

## SUMMARY OF SCHEME AND INDEPENDENT EXPERT'S REPORT

### Proposed transfer of part of the UK branch business of Sompo Japan Insurance Inc. to Transfercom Limited

#### 1. OVERVIEW

- 1.1 Sompo Japan Insurance Inc. ("**Sompo**") is an insurance company incorporated in Japan. It conducts personal and commercial non-life insurance and reinsurance business in Japan. It is the ultimate parent company in an insurance group with offices (including subsidiaries and affiliates) in 29 countries worldwide including a subsidiary incorporated in the UK and regulated by the Financial Services Authority ("**FSA**"). Sompo was formed in 2002 by the merger of The Yasuda Fire & Marine Insurance Company Ltd ("**Yasuda**") and Nissan Fire & Marine Insurance Company Ltd ("**Nissan**"). The operations of Yasuda and Nissan became the operations of Sompo under Japanese law.
- 1.2 Sompo has a UK branch authorised to carry out contracts of insurance (which for these purposes includes reinsurance) by the FSA.
- 1.3 Sompo wishes to transfer to Transfercom Limited ("**Transfercom**") certain business written by Sompo (formerly Nissan Fire & Marine Insurance Company Limited) between 1981 and 2003 through agency arrangements with Fortress Re Inc., as the running off of this business does not fit with its strategy going forward.
- 1.4 On 1 February 2009 Sompo relocated to its UK branch the administration of the business that is to be transferred to Transfercom. The management of the run-off of this business has ever since then been delegated to Resolute Management Limited ("**Resolute**"). Resolute, like Transfercom, is ultimately owned by Berkshire Hathaway Inc., a company incorporated in Delaware and listed on the New York Stock Exchange.
- 1.5 It is proposed that the vast majority of the business of the UK branch of Sompo will be transferred to Transfercom (the "**Proposal**") under a scheme pursuant to Part VII of the Financial Services and Markets Act 2000 (the "**Act**").
- 1.6 Under the terms of the Proposal, almost all of the reinsurance contracts administered by the UK branch will be transferred to Transfercom. However, the terms of those contracts will not otherwise be affected as a result of the transfer. Consequently, policyholders and reinsureds need to take no action in relation to claims or premiums.

#### 2. PROCESS

- 2.1 The Proposal will be effected under provisions contained in Part VII of the Act. These provisions permit a business carried on by an insurance company in the UK to be transferred to another insurance company. The details of such a transfer must be set out in a scheme (the "**Scheme**"), which can only become effective with the sanction of the Court.
- 2.2 Sompo made an application to the Court in respect of the Proposal by a Claim Form issued on 25 January 2010. The Court hearing is expected to take place on 26 March 2010. The application to the Court was accompanied by a report on the terms of the Scheme in a form approved by the FSA and made by a person appearing to the FSA to have the skills necessary to make a proper report (the "**Independent Expert's Report**"). A summary of the Independent Expert's Report appears in section 4 of this document.
- 2.3 Any person (including an employee of Sompo or of Transfercom) who alleges that he or she would be adversely affected by the carrying out of the Scheme is entitled to be heard by the Court at the Court hearing, as is the FSA. Any person who wishes to object to the application by appearing in person at the Court hearing is requested to notify his or her

objections as soon as possible to Lovells LLP, Atlantic House, Holborn Viaduct, London EC1A 2FG, solicitors for Sompo, quoting reference C1/NC/TJG.

- 2.4 Subject to the granting of an order of the Court sanctioning the Scheme, the Scheme is expected to become effective at 11.59 pm on 31 March 2010 (the "**Effective Date**").

### 3. **SUMMARY OF THE SCHEME**

#### 3.1 **Transfer of Sompo's business to Transfercom**

Under the Scheme certain inwards reinsurance contracts of Sompo's UK branch that are described in the Scheme will be transferred to Transfercom on the Effective Date (except as provided in paragraph 3.3 below). Transfercom will become the reinsurer under those contracts in place of Sompo.

Except for the substitution of Transfercom for Sompo, no interests or rights under the transferring contracts will be acquired, terminated or modified. The Court will not be asked to make an order creating, terminating or modifying any such rights or interests.

#### 3.2 **Litigation**

From the Effective Date any proceedings which are pending or current by or against the UK branch of Sompo in respect of the transferring business will be continued by or against Transfercom.

#### 3.3 **Excluded policies**

If any reinsurance contract that Sompo is proposing to transfer to Transfercom on the Effective Date is not in fact capable of being so transferred for any reason, then that contract will not be transferred to Transfercom. However, Sompo has no reason to believe that there are any such contracts.

### 4. **SUMMARY OF THE INDEPENDENT EXPERT'S REPORT**

- 4.1 The Independent Expert's Report considers the likely effects of the Proposal and is intended to aid the Court's deliberations as to whether the proposed insurance business transfer from Sompo's UK branch to Transfercom should be permitted.

- 4.2 Details of the terms of reference of the Independent Expert's Report, of matters on which the Independent Expert has placed reliance and of the purpose for which the Report may be used are set out in the Report.

- 4.3 The Independent Expert's Report considers the likely effects of the proposed Scheme for the following groups of policyholders:

- (a) the policyholders of Sompo who will be transferred;
- (b) the policyholders of Sompo who will remain with Sompo; and
- (c) the policyholders of Transfercom.

- 4.4 The Independent Expert's Report concludes that:

- (a) the security levels of non-transferring policyholders of Sompo will remain effectively unchanged;
- (b) the level of security of policyholders of Sompo transferring to Transfercom will remain satisfactory; and

(c) the existing policyholders of Transfercom will see an improved level of security.

5. **COPIES OF DOCUMENTS RELATING TO THE PROPOSAL**

Copies of the Independent Expert's Report and of this document are available on the following website: <http://www.sompo-japan.co.jp/english/news/transfer.html> and will also be provided, free of charge, by Lovells LLP, solicitors for Sompo, whose details are given in section 2.3 of this document.