

Proposed insurance business transfer scheme by:

FIRST TITLE INSURANCE PLC

to

FIRST EUROPEAN TITLE INSURANCE COMPANY LIMITED

under Part VII of the Financial Services and Markets Act 2000

SCHEME BOOKLET

This booklet contains important information on the proposed Transfer by First Title Insurance Plc (FTI) to First European Title Insurance Company Limited (FETIC).

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

It has been sent to you because you are or may be insured by FTI under a title insurance policy. Because many of our policies have a long duration, you may not have entered into the insurance policy yourself, and may not even be aware of its existence, but may nonetheless be insured under it (for example, because you are a successor in title to land in respect of which insurance was provided).

This booklet is intended as a guide only and is not a definitive statement of your rights. Other persons may have an interest in your policy (for example, if you are a joint policyholder). We would ask that you ensure they also have the opportunity to review the contents of this booklet.

If you have any questions that are not covered in this booklet, please contact us using any of the contact details on the front of the letter enclosed with this booklet. Please note that whilst we are not allowed to provide you with financial advice, we can answer general questions on the effects of the proposed Transfer.

Information on the proposed Transfer is also be provided on our website at: <https://www.firsttitle.co.uk/>

1. DEFINITIONS

FTI: First Title Insurance Plc.

FETIC: First European Title Insurance Company Limited. FETIC is authorised by the Malta Financial Services Authority to carry on insurance business in Malta.

Effective Date: 28 April 2020.

EEA: the European Economic Area.

EU: the European Union.

Transferring Policy: an insurance policy underwritten by FTI that will be transferred to FETIC under the proposed Transfer.

Transferring Policyholder: a person insured under a Transferring Policy.

Non-Transferring Policy: an insurance policy underwritten by FTI that will not be transferred to FETIC under the proposed Transfer.

Non-Transferring Policyholder: a person insured under a Non-Transferring Policy.

FCA: the Financial Conduct Authority of the United Kingdom or such other governmental, statutory or other authority as shall from time to time carry out such functions in relation to insurance companies as are allocated to the FCA under FSMA.

FSMA: the Financial Services and Markets Act 2000 together with the rules and regulations implemented pursuant thereto.

High Court: the High Court of England and Wales.

Independent Expert: Mr Stewart Mitchell FIA of Lane Clark & Peacock LLP, whose appointment has been approved by the PRA.

Legal Notice: a formal notice of the proposed Transfer.

PRA: the Prudential Regulation Authority of the United Kingdom or such other governmental, statutory or other authority as shall from time to time carry out such functions in relation to insurance companies as are allocated to the PRA under the Act.

Scheme of Transfer: the insurance business transfer scheme, under Part VII of FSMA, for transfer of the Transferring Policies from FTI to FETIC.

Scheme Report: the report by the Independent Expert on the Scheme of Transfer under Section 109 of FSMA.

Transfer: the transfer of the Transferring Policies from FTI to FETIC.

UK: the United Kingdom of Great Britain and Northern Ireland.

2. SCHEME SUMMARY

2.1 Introduction

We are proposing to transfer approximately 2,027 of FTI's insurance policies to FETIC. These are called the Transferring Policies. In broad summary, the Transferring Policies fall into three categories:

- Approximately 1,372 policies covering title risk in respect of commercial property in various states in the EEA (not including the UK).
- Approximately 697 policies covering title risk in respect of residential property in the Republic of Ireland.
- Approximately 32 policies covering title risk in respect of residential property in Spain.

The proposed Transfer forms part of the restructuring being implemented by FTI in response to the decision of the people of the UK to leave the EU. The UK left the EU on 31 January 2020, and is now in a transition period until 31 December 2020. We are taking the steps outlined in this booklet to ensure that we can continue to service the Transferring Policyholders, whose risks are outside the UK, and to write new insurance business in the EEA after the transition period comes to an end.

There will be no transfer of any of the approximately 5.6 million Non-Transferring Policies underwritten by FTI which cover title risk insurance in respect of property in the UK. The Non-Transferring policies will continue to be provided and serviced by FTI.

This section summarises the key elements of the proposed Transfer, as set out fully in the Scheme of Transfer, and provides further information about the changes. Please read it carefully.

2.2 Effective Date

The proposed Transfer is conditional upon the High Court granting an order pursuant to Part VII of FSMA. If the order is granted, the Transfer will become effective on 28 April 2020.

2.3 Legal Process

The proposed Transfer will be achieved through the Scheme of Transfer which will be submitted to the High Court for its approval under Part VII of FSMA.

The legal process to effect the proposed Transfer also requires the appointment of an independent expert to report on the likely effects of the proposed Transfer on

policyholders. Mr Stewart Mitchell FIA of Lane Clark & Peacock LLP has been appointed as the Independent Expert for this Scheme of Transfer. In his report, the Independent Expert has concluded that no group of policyholders would be adversely affected to a material extent by the proposed Transfer. A summary of the Independent Expert's report is set out in Section 4 of this booklet.

