5 March 2026

SUPPLEMENTARY INDEPENDENT EXPERT REPORT OF PHILIP TIPPIN FIA
In the matters of

ZURICH INSURANCE COMPANY LTD (UK BRANCH)
AND
CATALINA WORTHING INSURANCE LIMITED

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

DATED 5 MARCH 2026

KPMG LLP
5 March 2026
This report contains 48 pages
Appendices contain 12 pages
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Supplementary Independent Expert's Report on Proposed Insurance Business Transfer of Zurich Insurance Company Ltd (UK Branch) and Catalina Worthing Insurance Limited

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1 Introduction

Purpose of this Report

1.1 I have prepared an Independent Expert report dated 7 November 2025 (the "**IE Report**") to consider the proposed transfer of a portfolio of employers' liability ("**EL**") policies underwritten prior to 2007 (the "**Project Elbow portfolio**") from the UK branch of Zurich Insurance Company Ltd ("**ZIC UK**" or the "**Transferor**") to Catalina Worthing Insurance Limited ("**CWIL**" or the "**Transferee**") under Part VII of the Financial Services and Markets Act 2000 ("**FSMA**") (the "**UK Transfer**").

1.2 In addition to the UK Transfer, a parallel transfer is proposed in Jersey in respect of policies within the Project Elbow portfolio forming part of the business carried on in, or from within Jersey, which must be approved by the Royal Court of Jersey (the "**Jersey Transfer**"). Both the proposed UK Transfer and Jersey Transfer are collectively referred to as the "**Transfer**". Collectively ZIC UK and CWIL are referred to as the "**Transfer Companies**".

1.3 The IE Report is primarily for the Court and the Jersey Court, but is also for policyholders and any other parties affected by the Transfer. The IE Report describes the proposed transfer of the Project Elbow portfolio from ZIC UK to CWIL, and details my consideration of the impact of the proposed Transfer on the policyholders.

1.4 This supplementary report (the "**Supplementary Report**") provides an update to the conclusions I set out in the IE Report in the light of the further information available to me, including consideration of further details of the trading performance of the Transfer Companies to 30 September 2025 and changes in the market environment in which they operate. I have also considered and reviewed the impact of any changes to the non-financial items that affect the Transfer Companies. In addition, this report also provides my opinion on the questions and other communication received from any of the Transfer Companies' policyholders.

1.5 This Supplementary Report should be read in conjunction with the IE Report, as reading this report in isolation may be misleading, and both should be considered in their entirety. All abbreviations and technical terms used in this report have the same meaning as in the IE Report. For the avoidance of doubt, all reliance and limitations described in the IE Report including, but not limited to, those set out in paragraphs 1.36 to 1.50, apply equally to this Supplementary Report. The glossary of terms and definitions used for this Supplementary Report can be found in Appendix 2 of this Report.

1.6 There are no documents or other information that I have requested that have not been provided to me. Appendix 1 contains a list of the additional information upon which I have relied.

1.7 As far as I am aware, there are no matters that I have not taken into account in undertaking my assessment of the proposed Transfer and in preparing my report, which should be drawn to the attention of policyholders in their consideration of the terms of the proposed Transfer.

Use and limitations

1.8 Copies of the Supplementary Report will be sent to the relevant UK financial regulators: the Prudential Regulation Authority ("**PRA**") and the Financial Conduct Authority ("**FCA**"). This report will be used in evidence in the applications submitted to the Court. Copies of this report will also be sent to the relevant Jersey regulator, the Jersey Financial Services Commission ("**JFSC**"). This report will be provided to the Royal Court of Jersey to assist in its deliberations in respect of the Jersey Transfer. It will also be made available to policyholders and other members of the public as required by the relevant legislation and guidance and will be made available on two dedicated websites, one for ZIC and one for CWIL: zurich.co.uk/eltransfer and catalinaworthing.co.uk/zurich-transfer.

Professional guidance

1.9 This report has been prepared in accordance with the guidance set out in Part 35 of the Civil Procedure Rules and the accompanying practice direction, including the protocol/guidance for the instruction of experts to give evidence in civil claims (2014) issued by the Civil Justice Council.

1.10 This report also complies with the guidance for transfer reports set out in the Statement of Policy issued by the PRA in 2022 entitled "The PRA's approach to insurance business transfers" and in the FCA's guidance issued in 2022 entitled "The FCA's approach to the review of Part VII insurance business transfers".

1.11 In preparing this report I have taken into account the requirements of the Technical Actuarial Standards ("**TAS's**") issued by the Financial Reporting Council. The TAS's which apply to the work performed in preparing this report are Principles for Technical Actuarial Work ("**TAS 100**") and Insurance ("**TAS 200**"). In my opinion, there are no material departures from any of these TASs in my performance of this work and this report. I have also followed the guidance set out in 'APS X2: Review of Actuarial Work' and this report has been peer reviewed by the reviewer approved by the PRA and FCA in accordance with this guidance.

Approach

1.12 I have sought and received from the Transfer Companies additional information in order to consider whether any event or change in circumstances has occurred which would cause me to alter the conclusions expressed in the IE Report. The information I have requested has been selected based on my knowledge of developments in the general insurance industry and also from the wider economic environment which I consider likely to have a direct or indirect impact on the Transfer Companies. The areas I have considered include:

- Any changes in the quantum or type of business transferring;
- The post-Transfer balance sheets and financial ratios of the Transfer Companies;
- Changes in the capital coverage ratios of the Transfer Companies since my IE Report;
- Market developments affecting the business of the Transfer Companies;

- Exposure of the Transfer Companies to potential severe adverse stresses;
- Reliance of CWIL on Letters of Credit ("**LOCs**") post-Transfer;
- Other non-financial considerations affecting the Transfer Companies (including operational changes); and
- Any relevant communications received from policyholders and other potentially affected parties relating to the proposed Transfer.

1.13 To do this I have received information including but not limited to:

- Updated financial information insofar as it is available to update forecasts as at 30 September 2025;
- Updated capital requirements and available capital metrics under the Solvency UK, Swiss Solvency Test ("**SST**") or Bermuda solvency regimes for the Transfer Companies;
- Stress and reverse stress tests results of the tests performed in my IE Report, updated for the latest forecasts as at 30 September 2025.

1.14 I note that due to the time period in which this report needed to be produced, this information is unaudited. I have discussed this information with senior management within the Transfer Companies, and where appropriate, requested additional information or written confirmation.

1.15 Having received additional information I have then considered what impact, if any, this would have on the findings of the analysis I performed in order to form my opinion expressed in the IE Report.

1.16 As at the date of submitting this report the financial statements of the Transfer Companies as at 31 December are still being audited prior to publication, and are not therefore appropriate to disclose in this report. However, in order to ensure my conclusions are as up-to-date as possible I have been provided with a summary of unaudited financial and solvency information as at 31 December 2025 for CWIL, together with unaudited indications of the solvency positions of Catalina General Insurance Ltd. ("**CatGen**") and Catalina Holdings (Bermuda) Ltd. ("**CHBL**"). I have also been provided by CWIL with its latest estimated opening reserves for the Project Elbow portfolio as at 31 March 2026, assuming that the Transfer is approved. This information indicates the following:

- CWIL's performance as indicated in the unaudited financial information as at 31 December 2025 was broadly in line with that forecast for 31 December 2025, so there is no material impact that would change my analysis.
- CatGen's indicated solvency position as at 31 December 2025 is in line with the forecast positions at 31 March 2026 used in the suite of stress tests that were applied, so again there is no material impact that would change my analysis.
- In February 2026 CWIL completed an additional roll-forward analysis on the reserves for the Elbow portfolio based on 31 December 2025 data as a final preparation for the proposed Transfer. The outcome of this additional review was to recommend a further anticipated strengthening of the reserves for the Elbow portfolio with effect from the Effective Date of £16.6m gross of reinsurance (£6.7m net of reinsurance) for CWIL immediately post-Transfer.

