, Transferring Policies or Transferring Reinsurances, and to perform their obligations under Retained Policies and Retained Reinsurances. The Transferors hold their rights under such policies on trust for the Transferee. Any sums recovered by the Transferors, under policies forming part of the Retained Business must be held on trust for the Transferee until they are paid over.

## **PROCEEDINGS**

The Scheme provides for any judicial, quasi-judicial, administrative or arbitration proceedings or any complaint or claim to any ombudsman or other proceedings for the resolution of a dispute or claim or against a Transferor ongoing at the Effective Date to be continued by or against the Transferee from the Effective Date, without the need for any Order (aside from the Order sanctioning the Scheme). Any proceedings commenced against a Transferor after the Effective Date are deemed to have been commenced against the Transferee. As a result, any claims-related litigation in respect of the Transferring Business will be continued by or against the Transferee after the Effective Date.

The Scheme also provides for any reference to Mercantile in a periodical payment order made

under section 2 of the Damages Act 1996 (**PPO**) to be treated as a reference to the Transferee, and for any such PPO to be enforceable against and satisfied by the Transferee, without the need for any further order.

### **PREMIUMS AND MANDATES**

All premiums attributable or referable to the Transferring Policies and Transferring Reinsurances are, from the Effective Date, payable to the Transferee.

### **MODIFICATION TO THE SCHEME**

The Transferee may, with the consent of the relevant Transferors, agree to any modification or addition to the Scheme or to any further condition or provision relating to the Scheme that the Court approves or imposes provided that any modification to the substance of the Scheme (being changes to the terms which are not immaterial) may only be made with the prior consent of the PRA and the FCA.

### **EFFECTIVE DATE**

Subject to the Court having made an Order sanctioning the Scheme and all conditions in the Order being satisfied in full, the Scheme will take effect at 00:01 (London time) on 1 January 2026 or such later date (being no later than 1 July 2026) as the directors of each Transferor and the Transferee determine. The Transferors and the Transferee may apply to the Court for an Order allowing the Scheme to take effect on a date after 1 July 2026, but failing such an order, the Scheme will lapse.


### **GOVERNING LAW**

The Scheme is governed by and construed in accordance with English law.

#### **APPENDIX 4: SUMMARY OF THE EXPERT REPORT**

See overleaf



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# SUMMARY of the Scheme Report of the Independent Expert on the Proposed Insurance Business Transfer Scheme from [Mercantile Indemnity Company Limited](#) and [Rombalds Run-Off Limited](#) to [River Thames Insurance Company Limited](#) under Part VII of the Financial Services and Markets Act 2000

21 July 2025

Prepared by Kate Angell, Independent Expert

## Introduction

- 1.1 When a scheme for transferring insurance business from one company to another is put to the High Court of Justice in England and Wales (the “Court”) for approval it has to be accompanied by a report on the terms of the scheme (the “Scheme Report”) from an independent expert (the “Independent Expert”).
- 1.2 Towers Watson Limited (which is part of WTW) has been engaged by Enstar (EU) Limited (“Enstar”) to provide a Scheme Report for the proposed Part VII transfer (the “Proposed Scheme”) which relates to the transfer of certain policies within the Enstar insurance group (the “Enstar Group”). The Enstar Group manages a wide range of run-off business across multiple global markets including the UK.
- 1.3 I, Kate Angell, am employed by Towers Watson Limited and have been appointed as the Independent Expert for the Proposed Scheme.
- 1.4 This document is a summary of the Scheme Report which I have produced (the “Summary”) and the Scheme Report contains detailed information that is not shown in this Summary. This Summary, and the Scheme Report, have been prepared for the Court in order to aid the Court's consideration as to whether the Proposed Scheme should be approved.
- 1.5 This Summary is subject to the same reliances and limitations as those set out in the Scheme Report and in the event of any real or perceived conflict between this Summary and the Scheme Report, the Scheme Report shall prevail.