English law requires that a Legal Notice of the proposed Transfer be sent to all policyholders concerned unless a waiver for the provision of such Legal Notice is granted and that the Legal Notice be advertised in certain publications. We endeavour to send Legal Notice to all of the Transferring Policyholders but, because of their very large number, we have been granted a waiver by the court in respect of the Non-Transferring Policyholders.

The Legal Notice of the proposed Transfer is set out in Section 5 of this booklet. That Legal Notice has also been published in certain publications, including two national newspapers in the UK and in the Republic of Ireland. We have been granted a waiver of the requirement to advertise the proposed Transfer in any other EEA state.

2.4 Effect of the proposed Transfer

Subject to the approval of the Scheme of Transfer by the High Court, with effect from the Effective Date, the Transferring Policies will transfer to FETIC.

This means that:

- a) As a Transferring Policyholder, you will continue to have the same rights, benefits and obligations and be subject to the same terms and conditions in relation to your policy, except that FETIC will be substituted as the insurer in place of FTI. There will be no changes to the cover provided by your policy but you may be impacted by a loss of access to the FSCS (see questions 16 and 17).
- b) Any proceedings, whether current, future, pending, threatened or otherwise involving FTI and a Transferring Policy will be commenced or continued by or against FETIC instead. FETIC will be entitled to all defences, claims, counterclaims and rights of set-off that FTI would have had.
- c) Any judgment, settlement, order or award in respect of a Transferring Policy which is not fully satisfied before the Effective Date will become enforceable by or against FETIC.
- d) All costs and expenses incurred in connection with the proposed Transfer, including the Independent Expert's fees, legal fees and fees of the PRA and FCA, will be borne by FTI.

2.5 Expected Timetable

The High Court hearing to consider the proposed Transfer is scheduled for 21 April 2020 in London (Rolls Building, 7 Rolls Buildings, Fetter Lane, London, EC4A 1NL).

The proposed date on which the Scheme of Transfer become effective is 28 April 2020.

2.6 Further Information

It is important that you understand the background to the proposed Transfer and you are encouraged to read the whole of this booklet, including the Questions and Answers in Section 3, the Summary of the Independent Expert's Report in Section 4, and the Legal Notice of proposed Transfer in Section 5.

If you have any questions, concerns or objections about the proposed Transfer, you can find further information including the full terms of the Scheme of Transfer and the full Independent Expert's report free of charge at <https://www.firsttitle.co.uk/>

Alternatively you may write to us at Compliance Department, First Title Insurance plc, ECA Court, 24-26 South Park, Sevenoaks, Kent TN13 1DU or compliance@firsttitle.co.uk or contact us by telephone on +44 (0)207 160 8606 between the hours of 9.00 a.m. and 5.00 p.m. from Monday to Friday (excluding public holidays).

2.7 What should you do now?

If you do not have any concerns about the proposed Transfer you do not need to do anything at all. Subject to the proposed Transfer being approved by the High Court, all Transferring Policies covered by the Scheme of Transfer will automatically transfer to FETIC.

If you think that the proposed Transfer would materially adversely affect you, or you otherwise wish to object to the proposed Transfer, you have the right to raise your concerns with the High Court, either in person, through representation or in writing. Alternatively, you can raise any concerns with us in writing or over the telephone and we will make a record of your concerns and provide a copy to the PRA, FCA, Independent Expert and the High Court. We have explained the process for raising concerns in Section 3 (Questions and Answers).

If you believe you will be materially adversely affected by our proposals, although you do not have to give notice of your concerns to us in writing, we ask you to do so, so that we have the opportunity to understand and discuss them with you. Please therefore give notice to us in writing as soon as possible, and preferably at least 5 working days prior to the date of the High Court hearing.

3. QUESTIONS AND ANSWERS

PART A – PROPOSED CHANGES TO OUR BUSINESS

1. What changes are being made to FTI's business?

As a Transferring Policyholder, your title risk insurance policy is currently underwritten by FTI, an insurance company incorporated in the UK which is authorised by the PRA and regulated by the PRA and the FCA. We are proposing to transfer approximately 2,027 policies, including your policy, to FETIC, which is a newly authorised insurance company incorporated in Malta.

2. Why is FTI undertaking the Transfer?

The proposed Transfer forms part of the restructuring being implemented by FTI in response to the decision of the people of the UK to leave the EU (commonly known as "Brexit"). The UK left the EU on 31 January 2020, and is in a transition period until 31 December 2020. We are undertaking the proposed Transfer for two essential reasons. The first is to ensure that we can continue to service the Transferring Policyholders, whose risks are all in EU member states outside the UK, after the transition period comes to an end. For example, we wish to ensure that we are able to pay valid claims to any Transferring Policyholder without complication. Secondly, we want to be able to write new insurance business across the EEA after the transition period ends, without complication.

3. How will the proposed Transfer be carried out?

The proposed Transfer will be carried out by means of an insurance business transfer under Part VII of the Financial Services and Markets Act 2000. Further information about the legal process and the effect of the proposed Transfer is set out below in questions 5, 7 and 8.