- In addition, actual payments made by CWIL during the fourth quarter of 2025 were lower than expected, further increasing the anticipated level of reserves immediately at the point of Transfer.
- As the level of reserves directly affects the target capital ratios for CWIL these lead to an increase in the target capital requirement for CWIL immediately post-Transfer of a further £11.3m. This in turn increases the capital injection from the CatGen and Elbow Re collateral Trusts at the point of Transfer to a total of £180.5m, with the post-Transfer capital coverage ratio for CWIL remaining at 135% of unapproved ultimate capital requirement ("**unapproved UCR**").

1.17 As this information has only become available close to finalising the drafting of this report and is still subject to other governance and, in the case of the 31 December 2025 figures, to audit, I have not updated the tables throughout this report, or had the stress tests re-run, to reflect it. The updated financial and solvency information provided to me as at 31 December 2025 is not materially different from the expected position, and therefore does not materially affect my analysis in this report, and nor does it affect any of my conclusions.

1.18 Given the anticipated further reserve strengthening at the point of the Transfer I have though incorporated this increase into my consideration of the appropriateness of the stress tests discussed in this report, and checked that the key stress tests results would not materially change. This can be found in paragraphs 4.78 to 4.79.

1.19 In addition to the updates described above, in my IE Report I noted that there were a small number of topics that I would return to specifically in this Supplementary Report. These were: the severity of the stress tests conducted given the loss of ZIC as security for their policies by Transferring Policyholders; the availability of the LOCs under stress scenarios; an update on the ongoing 2025 reserving process for CWIL; an update on compliance with international sanctions; and information on the execution of the change in operating model for CWIL.

Key Assumptions and Dependencies

1.20 In conducting my analysis, there are a number of legal documents that have been shared with me, for example guarantee arrangements and letters of credit terms, that for reasons of timing have not been executed. I have assumed throughout my report that the versions that I have been provided will be the final form of these contracts, and if these were to change before the Transfer occurred I would need to address any material changes in a Supplementary Report.

1.21 The above assumptions underlie the analysis and conclusions in my report. If these assumptions were to change, my opinion may also change. At the time of writing my report, the above assumptions are the current intentions for the Transfer and the Transfer Companies.

2 Executive Summary

Findings

2.1 The findings of my report are summarised below and for the avoidance of doubt apply equally with respect to the Jersey Transfer.

2.2 In section 2 of my IE Report I presented my conclusions on the impact of the Transfer on each of four distinct policyholder groups. These groups were:

- Non-Transferring ZIC policyholders;
- Transferring ZIC policyholders;
- Existing CWIL direct policyholders; and
- Existing CWIL assumed policyholders.

2.3 In my IE Report, I concluded that there would be no material adverse impact on any of these policyholder groups as consequence of the Transfer. I have considered the updated information provided by the Transfer Companies, as described in paragraphs 1.12 to 1.13 above, to determine whether there is any change to my conclusions.

2.4 My analysis of the updated information is shown in sections 4 and 5 of this Supplementary Report, and the summary of how this analysis affects the conclusions I reached in my IE Report is contained in section 6. I summarise the key points below.

Supporting analysis

2.5 The most material changes since my IE Report for the purposes of my analysis are:

- **Reserving exercise**: CWIL and CatGen have completed their reserving exercise using data as at 30 June 2025. As noted in my IE Report (paragraphs 5.27 to 5.28) the 30 June analysis is the key analysis that drives decision-making and supports the final reserve bookings made at 31 December 2025. This has led to increased reserves for both CWIL and CatGen's view of the Project Elbow portfolio. In total this increase in the post-Transfer reserve position for CWIL is £19.7m net of reinsurance. All forecast numbers and stress and reverse stress tests discussed in this Supplementary Report have been updated to reflect the impact of booking the findings of this reserving exercise;
- In February 2026 CWIL recommended a further strengthening of the reserves for the Elbow portfolio with effect from when the proposed Transfer occurs. The impact of this recommendation is a £16.6m gross of reinsurance (£6.7m net of reinsurance) increase in reserves for CWIL anticipated immediately post-Transfer. Given the timing of this recommendation the impact of this is

not included in the tables shown in this report, but I do consider the additional impact of this in my analysis in section 4;

- **Capital coverage ratios**: CWIL and CatGen have both seen changes in their current capital coverage ratios as a consequence of recognising the reserve strengthening taken in 2025, but these changes do not affect the post-Transfer position, since CWIL remains committed to achieving a capital coverage ratio of 135% upon legal transfer. As a consequence though, the amount of the pre-Transfer capital injection will be £31.3m higher than previously projected. £24.3m of this is shown in the table in paragraph 4.22, and follows from the revised forecasts and reserve strengthening taken in 2025, while the remaining £7.0m is driven by the recommendation made in February 2026 to increase the Elbow portfolio reserves from the Effective Date. I set out in my IE Report in paragraphs 9.8 to 9.11 why I consider the 135% of unapproved UCR capital coverage ratio to be a reasonable target capitalisation level, and that reasoning has not changed.
- The £31.3m increase in capital injection represents the additional amount required to meet the 135% unapproved UCR commitment and therefore is itself a reasonable increase in capital injection in response to the additional reserve strengthening. The total capital injection into CWIL required at the point of Transfer is now £180.5m. As the accounts of CWIL as at 31 December 2025 are still subject to audit this amount remains subject to potential change (though any such change is not expected to be material) to meet the required 135% unapproved UCR capital coverage that CWIL has committed to at the Effective Date.
- To address the potential for the required capital injection of £180.5m to change as a result of either; completion of the audit of CWIL's accounts as at 31 December 2025 and/or asset or liability valuation movements from 31 December 2025 up to the Effective Date and which adversely impacts the 135% unapproved UCR commitment, CatGen will be required to transfer such additional assets or cash to CWIL in the event that the capital injection proves to have been insufficient to meet the 135% unapproved UCR commitment as at the Effective Date. This commitment is set out in a draft agreement to be entered into prior to the date of the Sanction hearing between, amongst others, CatGen and CWIL (the "**Funds Flow Agreement**"), and is valid for three months after the Effective Date. This allows reasonable time for any adjustments that could be required following completion of the audit of the financial position of CWIL at 31 December 2025, or any other market movements in asset and liability valuations subsequent to this and up to the Effective Date, that impact solvency ratios as at the Effective Date.
- **Stress tests**: CWIL has updated the full suite of stress and reverse stress tests that I considered in my IE Report to reflect the latest forecasts as at 30 September 2025, including the impact of incorporating the reserve strengthening taken in 2025.
- **Structural changes**: Catalina has changed its group structure in relation to Elbow Re Ltd. (Bermuda) ("**Elbow Re**"). Previously, Elbow Re was a subsidiary of CatGen's parent, CHBL, and it was an affiliate/sister company of

CatGen, and Elbow Re did not form part of CatGen's consolidated balance sheet. With effect from 31 October 2025, Elbow Re is now a direct subsidiary of CatGen, and now contributes to CatGen's consolidated accounts.