## The Proposed Scheme

- 1.6 The Proposed Scheme relates to the transfer of all the policies of Mercantile Indemnity Company Limited (“Mercantile”) and Rombalds Run-Off Limited (“Rombalds”) to River Thames Insurance Company Limited (“River Thames”). Mercantile, Rombalds and River Thames (collectively the “Companies”) are all wholly owned subsidiaries within the Enstar Group.
- 1.7 The purpose of the Proposed Scheme is to simplify the operational structure of the UK operations of the Enstar Group, and the Proposed Scheme is expected to reduce operational costs.
- 1.8 It is proposed that all the assets and liabilities (including all the policies) within Mercantile and Rombalds be transferred to River Thames as part of the Proposed Scheme, including the benefit of all the reinsurance which provides cover for the transferring policies. No policies are expected to remain in Mercantile or Rombalds following the Proposed Scheme.
- 1.9 The Transferring Policies represent 100% of the liabilities of Mercantile and Rombalds. If the Proposed Scheme is sanctioned then, in the Post Scheme Position, the liabilities of River Thames will be comprised of 21% from the existing business of River Thames, 78% from the existing business of Mercantile and 0.3% from the existing business of Rombalds. These percentages are based on the percentages of the gross of reinsurance reserves for each of the Companies on a UK GAAP basis as at 31 December 2023. On a net of reinsurance basis, the equivalent figures would be 34% from the existing business of River Thames, 65% from the existing business of Mercantile and 1% from the existing business of Rombalds.
- 1.10 The Companies are all run-off companies, such that they continue to administer and pay claims for existing policies. The Companies are all domiciled in the UK.

## Scope of review

- 1.11 I have considered the likely effects of the Proposed Scheme on the following three distinct groups of affected policyholders:
- The policyholders of Mercantile whose insurance policies are transferring to River Thames (the “Mercantile Policyholders”);
  - The policyholders of Rombalds whose insurance policies are transferring to River Thames (the “Rombalds Policyholders”); and
  - The existing policyholders of River Thames (the “River Thames Policyholders”).
- 1.12 I have also considered the likely effect of the Proposed Scheme on reinsurers whose contracts of reinsurance are to be transferred or amended by the Proposed Scheme.
- 1.13 For each group of policyholders, I have considered the likely effects of the Proposed Scheme on the security of policyholders’ contractual rights and levels of service provided to policyholders. In each case I have considered the security of the policyholders on two bases:
- The position should the Proposed Scheme not proceed (the “No Scheme Position”); and
  - The position should the Proposed Scheme proceed as planned (the “Post Scheme Position”).
- 1.14 As the Companies continue to run-off their liabilities, the dividend policy for each of the Companies allows for the regular payment of dividends subject to maintaining a solvency ratio of 130%. In addition, any dividend payments require ‘non-objection’ from the PRA before they can be paid, which is an additional level of protection which applies to all firms in run-off. The dividend policies and ‘non-objection’ requirement from the PRA apply to all the Companies in the No Scheme Position and to River Thames in the Post Scheme Position.

## Findings of the Independent Expert

### Introduction

- 1.15 I have set out below my conclusions for each group of policyholders, focussing on those aspects where there is a change in the Post Scheme Position compared with the No Scheme Position. I have not commented below on those aspects where there is no material change as a result of the Proposed Scheme, or if the change is beneficial. There are a number of aspects which fall within this category, including policyholder service levels and access to compensation schemes and ombudsman services.
- 1.16 In respect of policyholder service levels I understand that the claims handling and policy administration of all the policies of the Companies will be handled by the same individuals, and in accordance with the same claims handling approach, in both the No Scheme Position and the Post Scheme Position. As such, I consider that there will be no change to the claims handling and policy administration as a result of the Proposed Scheme.
- 1.17 I have considered the direct impact of the Proposed Scheme on Solvency Ratios, being the Eligible Own Funds divided by the Solvency Capital Requirement, or “SCR”. Eligible Own Funds are the surplus of assets over liabilities of an insurer that are eligible to cover the insurer’s regulatory capital requirement, or SCR. I have also considered the impact of a number of scenarios, including some ‘extreme but plausible’ scenarios, which are scenarios

which I consider unlikely to occur but still conceivable (and not merely of a theoretical nature). These scenarios have given me additional insight into the robustness of the capital position of the Companies.

- 1.18 My conclusions below are based on the SCRs calculated according to the Standard Formula, which is the default approach for calculating an insurer's SCR under Solvency II (the regulatory regime applicable to the Companies). I have also reviewed the results of Enstar's unapproved partial internal model (the "unapproved Enstar Capital Model"), which Enstar uses to validate the results of the Standard Formula calculation. Overall, I am satisfied that both the Standard Formula and results from the unapproved Enstar Capital Model are a reasonable estimate for the capital requirements for each of the Companies as at 31 December 2023. However, given that the capital requirements calculated using the unapproved Enstar Capital Model are lower than those calculated using the Standard Formula, I consider it reasonable to base my conclusions on Solvency Ratios which use the SCR calculated according to the Standard Formula under Solvency II.