4. Do I need to do anything?

We encourage you to read the information provided in this booklet carefully so that you can consider the implications of the proposed Transfer. However, unless you are unsure about the proposals, have any questions, want clarification or think you may be adversely affected, you are not required to take any action in relation to the proposed Transfer. For further information on how you can make representations, raise concerns or ask questions with respect to the proposed Transfer please refer to question 23 below.

5. What is an insurance business transfer?

An insurance business transfer (sometimes referred to as a “Part VII transfer”) is a transfer of insurance business under Part VII of the FSMA. It is a process whereby the liabilities of one insurer and corresponding assets are transferred to another insurer. The process that must be followed is stringent to ensure that policyholders are protected. To be effective, the proposed Transfer must be sanctioned by the High Court. In considering the proposed Transfer, the High Court will take into account the views of the PRA, the FCA and the Independent Expert, and any objections made by affected parties such as policyholders.

6. What is the legal process for effecting the proposed Transfer?

The proposed Transfer involves the following steps:

- Step 1: FETIC is established in Malta and obtains legal clearance from the Maltese authorities to carry on insurance business. This has already taken place.
- Step 2: all of the Transferring Policies are transferred to FETIC pursuant to an insurance business transfer under Part VII of FSMA. All of the Non-Transferring Policies remain with FTI.

As outlined in question 5 above and described in more detail in Part C below, the proposed Transfer involves a High Court process and a requirement to notify certain policyholders and other interested parties of the transfer so that they can be heard at the final High Court hearing. If approved by the High Court, the proposed Transfer is expected to take effect on 28 April 2020.

7. What is the effect of the proposed Transfer?

A summary of the key terms of proposed Transfer is set out in section 2 of this booklet. In broad terms, the effect of the proposed Transfer will be that FTI’s rights and obligations under the Transferring Policies will be transferred, without alteration, to FETIC. Any rights or obligations that you have as a Transferring Policyholder under your policy will remain unchanged, but following the proposed Transfer, they will be exercisable against or owed to FETIC. For example, if you have a claim it will be paid by FETIC (subject to the same terms and conditions of your policy).

Other than in respect of your rights to access the Financial Services Compensation Scheme and ability to refer disputes to the Financial Ombudsman Service, which will change (please see questions 16, 17 and 18 below for more details), you will continue to have the same rights, benefits and obligations and be subject to the same terms and conditions in relation to your policy, except that FETIC will be substituted as

the insurer in place of FTI. There will be no other changes to the terms and conditions of your policy.

Any legal proceedings (whether current, future, pending, threatened or otherwise) involving FTI and a Transferring Policy will be commenced or continued by or against FETIC. FETIC will be entitled to any and all defences, claims, counterclaims and rights of set-off that FTI would have had.

Any judgment, order or award in respect of a Transferring Policy which is not fully satisfied before the Effective Date will no longer be enforceable by or against FTI but will become enforceable by or against FETIC.

8. Where is FTI based?

FTI is incorporated in the UK and will continue to operate from ECA Court, 24-26 South Park, Sevenoaks, Kent TN13 1DU. FTI will continue to be authorised by the PRA and regulated by the PRA and FCA. FTI will continue to offer title risk insurance in the UK for UK risks, as it does currently. It will also continue to underwrite and administer the Non-Transferring Policies. The same teams will continue to provide expert underwriting and claims handling as they do now and our contact details will remain the same.

9. Where is FETIC based?

FETIC is incorporated in Malta and will operate from The Reed Centre, Blue Harbour, Ta'Xbiex Marina, Ta 'Xbiex XBX 1027, Malta. FETIC is authorised and regulated by the Malta Financial Services Authority ("MFSA"). FETIC will operate as a new European insurance company, offering title risk insurance across continental Europe as FTI did before. A dedicated team based in Malta will provide expert underwriting and claims handling to Transferring Policyholders and any new policyholders.

10. Why was Malta chosen as the new headquarters of FETIC?

The decision to base FETIC in Malta was taken for a combination of reasons after a thorough review of possible locations. All of the business we will write out of FETIC will be in continental Europe. Malta is at the heart of the European marketplace. It is a core member of the European Union, has a stable economy, and an experienced and well-respected insurance regulator which operates in the English language. As FTI is today, FETIC will be governed by the framework laid out by Solvency II, as implemented in Malta, providing policyholders with a high level of protection.

11. I am not based in the UK – does the proposed Transfer affect me?

Yes, if you are a Transferring Policyholder. The proposed Transfer relates to all of FTI's policies in which the risks (i.e. properties in respect of which title risk is insured) are outside the UK but within the EEA. If the High Court sanctions the proposed Transfer, its decision will bind all policyholders as a matter of English law and will be recognised in all other EEA jurisdictions.