- **Court rulings**: The Supreme Court has made a ruling in favour of claimants on a case relating to asbestos related disease claims, which I have considered in more detail, in paragraphs 4.37 to 4.43, to understand the potential impact on the Transfer Companies.
- **Future operating model**: Progress has been made towards the execution of the proposed new operating model for CWIL discussed in paragraphs 8.14 to 8.18 of my IE Report.

Impact of these changes

2.6 **Reserving exercise:** The main impact of the reserve strengthening is that the pre-Transfer capital requirements of CWIL and CatGen are increased at the same time that the funds available to cover them are decreasing. This reduces the capital coverage ratios for both companies pre-Transfer. At the time of preparing my IE Report the 2025 reserving exercises for CWIL and CatGen had begun, but were not complete. I was made aware of early indications of deterioration in the reserving position that were coming out of this analysis, but not all claim types had been reviewed in that time and the governance over the reserving judgments had not been completed. This initial indication of deterioration for the Project Elbow portfolio by CatGen was £64m gross of reinsurance (8% of gross reserves), which was sufficiently large that I requested the forecasts and stress tests used in my IE Report to be re-run including the impact of that strengthening (and that of the initially indicated CWIL reserve strengthening), and the conclusions I reached in that report already included an allowance for this deterioration.

2.7 On completion of the reserving exercise the total reserve strengthening for CWIL had increased to 10% of reserves gross and net of reinsurance, and for the Project Elbow portfolio it had increased from 8% to 12% (based on CatGen's analysis and including the February 2026 adjustment). This continues a trend of reserve deterioration for CWIL where reserves have increased 38% gross of reinsurance and 42% net of reinsurance over a six year period. The trend for the Project Elbow portfolio has been different, and represents a 9.1% deterioration (including the February 2026 adjustment) over the same six year period (2020-2025).

2.8 Continued reserving deterioration on these portfolios is clearly a development that needs to be carefully considered when assessing whether the capital and reserves are reasonable, and whether the existing stress tests are strong enough to cope with challenges that may arise in the future. I have reviewed the updated reserving reports and performed my own benchmarking of the latest recommended reserves. I conclude that they represent a reasonable best estimate of the ultimate claims liabilities, for both CWIL and the Elbow Portfolio. This is discussed in more detail in paragraphs 4.5 to 4.18.

2.9 In light of the further deterioration I have also revisited my reasoning on appropriate levels of reserving stress tests to apply to the portfolios. This is discussed in paragraphs 4.45 to 4.48, but I consider that the levels of stress testing that I used in my IE Report remain appropriate when applied to the new, higher, level of reserves.

2.10 **Capital coverage ratios:** Post-Transfer CWIL has the same capital coverage ratio as in my IE Report, as the capital injection provided at the date of the Transfer is increased to meet the target post-Transfer capital coverage ratio. After the Transfer CWIL now has more capital available than in my IE Report to support the claims emerging from the same portfolio of policies, albeit with a higher starting level of reserves.

2.11 **Stress tests:** Whilst the proportional uplifts of the most extreme reserving stress tests have not changed, the absolute levels of these stress tests are effectively increased because they are applied to the (now higher) reserves of CWIL. The same percentage applied to larger reserves results in a more severe stress test. This is relevant because the exposure of the portfolio that the stresses are applied to has not changed, just the strength of the reserves available to pay claims emerging from that portfolio. I conclude in paragraphs 4.45 to 4.48 that the extreme stress test uplifts applied in my IE Report remain appropriate following the latest increase in reserves.

2.12 **Structural changes:** The movement of Elbow Re to become a subsidiary of CatGen was flagged in the IE Report as something that would occur pre-Transfer. The impact of this is that the Elbow Re exposure to the Elbow Portfolio now appears on the CatGen consolidated balance sheet, and that CatGen has exposure to 100% of the Elbow Portfolio reserves. This has reduced the pre-Transfer capital coverage ratio of CatGen, but also means that that ratio no longer reduces as a consequence of the Transfer. This is as was expected in my IE Report.

2.13 **Court rulings:** The Supreme Court ruling clarifies the situation surrounding a particular sub-set of non-mesothelioma asbestos related claims. It does not change the current position as the ruling followed that of prior Courts, but there is the risk that there may be more claims emerging in this area as claimants may have been waiting for the results of the Supreme Court ruling before presenting their claim. This is detailed further in paragraphs 4.37 to 4.43. I estimate that the impact of the ruling on the Transfer Companies is very small in the context of the stress scenarios that I already consider, so do not consider this to change my conclusions previously reached in my IE Report.

2.14 **Future operating model:** Whilst progress has been made towards the execution of the proposed new operating model for CWIL, no formal contracting has yet occurred, and I note that CWIL has committed to maintaining the service standards set out in the current claims handling agreement between Catalina Services UK Limited and Zurich , known as the Migration and Outsourcing Agreement ("**MOA**") for two years after the effective date of the Transfer, so I do not consider that this update represents a material adverse impact on any group of policyholders.

Results of stress and reverse stress tests

2.15 The results of the suite of stress and reverse stress tests are not materially different from those in my IE Report. Whilst there are some minor differences in the calculations, the overall outcome of the stress tests is unchanged. As such I have focussed attention in this Supplementary Report on the tests that resulted in scenarios where policyholder detriment was identified.

2.16 As noted in my IE Report, the Transferring ZIC policyholders are the only policyholder group where I identified scenarios through the stress and reverse stress testing in which there was detriment to them.

2.17 In this regard, the detriment emerged in the most extreme stress scenario that I considered in my IE Report – that of a 100% increase in the value of asbestos liabilities, coupled with CatGen's capital coverage ratio having been reduced back to the 150% of the Bermuda Solvency Capital Requirement ("**BSCR**") minimum level agreed with the Bermuda Monetary Authority ("**BMA**") at the date of the Transfer (leading in this case to the termination of the quota share agreements between CatGen and CWIL and the drawdown of LOCs associated with them).

2.18 If this scenario were to occur between the effective date of the Transfer and 31 December 2028 then the modelled stress would result in CWIL not having enough funds to pay all valid claims in full, whereas it is reasonable to assume that ZIC would have had the surplus to make good that shortfall if the Transfer had not occurred. As such, the loss of access to the ZIC balance sheet gives rise to a detriment for Transferring ZIC policyholders under this scenario, and I must therefore consider whether this detriment would lead to a material adverse impact for Transferring ZIC policyholders.