### **Conclusions for policyholders transferring from Mercantile to River Thames**

- 1.19 It is my opinion that the Mercantile Policyholders will not be materially adversely affected by the Proposed Scheme.

#### *Impact on Solvency Ratios*

- 1.20 As a result of the Proposed Scheme, for the Mercantile Policyholders the Solvency Ratio will marginally increase from 188% in the No Scheme Position to 189% in the Post Scheme Position.

#### *Consideration of scenarios*

- 1.21 For the Mercantile Policyholders there is an increase (or no change) in the Solvency Ratio in the Post Scheme Position compared with the No Scheme Position for all of the scenarios other than those scenarios which only impact River Thames and a more extreme inflation scenario which I have considered.
- 1.22 For those scenarios which only impact River Thames, while the Mercantile Policyholders see a decrease in the Solvency Ratio as a result of the Proposed Scheme, the Solvency Ratio of River Thames in the Post Scheme Position remains above the target Solvency Ratio of 130%.
- 1.23 For the more extreme inflation scenario (which I consider to have a high expected return period, such that I would expect it to arise approximately once in every 50 to 200 years), the Mercantile Policyholders see a small decrease in the Solvency Ratio as a result of the Proposed Scheme, with the Solvency Ratio of River Thames in the Post Scheme Position falling below 100%. However, River Thames still has a strong positive net asset position in the Post Scheme Position and would be expected to be able to pay all liabilities after this stress without requiring additional funds.
- 1.24 I therefore consider that the reduction in the Solvency Ratio for these scenarios as a result of the Proposed Scheme does not materially adversely affect the Mercantile Policyholders.

*Increase in the proportion of assets which are subject to restrictions*

- 1.25 In both the No Scheme Position and the Post Scheme Position there are a number of trust funds and collateral arrangements, which, for the Mercantile Policyholders, result in an increase in the proportion of assets which are subject to restrictions (in that the restricted assets must be used to meet certain liabilities in priority to others) as a result of the Proposed Scheme. This proportion increases from 3% to 14%. This could disadvantage the Mercantile Policyholders in the Post Scheme Position due to a greater proportion of funds being unavailable to them.
- 1.26 This increase in the proportion of assets which are subject to restrictions will only impact the Mercantile Policyholders in the event of the insolvency of River Thames in the Post Scheme Position. I have considered a number of scenarios and all of these scenarios result in River Thames having a positive net asset position in the Post Scheme Position, such that it would still be expected to be able to pay all liabilities without requiring additional funds. I therefore consider that the risk of River Thames becoming insolvent after the Proposed Scheme is extremely remote.

**Conclusions for policyholders transferring from Rombalds to River Thames**

- 1.27 It is my opinion that the Rombalds Policyholders will not be materially adversely affected by the Proposed Scheme.

*Impact on Solvency Ratios*

- 1.28 As a result of the Proposed Scheme, for the Rombalds Policyholders, the Solvency Ratio will increase from 160% in the No Scheme Position to 189% in the Post Scheme Position. The SCR for Rombalds is below the absolute minimum of the MCR (of €3.7 million as at 31 December 2023). As insurers are required to hold at least the MCR, the Solvency Ratio for Rombalds in the No Scheme Position is based on this absolute minimum MCR amount.
- 1.29 However, the proportion of the highest quality Eligible Own Funds decreases, from 100% of Eligible Own Funds within Tier 1 in the No Scheme Position to 74% of Eligible Own Funds within Tier 1 in the Post Scheme Position. I consider, though, that this is mitigated by a number of factors – including the significant increase in the overall size of the available assets in the Post Scheme Position, a reduction in the risk that ongoing expenses deplete the Eligible Own Funds in the Post Scheme Position, the increase in the diversification of River Thames in the Post Scheme Position (which improves the overall risk profile) and the increase in the Solvency Ratio for the Rombalds Policyholders as a result of the Proposed Scheme (from 160% to 189%).
- 1.30 In terms of the increase in the overall size of the available assets in the Post Scheme Position, the Rombalds Policyholders are moving from a company with Eligible Own Funds of \$6.8 million to a company with Eligible Own Funds of \$221.3 million. This means that risks which may threaten the solvency of Rombalds in the No Scheme Position are unlikely to have a material impact on River Thames in the Post Scheme Position.
- 1.31 In terms of the reduction in the risk that the ongoing expenses deplete the Eligible Own Funds, in the No Scheme Position the provision for future expenses is a material component of the total Solvency II Technical Provisions and the provision is calculated assuming that the business will continue to be managed by Rombalds for five years, after which time it is