PART B –SAFEGUARDS IN THE PROPOSED TRANSFER PROCESS

12. What safeguards are there in the proposed Transfer process?

The legal and regulatory framework relating to the proposed Transfer seeks to ensure that, among other things, policyholders' interests are safeguarded and the security and benefit to both Transferring Policyholders and Non-Transferring Policyholders will not be materially adversely affected. As part of the proposed Transfer, your interests, and the interests of all our policyholders, are being looked after by a thorough review process which includes:

- the appointment of an Independent Expert to produce a report for the High Court on the likely impact of the proposed Transfer on policyholders;
- the ability for you and other policyholders and interested parties to object or raise any concerns in relation to the proposed Transfer, either to the High Court or to us, following which the concerns raised will be communicated to the PRA, the FCA, the Independent Expert, and the High Court;
- close consultation with the PRA and FCA who will also provide a report on the proposed Transfer to the High Court;
- the approval of the proposed Transfer by the High Court.

The High Court will only approve the proposed Transfer if it considers it appropriate in all the circumstances. The High Court will take into account the opinion of the Independent Expert, any concerns raised or representations made by policyholders affected by the proposed Transfer, and the opinion of the PRA and FCA.

The relevant national insurance supervisory authorities in EEA countries where FTI has underwritten risks will be informed of the proposed Transfer as part of the legal and regulatory approval process.

13. What is an Independent Expert, who is he and what is his role?

The Independent Expert is an actuarial expert who prepares a report for the High Court on the likely effects of the proposed Transfer on policyholders. The Independent Expert must be independent of FTI and FETIC as well as the PRA and the FCA.

Mr Stewart Mitchell FIA of Lane Clark & Peacock LLP has been appointed as the Independent Expert for the proposed Transfer. His appointment has been approved by the PRA in consultation with the FCA.

The Independent Expert reviews the terms of the proposed Transfer. His report is impartial and based on a thorough scrutiny of the proposals and the business of FTI and FETIC.

14. What does the Independent Expert's Report say?

A summary of the Independent Expert's report is contained in Section 4 of this booklet. In broad overview, the Independent Expert has concluded that:

- policyholders will not be materially adversely affected by the proposed Transfer; and
- the proposed Transfer will not have a significant effect on the security of policyholders' contractual rights and levels of service provided to policyholders.

Please refer to question 34 for details on how you can obtain a copy of the full Independent Expert's Report.

15. What are the solvency and capital requirements for FTI and FETIC?

The EU has developed insurance company solvency requirements known as "Solvency II" aimed at harmonising EU insurance regulation and enhancing consumer protection. The directive was implemented on 1 January 2016 and applies to all EU-domiciled insurance and reinsurance companies. It therefore already applies to both FTI and FETIC. Following Brexit, it is possible that the UK could adopt a different solvency regime, which would apply to FTI. However, at this stage no information has been given to indicate that the UK would adopt a different solvency regime to the existing Solvency II. Unless the EU changes its own internal policy, the Solvency II requirements will continue to apply to FETIC.

16. What is the Financial Services Compensation Scheme (FSCS) and will the proposed Transfer impact my ability to access the FSCS?

The FSCS is a UK statutory scheme funded by members of the UK financial services industry that provides monetary compensation to eligible policyholders in the event of insolvency of an insurance company authorised by the PRA or the FCA. FTI's policyholders who fulfil the eligibility criteria of the applicable rules currently have access to the FSCS.

The proposed Transfer will mean that Transferring Policyholders will lose their protection under the FSCS. 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. For further information on the impact of losing FSCS protection, please see question 17 below.

17. What impact will losing FSCS protection have for Transferring Policyholders?

The FSCS (as described in question 16) provides monetary compensation to eligible policyholders in the event of the insolvency of a UK insurance company. Malta, where FETIC is incorporated, does not have any equivalent statutory compensation scheme. The Independent Expert has concluded that the insolvency of FETIC after the proposed Transfer is “very unlikely”. Therefore, he considers that loss of FSCS protection will not materially adversely affect Transferring Policyholders. FETIC

18. What is the Financial Ombudsman Service (“FOS”) and will the proposed Transfer affect my ability to access the UK Ombudsman?

The FOS provides a free, independent service for resolving disputes or complaints with insurers who issue or administer policies from within the UK. Transferring Policyholders who fulfil the eligibility criteria of the applicable rules currently have access to the FOS. The FOS is able to issue decisions which are binding on insurance companies.

Transferring Policyholders who meet the eligibility requirements will retain the right to refer to the FOS complaints about an act or omission by FTI **before the Effective Date**. However, Transferring Policyholders will be unable to refer to the FOS disputes or complaints about an act or omission by FETIC after the Effective Date.

If a Transferring Policyholder has a complaint about an act or omission by FETIC which takes place **after the Effective Date**, they may (if eligible) complain to the Arbiter for Financial Services (“AFS”) in Malta. The AFS deals with complaints in a broadly similar way to the FOS – i.e. on the basis of what is in its opinion fair, equitable and reasonable. The AFS has the power to award compensation of up to €250,000 plus interest and other costs. Transferring Policyholders who wish to make a complaint to the AFS may find further information about this process at the AFS website: www.financialarbiter.org.mt

19. Are the FCA and the PRA reviewing the proposed Transfer?

Yes. Both the PRA and FCA have the right to make written and oral representations to the High Court, including providing the High Court with reports setting out their

respective views on the proposed Transfer, which the High Court will take into account in deciding whether the terms of the proposed Transfer are fair and whether policyholders' interests are safeguarded. The review by the FCA and the PRA should not be a substitute for each customer giving consideration to how the proposed transfer may affect them. The ultimate decision as to whether to allow the proposed Transfer lies with the High Court.

