

**MANAGEMENT REPORT ON
PROPOSAL TO TRANSFER THE REGISTERED OFFICE
OF A SOCIETAS EUROPAEA
("EXPLANATORY REPORT")**

**Transfer of the registered office of
XL Catlin Services SE from the United Kingdom to Ireland**

This report has been prepared by the directors of the Company (which is XL Catlin Services SE, a *societas europaea* registered in the United Kingdom ("UK") with registered number SE000103 and having its registered office at 20 Gracechurch Street, London, EC3V 0BG, UK) (the "Company").

WHEREAS:

- (A) the Company intends to transfer its registered office from the UK to Ireland pursuant to European Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company (SE) (the "**SE Regulation**"); and
- (B) the Company has not been dissolved, has not been declared insolvent and has not been made the subject of any analogous procedure for the protection of creditors generally.

THE MEMBERS OF THE ADMINISTRATIVE ORGAN OF THE COMPANY APPROVED THE FOLLOWING EXPLANATORY REPORT ON 15 NOVEMBER 2018:

1. LEGAL ASPECTS OF THE TRANSFER

- 1.1 The proposal to transfer the registered office of the Company from 20 Gracechurch Street, London, EC3V 0BG, UK, to 8 St Stephen's Green, Dublin 2, Ireland (the "**Transfer Proposal**") shall be implemented in accordance with Article 8 of the SE Regulation.
- 1.2 The statutes of the Company shall be amended with effect from the Effective Date specified in the Transfer Proposal in accordance with the proposed statutes in Appendix 1 to the Transfer Proposal.
- 1.3 After the transfer of the registered office the Company will be subject to Irish law and to the SE Regulation, and will be treated as an SE formed in accordance with Irish law.
- 1.4 The Company is authorised and regulated by the Financial Conduct Authority in the UK. The Company has applied to the Central Bank of Ireland to register the Company as an intermediary with the aim of being registered before Brexit. In relation to conduct of business rules for its UK business, the Financial Conduct Authority will continue to regulate such activities. Following implementation of the Transfer Proposal, it is intended that the Company will continue to operate in the European Union ("EU") through the passporting regime, and through its current branches outside the EU. When the UK leaves the EU ("**Brexit**"), it is intended that the Company will apply for authorisation of its UK branch by the Financial Conduct Authority.

2. REASONS FOR THE TRANSFER

- 2.1 The Company is a member of the AXA group of companies, with the Company being a part of the AXA XL Division (the "AXA XL Division").
- 2.2 The Company is a regulated insurance intermediary, currently domiciled in the UK. It has branches throughout the EU as well as in Mexico, Singapore and Switzerland. The Company is an intragroup service company that primarily provides intermediary insurance services and other non-intermediary support services to insurance and reinsurance companies within the AXA XL Division.
- 2.3 Following the result of the UK's referendum on EU membership in June 2016, the UK delivered its withdrawal notice under Article 50 of the Treaty on the European Union on 29 March 2017. As a result, the UK will leave the EU on 29 March 2019, at the earliest. Because of the continuing uncertainty as to what if any agreement will be reached as to arrangements between the UK and the EU after that date, it has been necessary for the Company to consider how it would reorganise its legal structure and operations in order to enable it to continue its activities in the EU after Brexit, on the assumption that no passporting regime or equivalent mechanism allowing the Company to carry on EU cross border business from the UK will be available post Brexit.
- 2.4 Accordingly, following the Effective Date, subject to the Company having been registered as an intermediary by the Central Bank of Ireland, it will be able to provide intermediary services in the EU through passporting of its Irish regulatory permissions. It is intended that, after Brexit, the Company will, as discussed in paragraph 1.4 above, apply for authorisation of its UK branch by the Financial Conduct Authority.