assumed that an alternative way will be found to manage any remaining liabilities (such as transferring them to another insurance company with more material remaining liabilities). If the Proposed Scheme does not go ahead and Enstar is unable to find an alternative way to manage any remaining liabilities, the Rombalds Policyholders are exposed to the risk that the ongoing expenses deplete the Eligible Own Funds available to pay claims, particularly given the long-tailed nature of the remaining liabilities within Rombalds. This risk is significantly reduced in the Post Scheme Position given the increase in the overall size of the available assets, and hence the reduction in the relative size of the provision for future expenses compared to the total liabilities.

#### *Consideration of scenarios*

- 1.32 The Rombalds Policyholders see a reduction in the Solvency Ratio of their reinsurer in the Post Scheme Position compared with the No Scheme Position for the majority of the scenarios.
- 1.33 However, I would note that for a number of the scenarios the Solvency Ratio of River Thames in the Post Scheme Position remains above the target Solvency Ratio of 130%.
- 1.34 There are seven scenarios where the Rombalds Policyholders see a reduction in their Solvency Ratio in the Post Scheme Position and the Solvency Ratio of River Thames in the Post Scheme Position falls below the target Solvency Ratio of 130%. I consider these seven scenarios to have either a high or extreme expected return period, such that I would expect each scenario to occur less frequently than once in every 50 years. However, I note that for these scenarios in the Post Scheme Position River Thames still has a positive net asset position, such that River Thames would still be expected to be able to pay all liabilities after this stress without requiring additional funds.
- 1.35 In addition, I consider that in the Post Scheme Position the Rombalds Policyholders would benefit from the significant increase in the overall size of the available assets and the increase in the diversification of the business of River Thames.
- 1.36 I therefore consider that the reduction in the Solvency Ratio for the scenarios as a result of the Proposed Scheme does not materially adversely affect the Rombalds Policyholders.

#### *Priorities on winding up*

- 1.37 In the event of the insolvency of River Thames after the Proposed Scheme, the Rombalds Policyholders (all of whom are reinsurance policyholders) will be disadvantaged in the Post Scheme Position compared with the No Scheme Position since they will move from a company where they rank equally to all other policyholders to a company where 85% of policyholders rank before them.
- 1.38 However, as discussed above, I have considered a number of scenarios and all of these scenarios result in River Thames having a positive net asset position in the Post Scheme Position, such that it would still be expected to be able to pay all liabilities without requiring additional funds. I therefore consider that the risk of River Thames becoming insolvent after the Proposed Scheme is extremely remote.

*Increase in the proportion of assets which are subject to restrictions*

- 1.39 In both the No Scheme Position and the Post Scheme Position there are a number of trust funds and collateral arrangements, which, for the Rombalds Policyholders, result in an increase in the proportion of assets which are subject to restrictions (in that the restricted assets must be used to meet certain liabilities in priority to others) as a result of the Proposed Scheme. This proportion increases from 0% to 14% for the Rombalds Policyholders. This could disadvantage the Rombalds Policyholders in the Post Scheme Position due to a greater proportion of funds being unavailable to them.
- 1.40 This increase in the proportion of assets which are subject to restrictions will only impact the Rombalds Policyholders in the event of the insolvency of River Thames in the Post Scheme Position and, as discussed above, I consider that the risk of River Thames becoming insolvent after the Proposed Scheme is extremely remote.

*Impact if only insurance business transfer scheme of Rombalds Policies is effected*

- 1.41 My opinions and conclusions have generally been reached on the basis that the Proposed Scheme is a single insurance business transfer scheme. It is possible, however, for only one of the insurance business transfer schemes to be effected.
- 1.42 I have considered the impact on my conclusions if the insurance business transfer scheme of the Rombalds Policies is effected but the insurance business transfer scheme of the Mercantile Policies does not go ahead. I have concluded that my opinion that the Rombalds Policyholders will not be materially adversely affected by the Proposed Scheme will not change if only the insurance business transfer scheme of the Rombalds Policies is effected.