PART C – THE APPROVAL PROCESS

20. When and where is the High Court hearing to consider the proposed Transfer?

The High Court hearing to consider and, if thought appropriate in all the circumstances, to approve, the proposed Transfer is scheduled for 21 April 2020 in London. The High Court hearing will take place in the Rolls Building, 7 Rolls Buildings, Fetter Lane, London, EC4A 1NL.

21. What will happen at the High Court hearing?

The High Court will consider whether to approve the proposed Transfer. A legal representative for FTI and FETIC will explain the proposed Transfer, the notifications made, and any responses received from policyholders and other interested parties.

Before deciding whether to approve the proposed Transfer, the High Court will consider the views of the Independent Expert, the PRA, the FCA and any responses received from policyholders and other interested parties. In deciding, the High Court will consider whether any policyholders' interests are materially adversely affected by the proposed Transfer. The High Court will be guided by the views of the Independent Expert and the PRA and the FCA.

22. Can I vote on the Proposed Transfer?

There are no voting procedures in relation to an insurance business transfer and you are not required to take any action in relation to the proposed Transfer. If the proposed Transfer is sanctioned by the High Court, all Transferring Policies will automatically transfer to FETIC. However, you do have a right to object to the proposed Transfer and for your objection to be heard by the High Court. Please refer to question 23 for details on what to do if you wish to object.

23. How can I object to the proposed Transfer, raise any concerns or make representations?

If you have any comments or queries, or feel you may be adversely affected by the proposed Transfer, please contact us by telephone, email or post:

- Telephone number: +44 (0)207 160 8606
- Email address: compliance@firsttitle.co.uk
- Postal address: Compliance Department, First Title Insurance plc, ECA Court, 24-26 South Park Sevenoaks, Kent, United Kingdom, TN13 1DU

We will make a record of your concerns and communicate these to the PRA, the FCA and the Independent Expert and the High Court. Whether or not you contact us first, you have the right to:

- Make written representations and/or to appear at the High Court hearing in person.
- Instruct a legal representative to appear at the High Court hearing and make representations on your behalf.

Although you do not need to contact us before exercising your rights outlined above, we ask that you do let us know so that we have an opportunity to understand and discuss any concerns directly with you. Please therefore let us know as soon as possible by writing to us at the email or postal address provided above, preferably no later than 5 days before the High Court hearing scheduled for 21 April 2020. We will bring any representations received to the attention of the PRA, the FCA, the Independent Expert and the High Court.

24. When will the proposed Transfer take place and how will I know it has gone ahead?

If the proposed Transfer is approved by the High Court, we will release an announcement on the website (<https://www.firsttitle.co.uk/>) shortly after the High Court hearing on 21 April 2020. If the proposed Transfer is approved by the High Court, it will be expected to take effect on 28 April 2020. If there are any changes to the timetable, these changes will be reflected on the website.

25. Who will pay for the proposed Transfer?

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 the FCA, will be borne by FTI.

PART D – WHAT DOES IT MEAN FOR THE ADMINISTRATION OF MY POLICY

26. Will the proposed Transfer result in any change to the insurance coverage I have under my policy?

No. The insurance coverage provided to you will not change as a result of the proposed Transfer. The change in insurance company does not affect any aspect of the

current insurance cover that has been purchased nor does it have any impact on your ability to make a claim. Your current policy will continue to be valid and subject to exactly the same terms after the proposed Transfer.

27. Will you reissue my current policy and send me a new one?

No, we will not make any changes to your current policy documentation or reissue you with a new policy document. You continue to be insured, you do not need to take any action.

28. Are further premiums payable on my existing policy as a result of the proposed Transfer?

No. The proposed Transfer will not result in any additional premiums being payable on your existing policy.

29. Will the same people be dealing with my policy?

No, in the event that you have a claim against your policy the claim would not be handled by FTI's claims teams but would instead be handled by FETIC's dedicated claims team. The address of FETIC's claims team are First European Title Insurance Company Limited, The Reed Centre, Ta' Xbiex Seafront, Ta' Xbiex, XBX 1027 Malta but they can also be contacted by e-mail to: claims@firsteuropean.eu.

30. Will the proposed Transfer affect any claims I have made or my ability to make future claims?

No. There will be no change from the current claims handling or claims payment process. Notice of claims must be made as per the terms of the policy, but in the alternative notice can be sent to the contact details for FETIC's claims teams set out at question 29.

31. What if I have a claim under my Transferring Policy which has not been agreed or is subject to a legal dispute?

There will be no change to current practice. Notice of claims should be made as per the terms of the policy, but in the alternative notice can be sent to the contact details for FETIC's claims teams set out at question 29. The transfer will not result in any change to the claims handling process for policyholders or the claims payment process save that claims will be handled by FETIC's dedicated claims team rather than FTI's.