2.19 In my opinion the risk of detriment is sufficiently remote that it does not cause a material adverse impact to Transferring ZIC policyholders for the following reasons:

- As noted in paragraph 4.46 I consider a deterioration of this level across the full run-off of the liabilities to be remote. A 100% increase in the value of asbestos liabilities at any one point in time is even more highly unlikely (and would more likely be spread over many years) because the liabilities are expected to emerge over a very long period of time, and mesothelioma deaths have been closely tracking the results of the model which underlies the UK Asbestos Working Party ("**AWP**") model for asbestos related insurance claims. As such even an extreme outlier in notified claims in any one reporting period would likely not be reflected in full in any actuarial projections of the reserves, and instead manifest more slowly in a gradual change of assumptions. In particular I note that the core AWP model itself has only had material updates twice since it was first published in 2004.
- If the 100% deterioration did occur but were to emerge over a more prolonged period then a key mitigating factor for CWIL is that the collateral provided for its benefit by CatGen would be topped up progressively as the deterioration was recognised. Whilst CatGen's total capitalisation would remain a limiting factor on the amount of collateral available to CWIL, the larger this collateral becomes the overall risk of detriment reduces.
- I consider it unlikely that CatGen will reduce its capital to the 150% of BSCR level from the currently much higher level immediately at the point of Transfer because that 150% level is a minimum level that has been agreed with the

BMA and guaranteed by CHBL. It is normal for insurers to operate with a buffer over their minimum level to avoid repeated capital injections if there is a period of adverse experience. The business plan for CatGen (including planned dividends) for the next five years shows increases to in excess of 250% BSCR coverage level. In addition, any dividend that would achieve such a drop would need to be approved by the BMA, which further reduces the likelihood of CatGen reducing its capital to the minimum level at the date of the Transfer or in the very short term thereafter. This additional layer of protection is important because dividend plans could be changed at any time.

- As CWIL and CatGen's portfolios run-off, they become more correlated. With this the resulting reduction in the diversification benefit in CatGen and release from related collateralisation requirements could reduce the level of BSCR coverage in CatGen to a level that is commensurate with the level of SCR coverage in CWIL. Beyond this, further reductions in the CatGen BSCR would require a change in the capital management framework of CWIL and / or extractions of capital from CWIL. These would firstly require both the CWIL Board and PRA approval.
- In any event, as this is a combination stress test, in order for CWIL to be unable to pay valid claims, both elements of the stress test must be breached in order for the stress test to fail (and not just one of them). Although I consider it unlikely that CatGen will reduce its capital to the 150% of BSCR level for the reasons set out in the previous bullet points, this cannot be entirely discounted as it depends on a number of external factors, some of which may even be outside the control of CatGen, including asset shocks. However, even if CatGen's level of capitalisation falls to 150% BSCR coverage, there must also be a 100% deterioration in asbestos reserves occurring in parallel. As noted in my first bullet point above, I believe that such a deterioration is unlikely to occur, and if it were to occur it would much more likely arise over a much longer time horizon. The natural run-off of the CWIL portfolio is expected to release capital over time, and as a consequence CWIL passes even this most extreme stress test after a window of less than 33 months.

2.20 In addition to the above, there were three severe stress tests identified by CWIL that could also lead to CWIL not being able to pay all valid claims in full (two involving extreme levels of inflation over a thirty-year period and the third discovery of a new disease that generates the same scale of claims as mesothelioma). In principle these also lead to a detriment to Transferring ZIC policyholders if they were to occur. In paragraphs 7.49 to 7.61 of my IE Report I explained why I do not consider these scenarios to constitute a material adverse impact for Transferring ZIC policyholders, and this remains unchanged following a review of the updated stress test results. A summary of this reasoning is as follows:

- The first two stress tests concerned scenarios in which either UK alone or both UK and US claims inflation increased by 10% over that assumed for every year until the expected run-off of the claims liabilities (in excess of 30 years). In these first two scenarios I considered the different elements of claims inflation (economic inflation, increasing share of claims, and social inflation) and presented evidence from third party sources, like the Bank of England and International Monetary Fund, that suggested that an increase of that level for such a prolonged period was an extremely remote event;

- The third stress test concerned the scenario in which a new disease was discovered which had the same impact on the reserves as mesothelioma. In this case I noted that such a disease would have to have a materially longer latency period than mesothelioma (which has a latency period of in excess of 40 years) and would need to generate the same level of claims on a population that is declining year-on-year. Whilst this scenario is not unthinkable, I consider it to be a remote possibility.

2.21 For the avoidance of doubt, in each of the remaining stress scenarios that I considered in my IE Report, CWIL would be left with sufficient capital to pay all valid claims in full and this is unchanged as a result of the updated information provided to me.

2.22 As such, after reviewing the updated stress test results, I consider that the four adverse scenarios are sufficiently remote as to not create a material adverse impact, and that for the other stress scenarios CWIL would be left with sufficient capital. Therefore, none of the stress scenarios considered give rise to a material adverse impact to Transferring ZIC policyholders. I set out in detail in paragraph 6.13 the relevant tests for determining whether an impact is materially adverse.

Reliance on LOCs in stress scenarios

2.23 A key assumption in a number of the stress tests described in my IE Report was that CWIL would be able to draw down on all LOCs if it needed to do so, including under the 75% and 100% asbestos deterioration stress tests set out in paragraphs 7.62 to 7.77 of my IE Report. The operation of the LOCs is critical here because of the dependency of CWIL on CatGen as a source of reinsurance recoveries and other financial support. If CatGen's capital were to be exhausted then the LOCs could become essential for CWIL to be able to pay its valid claims.

2.24 I stated in my IE Report that given the importance of the performance of these LOCs in the scenarios I have considered, I would also confirm the availability of these LOCs under these stress scenarios in my Supplementary Report and any impact that this may have on my conclusions. The total amount of LOCs available to CWIL as at 31 March 2026, based on the forecasts from 30 September 2025, is £242.4m.

2.25 The letters of credit arrangements are written in such a way that allows CWIL to call on them simply by demanding payment from a participating bank branch, without any conditions other than that the LOC has not expired. As such, having consulted with colleagues who are commercial lawyers, I cannot identify any legal or commercial reason why CWIL would not be able to draw on the LOCs.

2.26 I note that the effectiveness of the LOCs in practice depends on the ability of the CWIL Board, to act independently of its parent in a scenario where drawing down the LOCs could ultimately result in a worsening financial position for CatGen. I also note though that the Board of CWIL includes a number of Independent Non-Executive Directors, and that the scenarios in which CWIL is reliant on the LOCs are ones where Directors would have a fiduciary and statutory duty to secure the LOC funds, which helps to mitigate this risk. In addition, the Senior Managers and Certification Regime holds Senior Managers within CWIL individually accountable for their conduct and imposes a "duty of responsibility" on each Senior Manager to take such steps as a person in that Senior Manager's position could reasonably be expected to take to avoid a breach of regulatory requirements occurring and continuing. As such I conclude that the Board of CWIL should be able to act independently of CatGen when drawing down the LOCs.

2.27 My analysis of the availability of these LOCs, regardless of the financial condition of CatGen, is contained in paragraphs 4.66 to 4.75 of this Supplementary Report. From this analysis I conclude that:

- the ancillary own funds ("**AOF**") LOCs are valid for a period of three years and the collateral LOCs are "evergreen" annual LOCs, renewing automatically if notice of termination of at least 60 days is not given. During that period, capital will be available to CWIL via the LOCs unless one or more of the banks providing the LOCs experience(s) financial difficulty;
- the likelihood of one of the banks encountering financial difficulty is low (as all LOC providers are required to be rated at least A- by Standard and Poor's under the 50% CWIL quota share), and in any event the creditworthiness of the LOC providers is uncorrelated to the financial condition of CatGen. In the unlikely event that a bank did encounter financial difficulties, CatGen would be required to post additional collateral or seek a replacement LOC provider;
- there is no reason to expect that the banks providing the LOCs would refuse to renew them at the end of their terms (or, in the alternative, that CatGen would not be able to find replacement LOC provider(s)), but even where the banks are not willing to extend the LOCs, and CatGen is unable to either find alternative LOC providers or provide sufficient assets as collateral, then CWIL could draw down on the LOC shortly before the expiry of the LOC term (noting that CWIL is not required to make repayment to the banks, and instead the banks become unsecured creditors of CatGen); and
- based on the above, in the extreme stress scenarios where CWIL is dependent on the LOCs for a period of time, it is reasonable to expect that CWIL will be able to access the funds under the LOCs. If CWIL accesses the funds under any LOC, it would hold those funds as cash or investments on its balance sheet, in lieu of the asset represented by the relevant LOC. Therefore CWIL's reliance on the LOCs in stress scenarios does not create a material adverse impact on policyholder security.