**Conclusions for existing policyholders of River Thames**

- 1.43 It is my opinion that the River Thames Policyholders will not be materially adversely affected by the Proposed Scheme.

*Impact on Solvency Ratios*

- 1.44 The River Thames Policyholders will be remaining within River Thames under the Proposed Scheme. As a result of the Proposed Scheme, for the River Thames Policyholders the Solvency Ratio will increase from 150% in the No Scheme Position to 189% in the Post Scheme Position. In addition, the proportion of the highest quality Eligible Own Funds also increases, from 67% of Eligible Own Funds within Tier 1 in the No Scheme Position to 74% of Eligible Own Funds within Tier 1 in the Post Scheme Position.

*Consideration of scenarios*

- 1.45 For the River Thames Policyholders there is an increase in the Solvency Ratio in the Post Scheme Position compared with the No Scheme Position for all but three of the scenarios. I consider these three scenarios to have either a high or extreme expected return period, such that I would expect each scenario to occur less frequently than once in every 50 years.
- 1.46 For these three scenarios, the Solvency Ratio of River Thames is either close to 100% in the Post Scheme Position or I consider that the decrease in Solvency Ratio from the No Scheme Position to the Post Scheme Position is not material. In addition, River Thames has a positive net asset position in the Post Scheme Position in all three of these scenarios, such that River



Thames would still be expected to be able to pay all liabilities after these scenarios without requiring additional funds.

#### *Priorities on winding up*

- 1.47 In the event of the insolvency of River Thames after the Proposed Scheme the River Thames Policyholders will be disadvantaged in the Post Scheme Position compared with the No Scheme Position due to a deterioration in their ranking.
- 1.48 However, I have considered a number of scenarios and all of these scenarios result in River Thames having a positive net asset position in the Post Scheme Position, such that it would still be expected to be able to pay all liabilities without requiring additional funds. I therefore consider that the risk of River Thames becoming insolvent after the Proposed Scheme is extremely remote.

#### **Impact on outwards reinsurers**

- 1.49 I have concluded that the Proposed Scheme will have no effect on the outwards reinsurers who provide reinsurance in respect of the policies which are transferring to River Thames, as a result of the following considerations:
- In relation to the potential effects of the Proposed Scheme on matters related to claims handling and policy administration, I have concluded that there will be no changes to the claims handling and policy administration as a result of the Proposed Scheme.
  - I also concluded that the Proposed Scheme will have no impact on how the outwards reinsurance contracts are managed in either the No Scheme Position or the Post Scheme position.

#### **Communication strategy**

- 1.50 I have reviewed a draft of the letters and the explanatory circular which will be sent as part of the communication process and I consider that the level of information contained in these documents to be appropriate and its presentation to be clear, fair and not misleading.
- 1.51 In my opinion, the proposed waivers being sought of the statutory requirements to notify policyholders and reinsurers are proportionate and reasonable.
- 1.52 I am therefore satisfied that the proposed material to be presented to policyholders, claimants, reinsurers and other potentially affected parties is appropriate and the Companies' approach to communication is appropriate, reasonable and proportionate.

#### **Supplementary Report**

- 1.53 In general, this Summary and the Scheme Report is based on data and information as at 31 December 2023, this being the most recent date at which audited financial information was available when the Scheme Report was drafted. Where possible, this has been supplemented by additional, unaudited, information as at 30 June 2024 and 30 September 2024.
- 1.54 I expect to produce a Supplementary Report in due course which will be based on the most up to date financial information which is available to me at that time, and which will include audited financial information as at 31 December 2024.



- 1.55 In my Supplementary Report, I will provide an update on the progress made to effect the Deed of Variation and amend the letter of credit with Citibank Europe plc, both of which are required to ensure that the Mercantile Policyholders who currently benefit from the ILU Guarantee do not lose that protection as a result of the Proposed Scheme.
- 1.56 In my Supplementary Report I will also comment on the implementation of the communication approach, including any objections received to the Proposed Scheme and whether these objections impact my conclusions on the Proposed Scheme.
- 1.57 At the time of drafting my Supplementary Report I will also consider any other relevant matters which have arisen since the time of drafting the Scheme Report.



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**21 July 2025**

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