Any pending, current or future proceedings by or against FTI in respect of a Transferring Policy will, following the Effective Date, be brought by or against FETIC.

32. Would the Transfer affect processing information relating to my policy and/or claim?

The transfer of your Transferring Policy and/or claim will mean that the company which controls processing information (usually referred to as Data Controller) will change from FTI to FETIC. Our use of information otherwise remains unchanged and we will continue to protect it as we have always done.

PART E – FURTHER INFORMATION

33. Where can I find out more information?

We have included information within this booklet to help you understand the proposed Transfer. You can also find more information on our website (<https://www.firsttitle.co.uk/>) where you can find the full terms of the proposed Transfer and the full Independent Expert's report, available free of charge.

You may also request free copies of the proposed Transfer documents through our website or by contacting us in one of the ways described below:

- ✓ By telephone: +44 (0)207 160 8606
- ✓ By email: compliance@firsttitle.co.uk
- ✓ By post: Compliance Department, First Title Insurance plc, ECA Court, 24-26 South Park Sevenoaks, Kent, United Kingdom, TN13 1DU

We will make a record of your concerns and communicate these to the PRA, the FCA, the Independent Expert and the High Court.

All future updates relating to the proposed Transfer will be posted onto our website including any changes to the date of the High Court hearing and a copy of any supplementary report prepared by the Independent Expert. Please check the website regularly for any updates.

34. I do not think that I am a policyholder, so why is this relevant to me?

The terms of some of our title insurance policies may allow claims to be made by successors in title a number of years after the original policy was agreed. Depending on the terms of your policy, you may still have the right to bring a claim under such a policy. After the proposed Transfer, such claims would be managed by FETIC.

35. What if the proposed Transfer is not approved?

If the proposed Transfer is not approved by the High Court, your policy will not transfer to FETIC. If the proposed Transfer is not approved, we will update our

website with further information, so we suggest you check for updates from time to time.

36. Why is FTI undertaking its Brexit restructure in this way?

FTI has undertaken detailed due diligence in relation to its Brexit planning. We are confident that our proposal is best suited to ensure continuity for our existing policyholders and to enable us to write new insurance business across Europe after Brexit.

4. SUMMARY OF INDEPENDENT EXPERT'S REPORT

4.1 Introduction

When a scheme for transferring insurance business from one company to another is put to the High Court for approval it has to be accompanied by a report on the terms of the scheme from an independent expert. The Independent Expert's Scheme Report is a requirement under Part VII of the FSMA.

On the next page of this booklet contains a summary of the Scheme Report and this summary may be distributed to policyholders and any other person entitled to receive a copy under applicable law or regulation. The Scheme Report contains detailed information that is not shown in this summary.



Prepared by:

First Title Insurance plc to First European Title Insurance Company Ltd

Transfer of insurance business

Summary of the Independent Expert's Scheme Report for the High Court of Justice of England and Wales

1. The Proposed Transfer

First Title Insurance plc (FTI) currently operates across the European Economic Area (EEA) utilising the EEA's Freedom of Services (FoS) arrangement.

In the event of a so called "Hard Brexit" where FTI no longer has FoS rights, FTI may not legally be able to carry on the non-UK EEA business. For example, FTI would not be able to issue new insurance policies across the EEA and might not legally be able to pay valid claims to existing non-UK EEA policyholders.

FTI is proposing to transfer the relevant EEA business from FTI, a UK insurer, into First European Title Insurance Company Ltd (FETIC), a newly established insurer licensed in Malta, to provide certainty that claims can be paid to non-UK EEA policyholders.

First European Title Insurance Company Ltd (FETIC) has been established so that the First American Group can continue to carry on EEA business post-Brexit with minimum disruption to its operating model and its customers.

Proposed Transfer: it is proposed that FTI's non-UK EEA business will transfer from FTI into FETIC.

FTI and FETIC have the same common ownership and there will be no change in the ultimate parent company, First American Financial Corporation (FAFC).

The transferring reserves, net of external reinsurance, represent c.18% of FTI's reserves as at 31 December 2018.

2. My role as Independent Expert

The Proposed Transfer will need to be approved by the High Court of Justice of England and Wales (the Court). To assess the Proposed Transfer, the Court requires a Scheme Report to be prepared by a suitably qualified independent person, the Independent Expert (IE).

FTI has appointed me to act as the IE for the Proposed Transfer. The Prudential Regulation Authority (PRA), in consultation with the Financial Conduct Authority (FCA), has approved my appointment.

As IE, my overall role is to assess whether:

- The security provided to policyholders of FTI or FETIC will be materially adversely affected by the Proposed Transfer.
- The Proposed Transfer will have any adverse impact on service standards to policyholders.
- Any reinsurer of FTI covering the transferring business will be materially adversely affected.

3. Summary of my conclusions

To assess the Proposed Transfer, I have considered the effect of the Proposed Transfer from the perspective of the following four parties:

A. "Non-transferring Policyholders", ie existing policyholders of FTI whose policies will remain with FTI after the Proposed Transfer: in my opinion the security provided to Non-transferring Policyholders will not be materially adversely affected by the Proposed Transfer and there will be no material impact on service standards for Non-transferring Policyholders following the Proposed Transfer.