2.28 I therefore consider that there is no material adverse impact on Transferring ZIC policyholders as a result of the proposed Transfer. Whilst scenarios can be derived that would cause a detriment that could in principle be material in quantum, I have concluded that they are sufficiently remote that they do not constitute a material risk in line with the prevailing case law on Part VII insurance business transfers.

2.29 For the other groups of policyholders, none of the updated stress and reverse stress tests result in a risk of policyholder detriment as a consequence of the Transfer.

Unaudited 31 December 2025 financial and solvency information and anticipated reserve strengthening

2.30 I have also considered the information provided to me shortly before the date of this report, concerning the high-level unaudited financial and solvency information for CWIL and unaudited indications of solvency information for CatGen and CHBL as at 31 December 2025, together with the reserve strengthening recommended on the project Elbow portfolio during February 2026. I discuss the impact of these items on my analysis in paragraphs 4.76 to 4.79, and conclude that the movements suggested by these are not material enough to change the conclusions of my analysis set out in this report

Consideration of communications received from policyholders

2.31 I have reviewed summaries of any relevant communications received from policyholders and other potentially affected parties. No matters have been drawn to my attention as a result of communications received from policyholders or other relevant parties that would cause me to revise my analysis of the effects of the Transfer.

2.32 I will communicate to the Courts in the event that material changes occur that require adjustments to my findings between the date of this report and the final hearing.

Conclusions

2.33 **In summary, provided the proposed Transfer operates as intended (and I have no grounds for believing that it will not do so), it is my opinion that:**

- **the Transfer will not materially adversely affect the security of benefits to any of the policyholders identified; and**
- **the Transfer will not affect the service standards experienced by any of the policyholders identified.**

As such, the conclusions set out in Section 9 of my IE Report remain unchanged.

3 Policyholder and other communications

3.1 I understand from ZIC and CWIL that the proposed policyholder communication as set out in the IE Report has gone ahead as expected, with only a small number of minor (mostly typographical) changes to the communication documents. I have received tracking information from the Transfer Companies that shows the progress to meeting the advertising commitments (noting that as some publications are quarterly the latest issue has yet to be released) made in the Directions Order, and am satisfied that they are on track to be met.

3.2 The initial mailing to ZIC policyholders and other interested parties between 3 to 4 December 2025 was 11,420 of which 2,827 packs were returned (24.8%). ZIC analysed the returned mail to identify if any alternative addresses were available, and in a subsequent mailing exercise on 27 January 2026 ZIC remailed 1,705 policyholders where alternative addresses had been identified, as well as 229 policyholders with claims notified from 1 January 2025 to 30 September 2025 who had not been in-scope of the first mailing. A third mailing was carried out in February 2026 which included policyholders who had claims notified between 1 October 2025 and 31 January 2026 and who were not in-scope for the previous mailing exercises, as well as re-mailings of any returned mail from the 229 policyholders mailed on 27 January 2026 where an alternative address could be identified. A fourth mailing was organised for late February/early March for the balance of returns where alternative addresses had been identified, and any policyholders with claims notified during February 2026 who were not in-scope for the previous mailing exercises.

3.3 The initial mailing to CWIL policyholders on 25 November 2025 was 1428 of which 146 packs were returned (10.2%) as at 31 January 2026. CWIL analysed the returned mail and sought to find alternative addresses, in a second mailing on 18 December 2025 CWIL mailed 23 alternative addresses and 35 policyholders who had had claims notified during 2025 and were new in scope. A third mailing was carried out in February which included the balance of returns where alternative addresses had been identified. A fourth mailing is scheduled for the week commencing 2 March 2026. This mailing will include any further returns received where alternative addresses have been identified, and any policyholders with claims notified during February 2026 who were not in-scope for the previous mailing exercises.

3.4 Given the age of the policies involved in the Transfer it was always to be expected that there would be a reasonably high proportion of mailings that would be returned. I consider that it is reasonable to attempt a second mailing where alternative addresses have been identified, and note that there is a significant wider advertising campaign (that was described in Appendix 6 of my IE Report) that is intended to raise awareness for policyholders and other stakeholders that have not been able to be contacted.

3.5 ZIC and CWIL have provided me with summary schedules of the written (including email) and telephone contacts from policyholders relating to the Transfers and more detailed information (including copies of relevant correspondence) about any potential objections. There has been one potential objection noted on 15 December 2025 relating to the Transfers made by policyholders and other relevant parties. The remainder of the correspondence has consisted of questions or clarifications.

3.6 The potential objection is from a broker on behalf of a Transferring ZIC policyholder. They have noted that ZIC currently holds an A+ financial security rating with AM Best and are concerned that CWIL does not have a financial security rating from any of the major credit rating agencies. I note though that it is not uncommon for insurance companies that are no longer actively underwriting new business to not have a formal financial strength rating.

3.7 AM Best make available on their website a guide called "Guide to Best's Credit Ratings"[1]. In this document they make reference to the limitations and intended uses of a Best's Credit Rating ("**BCR**"). They note that "because a BCR is a forward-looking opinion as of the date it is released, it cannot be considered as a fact or guarantee of future credit quality and therefore cannot be described as accurate or inaccurate." They further note that a BCR "… is not intended to be utilized as a recommendation to purchase, hold or terminate any insurance policy, contract, security or any other financial obligation, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser." For these reasons I am not able to rely on the existence or otherwise of a financial strength rating for one of the Transfer Companies in forming my conclusions on whether the Transfer has a material adverse impact on any particular group of policyholders.

3.8 Nonetheless I am aware that many businesses and individuals do make reference to published financial strength ratings from the leading credit rating agencies when deciding from which company to purchase their insurance policies, and in drawing my conclusions I expressly consider the chances that a policyholder could, for whatever reason, not get a valid claim paid in full. It is to address this risk that a policyholder would most likely seek reassurance from the existence of a financial strength rating.

3.9 In my IE Report, and again in this Supplementary Report, I have considered in detail the capital structure supporting policyholders of CWIL both before and after the Transfer, and how this might fare under a variety of stress scenarios, reverse stress scenarios, and severe adverse stresses. As such I believe that, despite the lack of any published financial strength rating for CWIL, the likelihood of any group of policyholders' claims not being paid in full as a consequence of the Transfer is sufficiently remote.

3.10 **I have received information from the Transfer Companies tracking the communication they have received from policyholders, the nature of the communication, and the responses made. Where the communication was determined to be more than a simple enquiry I have also received a copy of the email correspondence with the policyholder. Having considered this information I am satisfied with the Transfer Companies' responses. I have not identified any matter that would cause me to perform additional**

[1] http://www3.ambest.com/ambv/ratingmethodology/OpenPDF.aspx?rc=238151#Comments

analysis or lead me to revise the conclusion set out in my IE Report and this Supplementary Report.

