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

Transfer of the registered office of XL Insurance Company SE from the United Kingdom to Ireland

This report has been prepared by the directors of the Company (which is XL Insurance Company SE, a societas europaea registered in the United Kingdom ("**UK**") with registered number SE000080 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 HEREBY APPROVE THE FOLLOWING EXPLANATORY REPORT, ON 5 OCTOBER 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 Prudential Regulation Authority and Financial Conduct Authority in the UK. After implementation of the Transfer Proposal the Company will be authorised and regulated by the Central Bank of Ireland in Ireland and, in relation to conduct of business rules for its UK business, by the Financial Conduct Authority. 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 Prudential Regulation Authority and the Financial Conduct Authority.

2. REASONS FOR THE TRANSFER

2.1 The Company is part of the AXA XL group of companies, which is a division of the AXA Group.

2.2 The Company is a regulated insurance company, currently domiciled in the UK. It has branches throughout the EU as well as in Switzerland, Australia, Hong Kong, Singapore, India and Labuan (Malaysia). It currently writes insurance business in the EU through passporting of its UK regulatory permissions.

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 to write insurance business 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, the Company will be authorised and regulated by the Central Bank of Ireland and will write business 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 Prudential Regulation Authority and the Financial Conduct Authority to enable it to run-off its pre-Brexit UK business. New UK insurance business will be written by another AXA XL company, XL Catlin Insurance Company UK Limited ("**XLCICL**").

2.5 The Company received confirmation on 1 October 2018 from the Central Bank of Ireland that it has approved the Company's application for authorisation as an Irish insurer in principle and final authorisation is expected in January 2019.

3. ECONOMIC ASPECTS OF THE TRANSFER

3.1 As noted above, as a result of Brexit, it is proposed that with effect from the Transfer Proposal being implemented, business with European policyholders is written by the Company and business with UK policyholders is written by XLCICL.

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 write new business with EU clients nor to continue servicing its back book of EU policies 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 AXA XL, a division of AXA.

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 the 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 shareholder will be a shareholder in an Irish entity and Irish company law will govern the relationship of the Company with its shareholder. New Articles of Association will be adopted that comply with Irish requirements. The Company expects that 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. This has potential implications for secured creditors of the Company, as the English and Irish insolvency regimes for insurers differ (although both regimes comply with the requirements of the Solvency II Directive 2009/138/EC ("**Solvency II**").

5.2 On the winding up of an English insurance undertaking, direct insurance policyholders and secured creditors rank equally after preferred creditors. In Ireland, the relevant regime provides that, other than in respect of the expenses of liquidation, direct insurance policyholders have absolute priority in relation to assets representing the undertaking's technical provisions.

5.3 As a regulated insurance company, the Company is required to hold regulatory capital in excess of a certain level (the "**solvency capital requirement**" or "**SCR**") in accordance with Solvency II. The Company will continue to be subject to the requirements of Solvency II following implementation of the Transfer Proposal. As at 31 December 2017, the Company had an SCR of 133.4% (as reported in the Company's Solvency and Financial Condition Report published in May 2018).

5.4 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.

5.5 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. Separately, the Company will be seeking to replace its existing authorisation from the Prudential Regulation Authority with authorisation from the Central Bank of Ireland.

5.6 The Company has considered certain other potential impacts of the Transfer Proposal on policyholders of the Company. There will be no change to the terms or conditions of policyholders' cover, and no change in the way that the policies are administered or claims made under them are handled. 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. The Company will continue to be subject to the Solvency II regime.

5.7 One change has been identified which affects policyholders of the Company who are both customers of an EU branch and who may currently be eligible for protection under the UK insurance guarantee scheme, the Financial Services Compensation Scheme ("**FSCS**"), as described in more detail at paragraphs 5.12 to 5.16 below.

Availability of FOS

5.8 UK policyholders of the Company who are retail customers are currently able to bring complaints in respect of acts or omissions on the part of the Company to the Financial Ombudsman Scheme in the UK (the "**UK FOS**") in respect of actions or omissions of the Company in the UK. UK policyholders will continue to have access to the UK FOS throughout and after implementation of the Transfer Proposal, as a result of the Company maintaining a UK branch (which, after Brexit will require PRA approval as a third country branch for UK regulatory purposes (a "**Third Country Branch**").

5.9 Eligible UK policyholders of the Company's UK branch should have access to the UK FOS complaints regime automatically (as the regime is currently applicable to EU and third country branches). The implementation of the Transfer Proposal will therefore have no impact on UK policyholders' ability to bring complaints to the FOS.

5.10 Eligible non-UK Policyholders whose policies have been administered and/or issued from the UK, will also continue to have access to the FOS after the implementation of the Transfer Proposal.

5.11 For other policyholders after implementation of the Transfer Proposal, the Irish Financial Services and Pensions Ombudsman ("**FSPO**") has jurisdiction to resolve disputes for both Irish policyholders and policyholders outside Ireland. Under a memorandum of understanding between financial dispute resolution bodies in the EU, EU policyholders may access the FSPO via their local dispute resolution scheme and, in certain circumstances, their local dispute resolution scheme may be able to resolve the dispute, itself.

Financial Services Compensation Scheme

5.12 Eligible UK policyholders of the Company who currently have access, in the event of insolvency of the Company, to the FSCS will retain this access notwithstanding implementation of the Transfer Proposal. After implementation of the Transfer

Proposal, eligible UK policyholders of the Company (details available at www.fscs.org.uk/what-we-cover/) will have access to the FSCS as a result of the Company maintaining a UK branch (which, after Brexit will require authorisation as a Third Country Branch).

5.13 Following implementation of the Transfer Proposal, EU policyholders of the Company will no longer have access to the FSCS. Instead, the Irish policyholder protection scheme will apply to the Company and access to any applicable local protection schemes in each EU Country will continue. Under the Irish scheme, the liquidator of an insolvent Irish insurer can apply for payment in respect of unpaid claims. However, the Irish policyholder protection scheme only covers Irish located risks and, with the exception of certain personal injuries to a third party and damage to a third party's property under motor vehicle liability insurance, payments from the scheme are limited to the lower of 65% of the amount due under an insurance policy or €825,000. Like the FSCS, the Irish scheme covers payments due to claimants who are individuals. However, some claimants, who are not individuals, currently eligible to benefit from FSCS may not be eligible to benefit from the Irish scheme, as no payments may be made under the scheme in respect of policyholders that are bodies corporate or unincorporated bodies unless the payments relate to the policyholder's liability to an individual or liability of an individual to the policyholder. Where claimants do benefit from the Irish scheme, the maximum amount recoverable may be lower than under the FSCS.

5.14 As noted above policyholders of (non-UK) EU branches, may have the benefit of their local country schemes. The website https://axaxl.com/insurance/brexit contains links to more detailed information about schemes which may be available to policyholders in different jurisdictions.

5.15 Accordingly, there are policyholders who may have reduced coverage under a protection scheme after the Transfer Proposal is implemented. It should be borne in mind that this will only ever be relevant in the event of an insolvency of the Company.

5.16 Given that the Company is and will remain a regulated insurer subject to Solvency II, and intends to continue to maintain a strong solvency position, the risk of insolvency of the Company is considered remote and, hence, the need for protection in the event of insolvency of the Company is considered remote.

Employees

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

SIGNATURE PAGE

P.K. BRADBROOK

Signed by
For and on behalf of the board of directors of
XL INSURANCE COMPANY SE

Date: 8/10/2018