B. "Transferring Policyholders", whose policies will transfer from FTI to FETIC as a result of the Proposed Transfer: in my opinion, the security provided to Transferring Policyholders will not be materially adversely affected by the Proposed Transfer and there will be no material impact on service standards for Transferring Policyholders following the Proposed Transfer.

C. "FETIC policyholders", ie any policyholders of FETIC at the time of the Proposed Transfer who will remain with FETIC: I have considered any FETIC policyholders at the time of the Proposed Transfer as though they were Transferring Policyholders as they will benefit from the same level of security and service standards as the Transferring Policyholders.

D. Reinsurers whose contracts with FTI will cease and be replaced with similar contracts with FETIC as part of the Proposed Transfer: in my opinion, reinsurers of FTI who provide cover for the transferring business will not be materially affected by the Proposed Transfer.

I have outlined the main reasons why I have formed these opinions later in this Summary Report.

4. About the Independent Expert

I am a Fellow of the Institute and Faculty of Actuaries (IFoA). I am a Partner in the Insurance Consulting practice at LCP and have over 30 years' experience in general insurance.

5. The IE's Scheme Report

This is a summary of the IE's full Scheme Report, "Scheme Report of the Independent Expert on the proposed transfer of insurance business from First Title Insurance plc to First European Title Insurance Company Ltd in accordance with Part VII of the Financial Services and Markets Act 2000".

A copy of the full Scheme Report is available for download free of charge from the website of FTI or by contacting FTI.

I will also prepare a Supplementary Report ahead of the Sanctions Hearing for the Proposed Transfer. The purpose of the Supplementary Report is to confirm and/or update the conclusions of the Scheme Report, based on any material new developments in the intervening period.

6. Non-transferring Policyholders

In my opinion, the security provided to Non-transferring Policyholders will not be materially adversely affected by the Proposed Transfer.

Summary of rationale:

- The Non-transferring Policyholders represent c. 82% of FTI's business based on booked provisions net of reinsurance as at 31 December 2018 and over 99.9% by number of policyholders. The overall risk profile of FTI will not be significantly affected by the Proposed Transfer.
- FTI has confirmed that the future reserving process and governance for FTI will be materially unchanged post-transfer.

- FTI has no current plans to change the approaches for providing policyholder security, including how insurance provisions and capital requirements are set.
- The SCR capital coverage ratio for Non-transferring Policyholders is expected to increase from 194% to 219% as a result of the Proposed Transfer.

In my opinion, no material impact on service standards is expected for Non-transferring Policyholders following the Proposed Transfer.

Summary of rationale:

- FTI is not planning any material changes to how the non-transferring business is carried out.
- There are no plans to change how policyholders are serviced.

7. Transferring Policyholders

In my opinion the security provided to Transferring Policyholders will not be materially adversely affected by the Proposed Transfer.

Summary of rationale:

- The Transferring Policyholders will remain within the First American Group and FETIC will be subject to the same group-wide policies as FTI.
- FTI has confirmed that the transferring policies will continue to be reserved in the same way post-transfer as pre-transfer. FETIC will also be supported by the same outsourced actuarial function as FTI.
- The calculation of the transferring provisions has been performed using an appropriate methodology.
- The SCR coverage ratio for the Transferring Policyholders is expected to reduce from 194% (FTI) to 188% (FETIC) as a result of the Proposed Transfer, which I do not consider makes policyholders materially worse-off as 188% is still well capitalised.
- FETIC is expected to remain very well-capitalised after 2020.
- The current intra-group reinsurance with FATIC will be replaced by a new treaty with FATIC but on the same terms.

- FETIC has been assigned the same Insurer Financial Strength rating of A as FTI by Fitch Ratings, Inc, based on the wider First American Group rating., and assigned a rating of A (Excellent) by A M Best.
- The Transferring Policyholders will lose access to the Financial Services Compensation Scheme (FSCS) but overall, they are not materially disadvantaged by this.
- The Transferring Policyholders will still have access to an independent body which can investigate complaints filed against insurers.

In my opinion, no material impact on service standards is expected for Transferring Policyholders following the Proposed Transfer.

Summary of rationale:

- FTI is planning to minimise any changes as to how the transferring business is carried out, to avoid disruption to the operating model or its customers.
- For example, FETIC is not planning any changes to how the Transferring Policyholders are serviced following the Proposed Transfer and has signed service level agreements with providers.
- The Malta Financial Services Authority (MFSA) did not request any changes to FETIC's proposed service standards as a condition of FETIC becoming a licensed insurer.

8. Reinsurers

In my opinion, reinsurers of FTI who provide cover for the transferring business will not be materially affected by the Proposed Transfer.

Summary of rationale:

- Exposure to claims faced by FTI's reinsurers will not change following the Proposed Transfer.
- The reinsurers will continue to be required to pay out the same claim amounts in respect of the same events as before the Proposed Transfer.
- The main reinsurance will be provided through a new treaty on the same terms as the current treaties.