4 Further information considered

Quantum and type of business transferring

4.1 The Project Elbow portfolio that is proposed to transfer to CWIL is made up of legacy employers' liability business. The specific policies subject to the Transfer are described in paragraphs 3.64 to 3.67 of my IE Report and there has been no change to these, or to the nature or type of business that is transferring. I have updated the tables in paragraphs 5.42 and 5.46 of the IE Report to show the figures regarding the gross claims reserves transferring to CWIL.

4.2 The table below shows the Project Elbow claims reserves as calculated by CatGen. Note that the results shown are indicated reserves as at 30 June 2025, and are shown net of external reinsurance. The table also shows the increase in total reserves since the IE Report (which were initial indicated reserves as at 30 June 2025 before the reserving exercise was completed).

Project Elbow claims reserves by disease type as at 30 June 2025 (£ms)

	CatGen view				
Disease Type	**Open Claims Count**	**Out-standing**	**IBNR**	**Total**	**% of Net Reserve**
Mesothelioma	1,080	89.4	570.5	659.9	82%
Other Asbestos related	767	23.0	38.4	61.4	8%
Sub-total Asbestos related	1847	112.4	608.9	721.4	90%
Deafness	4028	28.3	34.3	62.6	8%
Vibration	134	1.5	1.4	2.9	0%
Other	263	13.4	0.2	13.6	2%
Total	**6272**	**155.6**	**644.8**	**800.4**	**100%**
Increase since IE Report	**0**	**0.0**	**27.2**	**27.2**	

Source: Catalina Management information

4.3 The table below shows the CWIL reserves pre- and post- Transfer, gross and net of reinsurance, as well as the size of the Elbow portfolio compared to the existing CWIL portfolios. The reserves are UK GAAP figures including unallocated loss adjustment expenses. The reserves are forecasted using the CWIL 30 June 2025 actuarial valuation projected forward to 31 December 2025 and 31 March 2026, respectively.

CWIL forecast reserves pre- and post- Transfer (£000s)				
	31 December 2025 (Pre Transfer)		31 March 2026 (Post Transfer)	
	Gross	Net	Gross	Net
CWIL legacy	270,620	45,036	263,970	43,929
AGF legacy	114,875	103,234	112,052	100,697
CLL legacy	15,785	10,695	15,397	10,432
Existing CWIL	**401,279**	**158,964**	**391,419**	**155,058**
Elbow transfer	**-**	**-**	**847,359**	**386,466**
Total CWIL	**401,279**	**158,964**	**1,238,778**	**541,524**

Source: Catalina Management information

4.4 Consistent with paragraph 5.43 in the IE Report, the Elbow portfolio is expected to comprise 68% (was 69%) and 71% (was 71%) of the total CWIL reserves, gross and net of reinsurance, respectively. I do not consider change in the mix of the Elbow and CWIL reserves to be a material change from the position in my IE Report.

4.5 In paragraph 5.37 of my IE Report I noted that the CWIL reserving process using data from 30 June 2025 was still in progress, but that early indications suggested a further small strengthening would be required. This exercise has now been completed, and has resulted in an increase in reserve indication as at the effective date of the Transfer of £28.0m gross of reinsurance from the position shown in the table in paragraph 5.42 of my IE Report. This is made up from:

- Legacy CWIL: £16.1m gross of reinsurance deterioration;
- Legacy AGF: £8.3m gross deterioration; and
- Legacy CLL: £0.5m gross deterioration;
- The remaining £3m is mostly made up of loss adjustment expenses and foreign exchange movements in the reserves.

The table in paragraph 4.3 above is an update of this table, with the new gross reserve of £391.4m representing the £28.0m increase. The movements at a legacy company level do not match perfectly to the table in paragraph 5.37 of my IE Report as the forecast position in that table was based on a projected allocation rather than the finalised reserving position.

4.6 Similarly, the CatGen reserving exercise for the Elbow portfolio using data as at 30 June 2025 (which was still in progress at the time of my IE Report) has now been completed. In my IE Report the numbers included in the table in paragraph 5.49 included an early indication of the results of that review for the larger claim types, which was for the strengthening of £64m gross of reinsurance (£55.3m of this was in respect of mesothelioma claims, with the balance noise induced hearing loss ("**NIHL**") claims and other diseases). Now that the exercise is complete, the other claim types have been included in the analysis and that £64m estimate has increased to £89.1m gross of reinsurance. These adjustments are also included in the table in paragraph 4.2 above.

4.7 The impact of these two updates combined on the CWIL balance sheet as forecast immediately post-Transfer is a net of reinsurance increase in in reserves of £19.7m relative to the position set out in my IE Report.

4.8 The increases are driven by the following developments:

- NIHL claims have continued to be reported at higher than expected levels, especially following an increase in claims from Scotland. This makes up roughly half of the additional Elbow portfolio development since my IE Report and roughly one-ninth of the additional CWIL reserve change (through the legacy AGF portfolio);
- Other lung disease claims have increased on both the Elbow portfolio (one-tenth of the Elbow portfolio deterioration since my IE Report) and in CWIL (roughly one-fifth of the additional CWIL reserve change); and
- The remaining CWIL deterioration in reserving position emerges from the US portfolio, with increases across each of its component elements, with the balance of the Elbow portfolio movement being refinement of the mesothelioma projections.

4.9 As noted in section 4 of my IE Report, there are many other possible sources of reserve uncertainty that can play out in the future, over and above the ones that have impacted the latest reserving exercise that are described in paragraph 4.8 above. These include, but are not limited to, social inflation, physical and sexual abuse claims both in the UK and the US, medical cost inflation and the emergence of new types of industrial disease.

4.10 One of the drivers of the increase in non-mesothelioma asbestos related claims since my IE Report in CWIL's reserve review based on 30 June 2025 data was an increase in the number of "return" claims, where claimants have effectively reopened a claim following deterioration of their condition. The increased reserve includes an allowance for this trend to continue into the future.

4.11 In my IE Report in paragraphs 5.35 and 5.49 I showed the history of reserving for both CWIL and the Elbow Portfolio, which demonstrated a trend of reserve increases for CWIL. Following the completion of the 30 June 2025 reserve reviews I include updated tables below.

4.12 Reserving history for CWIL from 2020 to 2025:

CWIL reserving history, including Legacy CWIL, AGF and CLL (£m)	2020	2021	2022	2023	2024	2025	2-year Total (2024-25)	6-year Total (2020-25)
Gross of reinsurance								
Opening reserves	523	463	457	437	424	382		
Reserve strengthen / (release)	24	12	36	35	54	37	92	199
% change	5%	3%	8%	8%	13%	10%	**22%**	**38%**
Net of reinsurance								
Opening reserves	417	370	369	353	348	316		
Reserve strengthen / (release)	20	11	27	35	48	33	81	175
% change	5%	3%	7%	10%	14%	10%	**23%**	**42%**

Source: Catalina Management information.