3. ECONOMIC ASPECTS OF THE TRANSFER

- 3.1 As a result of Brexit, the AXA XL Division is re-organising its activities so that insurance business with European customers is written by its European authorised carrier, XL Insurance Company SE (which is currently seeking authorisation from the Central Bank of Ireland as a regulated insurance carrier which has been obtained in principle), and business with UK policyholders is written in the UK by its UK authorised carrier, XL Catlin Insurance Company UK Limited. The business of the Company includes supporting these operations.
- 3.2 If the Transfer Proposal were not implemented, the impact of Brexit (based on what is known today) would potentially be that the Company would not be able to provide its full range of services to its insurance carrier clients (including EU clients) without the risk of being in breach of law or regulation in EU Member States.

4. IMPLICATIONS OF THE TRANSFER FOR SHAREHOLDER(S) OF THE COMPANY

- 4.1 As at the date of this Explanatory Report, the Company has only one shareholder, XL Insurance (UK) Holdings Ltd, a private company limited by shares and incorporated in the UK, with registered number 04209169 and registered address at

20 Gracechurch Street, London, UK, EC3V 0BG ("**XL Holdings**"). XL Holdings is a member of the AXA XL Division.

- 4.2 There will be no change in the share capital of the Company and no more shares will be issued as a result of implementation of the Transfer Proposal.
- 4.3 The Transfer Proposal is subject to approval by the shareholder of the Company in a general meeting.
- 4.4 Following implementation of the Transfer Proposal, the Company will be governed by the laws of Ireland and general meetings of the Company will be held in Ireland.

5. **IMPLICATIONS OF THE TRANSFER FOR CREDITORS OF THE COMPANY**

- 5.1 Creditors of the Company will remain creditors of the Company, as the Company is not transferring any of its business, assets or liabilities. On implementation of the Transfer Proposal, creditors will however cease to be creditors of a UK company and will become creditors of an Irish company.
- 5.2 As a regulated insurance intermediary, the Company is required to hold regulatory capital in excess of a certain level in accordance with the UK regulatory regime. As an Irish head-quartered intermediary the Company will not be subject to any requirement to hold regulatory capital. However, the Company has issued share capital in the amount of €15,887,199 (GBP 13,171,653) as at the date of this Transfer Proposal and implementation of the Transfer Proposal would not change this.
- 5.3 The solvency position of the Company will not change as a result of implementing the Transfer Proposal. All the members of the administrative organ of the Company (i.e. the Company's board) will make a statement of solvency in accordance with Regulation 72 of the UK SE Regulations.
- 5.4 The Company will notify its creditors of its intention to transfer its registered office from the UK to Ireland, as required by the SE regulations.
- 5.5 The Company has considered certain other potential impacts of the Transfer Proposal on its clients. Assuming the Central Bank of Ireland registers the Company as an intermediary prior to Brexit, there will be no change to the way in which it provides its services to its clients. The regulatory requirements relating to conduct of business which are currently applicable to each of the Company's branches will continue unchanged, as the branches will continue to be regulated in this respect by the relevant authorities in the jurisdiction where such branch is located.
- 5.6 Currently, as an FCA regulated intermediary, if the Company were to go into default, eligible customers of the AXA XL Division would be able to claim up to 90% of outstanding claims under the Financial Services Compensation Scheme. See www.FSCS.org.uk/what-we-cover for details of eligible customers. Once the Company has moved to Ireland and is registered as an Irish intermediary, the relevant Irish regime means that the amount of any such claim on a default would be limited to €20,000. However, in practice, as the Company does not have permission to hold client money and all premiums or claim amounts which are transmitted to customers via the

Company are held by the Company as agent for the relevant carrier, in the event of a default by the Company, any customer claim in respect of such amounts would fall to be satisfied by the relevant carrier, not the Company.

- 5.7 After implementation of the Transfer Proposals, customers of the Company will not have access to the UK Financial Ombudsman scheme but will be able to access the Irish equivalent scheme

6. **IMPLICATIONS OF THE TRANSFER FOR EMPLOYEES**

- 6.1 The terms of employment of the Company's employees will not be affected by the transfer and will continue in full force and effect.

30 November 2018

SIGNATURE PAGE

A handwritten signature in black ink, appearing to read 'P.R. Bradbrook', is written over a solid horizontal line.

Signed by P.R. BRADBROOK

For and on behalf of the board of directors of
XL CATLIN SERVICES SE

Date: 30 November 2018