9. Further information and next steps

Further details on my conclusions, and other supporting information, are set out in my full Scheme Report.

I will be reviewing these conclusions and preparing a Supplementary Report before the Court considers its final approval of the Proposed Transfer at the Sanctions Hearing. The purpose of the Supplementary Report is to confirm and/or update my conclusions based on any material new developments in the intervening period.



Stewart Mitchell
Fellow of the Institute and Faculty of Actuaries

14 November 2019

Use of this Summary Report

This Summary Report has been produced by Stewart Mitchell FIA of Lane Clark & Peacock LLP under the terms of our written agreement with First Title Insurance plc. It is subject to any stated limitations (eg regarding accuracy or completeness).

This Summary Report has been prepared for the purpose of summarising the full Scheme Report accompanying the application to the Court in respect of the proposed insurance business transfer scheme described in that report, in accordance with Section 109 of the Financial Services and Markets Act 2000. The Scheme Report and this Summary Report are not suitable for any other purpose.

A copy of both this Summary Report and the Scheme Report will be sent to the Prudential Regulation Authority and the Financial Conduct Authority, and the full Scheme Report will accompany the Scheme application to the Court.

This report is only appropriate for the purpose described above and should not be used for anything else. No liability is accepted or assumed for any use of the Summary Report or Scheme Report for any other purpose other than that set out above.

This Summary Report has been prepared under the same scope and limitations set out in the full Scheme Report. In the event of any real or perceived conflict between this Summary Report and the full Scheme Report, the Scheme Report shall prevail.

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A list of members' names is available for inspection at 95 Wigmore Street, London, W1U 1DQ, the firm's principal place of business and registered office. The firm is regulated by the Institute and Faculty of Actuaries in respect of a range of investment business activities. Locations in London, Winchester, Ireland and - operating under licence - the Netherlands.

5. LEGAL NOTICE OF PROPOSED TRANSFER

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
COMPANIES LIST (Ch D)

IN THE MATTER OF FIRST TITLE INSURANCE PLC

and

IN THE MATTER OF FIRST EUROPEAN TITLE INSURANCE COMPANY
LIMITED

and

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

NOTICE

NOTICE IS HEREBY GIVEN that, on 29 October 2019, First Title Insurance Plc (the “**Transferor**”) and First European Title Insurance Company Limited (the “**Transferee**”) made an application (the “**Application**”) to the High Court of Justice, Business and Property Courts of England and Wales, Companies List in London (the “**High Court**”) pursuant to section 107(1) of the Financial Services and Markets Act 2000 (as amended) (“**FSMA**”) for an Order:

1. under section 111 of FSMA sanctioning an insurance business transfer scheme (the “**Scheme**”) for the transfer of certain insurance business carried on by the Transferor to the Transferee in accordance with the terms of the Order and without any further act or instrument; and
2. making ancillary provision in connection with the Scheme pursuant to section 112 and 112A of FSMA.

The following documents are available free of charge and can be downloaded at <https://www.firsttitle.co.uk/>

A copy of a report on the terms of the Scheme prepared in accordance with section 109 of FSMA, by an Independent Expert, Mr Stewart Mitchell FIA of Lane Clark & Peacock LLP, whose appointment has been approved by the Prudential Regulation Authority, (the “**Scheme Report**”);

the full Scheme document;

the Scheme Booklet (which contains a summary of the terms of the Scheme, a summary of the Scheme Report, and a question and answer document about the Scheme).

Supporting documents and any further news about the Scheme will be posted on the website so you may wish to check for updates. You can also request free copies of any of these documents by writing to or telephoning the Transferor using the contact details below.

The Application is due to be heard on 21 April 2020 by a Judge of the Chancery Division of the High Court at The Rolls Building, Fetter Lane, London, EC4A 1NL, United Kingdom. If approved by the Court, it is proposed that the Scheme will take effect on 28 April 2020.

Any person who claims that he or she may be adversely affected by the carrying out of the Scheme has a right to attend the hearing and express their views either in person or by a legal representative.

Any person who claims that they may be adversely affected by the Scheme but does not intend to attend the hearing may make representations about the Scheme by telephone or in writing to the Transferor using the contact details set out below.

Any person who intends to appear at the hearing or make representations by telephone or in writing is requested (but is not obliged) to notify his or her objections as soon as possible and preferably at least five days before the hearing of the Application on 21 April 2020 to the Transferor using the contact details set out below.

If the Scheme is sanctioned by the Court, it will result in the transfer of all the contracts, property, assets and liabilities relating to certain policies identified in the Scheme document as “**the Transferring Policies**” to the Transferee in accordance with the terms of the Order, 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 in respect thereof. Any such right will only be enforceable to the extent the Order of the Court makes provision to that effect.

29 October 2019

Transferor contact address: Compliance Department, First Title Insurance Plc, ECA Court, 24-26 South Park, Sevenoaks, Kent, TN13 1DU, United Kingdom

Telephone: +44 (0)207 160 8606

Email: compliance@firsttitle.co.uk