4.13 Reserving history for the Project Elbow portfolio from 2019 to 2025:

Project Elbow gross claims reserve experience year-end 2019 to 2025	ZIC view			CatGen view		
	Carried gross reserves	Release (-ve) / Strengthening (+ve)		Carried gross reserves	Release (-ve) / Strengthening (+ve)	
Review year	**£m**	**£m**	**%**	**£m**	**£m**	**%**
2019		26.3		1,345	-32.0	-2%
2020	1,262	5.0		1,212	-40.8	-3%
2021	1,054	-112.5	-9%	1,096	10.2	1%
2022	985	12.7	1%	994	-8.0	-1%
2023	918	16.9	2%	900	5.4	1%
2024	847	19.7	2%	838	37.8	5%
2025	894	85.0	10%	880	89.1	11%
Cumulative experience (2019-25)		**53.1**			**61.8**	**5%**

Note: Within the ZIC view of reserves, PPOs are on a discounted basis for 2021-23 and an undiscounted basis for 2023 onwards. The CatGen view of reserves for 2025 is based on the assumption that the recommended reserve is adopted at year-end, for comparability with the ZIC view.

Source: Zurich and Catalina Management information

4.14 As discussed in paragraph 1.16, in February 2026 CWIL completed an additional roll-forward analysis on the reserves for the Elbow portfolio based on 31 December 2025 data as a final preparation for the proposed Transfer.

4.15 The outcome of this additional review was to recommend a further strengthening of the reserves for the Elbow portfolio with effect from when the proposed Transfer occurs. The impact of this recommendation is a £16.6m gross of reinsurance (£6.7m net of reinsurance) increase in reserves for CWIL anticipated immediately post-Transfer, driven by increases to frequency assumptions for some mesothelioma and NIHL claims groups, as well as severity assumptions for some NIHL claims.

4.16 I note that the strengthening of reserves in this fashion leads to increased capital requirements for CWIL both pre- and post-Transfer. CWIL's commitment to a 135% coverage of its unapproved UCR at the point of Transfer means that recognising this reserve strengthening actually increases the capital that CWIL will have on its balance sheet as well as the collateral/LOCs available to it should the Transfer proceed. This is because the reserving risk component of the unapproved UCR (which is the largest component of the capital requirement) is parameterised by calculating an uplift on the calculated reserve level for CWIL, and as a result any booked increase in reserves will lead to an increase in the reserving risk component of the unapproved UCR.

4.17 In paragraphs 5.32 to 5.34 of my IE Report I noted that CWIL commissions an external consultant to perform their own independent review of the reserving position for both the CWIL and Elbow portfolios. I have been provided with copies of the actuarial reports from this review. The differences between the results of the independent review and CWIL and CatGen's estimates for the two portfolios are within a reasonable tolerance that I would expect when different actuaries are working from the same data based on the range of alternative reasonable judgements that could be made.

4.18 Following discussion with CWIL's actuarial team I remain of the conclusion that the methodologies that CWIL employ to determine their best estimate of the required reserves are appropriate to the types of claim being reserved for, and that the assumptions selected are intended to produce a best estimate of the future outcomes based on the information available to them at 30 June 2025. Based on my review of the reserving reports, and my own benchmarking of the reserve strength, I conclude that the proposed reserving level represents a reasonable best estimate of the ultimate claims liabilities. As the latest reserve position makes provision for the claims developments described in paragraph 4.8 above these do not produce a material adverse impact on policyholders.

Post Transfer balance sheets and financial ratios

4.19 In paragraphs 5.5 to 5.14 of the IE Report I considered the potential post Transfer balance sheets and financial ratios for the Transfer Companies. Where available I have shown these tables again below, updated with revised forecasts from 30 September 2025.

Financial developments at ZIC since the IE Report

4.20 In paragraph 5.5 of my IE Report I noted that the expected impact of the Transfer on ZIC's balance sheet was minimal, given that the Elbow portfolio is already 100% reinsured to CatGen. This expectation does not change. The table below illustrates the (unaudited) financial position of ZIC UK, before and after the Transfer, as if it had occurred at 30 September 2025.

IFRS balance sheet for ZIC UK as at 30 September 2025 (£ms)	ZIC UK (pre Transfer)	Elbow Transfer	ZIC UK (post Transfer)	Movements since IE Report - ZIC UK (post Transfer)
Assets				
Cash and Cash Equivalents	73	-	73	(48)
Total Investments	2,733	-	2,733	564
Reinsurance contract assets	4,381	874	3,507	6
Receivables and Other assets	272	-	272	37
Other assets	69	18	51	(9)
Total assets	**7,528**	**891**	**6,637**	**550**
Liabilities				
Insurance Contract Liabilities	6,420	874	5,546	157
Payables and other financial liabilities	237	-	237	(30)
Other liabilities	41	17	24	18
Total liabilities	**6,698**	**891**	**5,807**	**145**
Net assets	**830**	**0.4**	**830**	**405**

Source: Zurich Management information

4.21 From the table above it can be seen that the net assets of ZIC UK have increased by £405m since my IE Report. On this basis it is reasonable to conclude that the position of non-transferring ZIC policyholders has not materially changed such that I would reconsider any of my analysis.

Financial developments at CWIL since the IE Report

4.22 The table below illustrates the financial position of CWIL, before and after the Transfer, as at 31 March 2026. These figures are based on CWIL's projections from 30 September 2025, and include the volatility adjustment. It can be seen that the net assets of CWIL still more than double as a consequence of the Transfer.

UK GAAP balance sheet for CWIL as at 31 March 2026 (£000s)				
	CWIL (pre Transfer)	Elbow Transfer	CWIL (post Transfer)	Movement since IE Report - CWIL (post Transfer)
Assets				
Investments and cash (incl. capital injection, excl. LOC)	294,611	556,909	851,520	27,642
Investments and cash	*294,611*	*383,409*	678,020	3,342
Capital injection	-	*173,500*	*173,500*	*24,300*
(Re)Insurance balances receivable	15,204	6,573	21,778	(417)
Reinsurance assets	236,361	460,893	697,255	34,714
Other assets	16,869	-	16,869	4,160
Total assets	**563,046**	**1,024,375**	**1,587,421**	**66,099**
Liabilities				
Gross reserves	391,419	847,359	1,238,778	54,402
(Re)Insurance balance payable	39,995	3,516	43,512	(1,250)
Accounts payable and other liabilities	2,205	-	2,205	216
Total liabilities	**433,619**	**850,875**	**1,284,495**	**53,368**
Net assets	**129,426**	**173,500**	**302,926**	**12,732**

Source: Catalina Management information

4.23 Since the IE Report, CWIL's post Transfer projected net assets have increased by £12.7m to £302.9m. The net impact of the strengthening of reserves in both the CWIL and Elbow portfolios, together with the associated reinsurance recoveries, is an increase in both Solvency UK Solvency Capital Requirement ("**SCR**") and unapproved UCR for CWIL.

4.24 This leads to a requirement for a higher capital target at point of Transfer (being 135% of unapproved UCR) than in my IE Report, and to a higher capital injection to achieve this (£173.5m rather than £149.2m), resulting in the increased net asset position. The reserve strengthening recommended as at the Effective Date in the February 2026 roll-forward analysis increases this required capital injection by a further £7.0m to a total of £180.5m, and the overall increase since my IE Report to £31.3m.

4.25 The table below illustrates the Solvency UK financial position of CWIL, before and after the Transfer, based on the Solvency UK balance sheet as at 31 March 2026, assuming that all transferring assets and liabilities at that date had transferred from ZIC to CWIL. These figures are based on CWIL's projections from 30 September 2025, and include the volatility adjustment.

Solvency UK balance sheet for CWIL as at 31 March 2026 (£000s)	CWIL (pre Transfer)	CWIL (post Transfer)	Movement since IE Report - CWIL (post Transfer)
Assets			
Investments and cash (incl. capital injection, excl. LOC)	297,087	853,996	27,642
Investments and cash	*297,087*	*680,496*	*3,342*
Capital injection	*-*	*173,500*	*24,300*
Reinsurance assets	*178,491*	518,420	22,600
Other assets	*29,642*	35,583	4,224
Total assets	*505,220*	**1,407,999**	**54,465**
Liabilities			
Gross solvency II technical provisions	309,609	959,352	35,255
Risk margin	13,077	47,826	849
Other liabilities	42,200	45,717	(1,034)
Total liabilities	**364,887**	**1,052,894**	**35,070**
Net assets	**140,334**	**355,105**	**19,395**
Ultimate capital requirement			
Own funds	153,411	447,931	20,244
Unapproved UCR	101,147	331,797	14,996
Capital coverage ratio (Unapproved UCR)	**152%**	**135%**	**0%**
Solvency capital requirement			
Own funds	140,334	400,105	19,395
SCR	65,389	206,981	14,155
Capital coverage ratio (SCR)	**215%**	**193%**	**-4%**

Source: Catalina Management information.

4.26 Since the IE Report, CWIL has updated the projected own funds and capital requirements both pre and post Transfer. Pre Transfer, CWIL's unapproved UCR coverage ratio has reduced by 17% to 152% and CWIL's SCR coverage ratio has reduced by 30% to 215%. These reductions are due to the own funds reducing and the capital requirements increasing because of the reserve strengthening. Post Transfer, CWIL's unapproved UCR coverage ratio remains unchanged at 135% as discussed in paragraph 4.24 above, whilst CWIL's SCR coverage ratio has reduced by 4% to 193%.

4.27 The largest movements in the Solvency UK balance sheet are aligned with those in the UK GAAP balance sheet. Both the gross technical provisions and associated reinsurance recoveries show smaller movements than under UK GAAP because of the effects of discounting. The increase in the unapproved UCR and the SCR are consequences of the increased reserves, so the total capital in CWIL immediately after the Transfer is increased from the level in my IE Report despite there being no change in the underlying policies that it protects.

Financial developments at CatGen since the IE Report

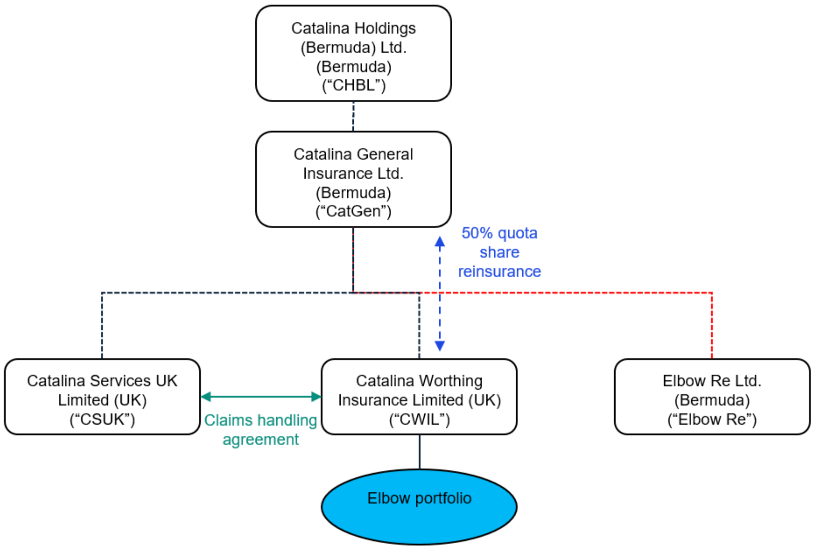
4.28 The table below illustrates the consolidated economic balance sheet for CatGen, before and after the Transfer, forecast as at 31 December 2026. Note in this table (and other tables showing CatGen's economic balance sheet), CatGen's technical provisions are split into property and casualty non-life technical provisions, and Funding Agreement Backed Notes ("**FABNs**") liabilities, which are a form of investment in US life insurance entities that produce a return based on the credit spread of the underlying assets.

Economic balance sheet for CatGen as at 31 December 2026 ($ms)			
	CatGen (pre Transfer)	**CatGen (post Transfer)**	**Movement since IE Report - CatGen (post Transfer)**
Assets			
Investment assets	4,951	4,951	406
Other assets	80	80	2
Total assets	**5,031**	**5,031**	**408**
			-
Liabilities			-
Non-life technical provisions	1,511	1,511	98
FABN technical provisions	2,041	2,041	3
Other liabilities	162	162	152
Total liabilities	**3,714**	**3,714**	**252**
Net assets	**1,317**	**1,317**	**156**
			-
Solvency capital requirement			-
Total capital	1,317	1,317	156
ECR	526	526	83
BSCR coverage ratio	**250%**	**250%**	**-12%**

Source: Catalina Management information.

4.29 In paragraphs 3.8 and 3.18 of the IE Report I described the company structure of the Transfer Companies, and in paragraphs 3.72 and 3.74 I described the company structure before and after the Transfer. On 31 October 2025, Catalina changed its group structure in relation to Elbow Re. Until this date Elbow Re was a subsidiary of CatGen's parent, CHBL, and it was an affiliate/sister company of CatGen, and Elbow Re did not form part of its consolidated balance sheet. With effect from 31 October 2025, Elbow Re is now a direct subsidiary of CatGen. The structure after the Transfer that I described in the IE Report is still largely the same. I set out the updated post Transfer structure chart below with the new position of Elbow Re highlighted in red.

Figure 1: Simplified structure after the Part VII transfer



4.30 This change means that the consolidated balance sheet of CatGen now includes Elbow Re, so the pre-Transfer position is 100% of the gross exposure to the Elbow portfolio, as well as 100% post Transfer. This means that there is no change in the consolidated assets or liabilities of CatGen following the Transfer, whereas there was in the IE Report. This change does not have any impact on the policyholders of any of the Transfer Companies and therefore does not affect my conclusion from the IE Report.

4.31 Since the IE Report, the reduction in BSCR coverage ratio is driven by a combination of the reserve strengthening in both the CWIL and the Elbow portfolio (which then flow into CatGen), and the consolidation of Elbow Re into the CatGen accounts.

4.32 **The updated positions are consistent with my understanding of any changes to the financial and economic circumstances of the Transfer Companies since the IE Report.**

Consideration of capital coverage ratio

4.33 In paragraphs 6.54 to 6.65 of the IE Report I considered the appropriateness of capital levels in CWIL, by considering the anticipated run-off of CWIL's capital over time and CWIL's capital management policy.

4.34 The tables below shows CWIL's latest planned run-off of unapproved UCR and SCR capital requirements (assuming that the Transfer happens on 31 March 2026). These figures are based on CWIL's projections from 30 September 2025. The first table includes CWIL's planned dividend assumptions, with the first dividend paid in 2029 based on surplus above risk appetite at end 2028, and dividends paid out in subsequent years based on the previous year end surplus to risk appetite. This table also assumes that the eligible Tier 2 LOC reduces in steps every third year in line with 30% limits of SCR in 3 years. The second table assumes no dividends are paid.

4.35 As I noted in paragraph 6.61 of my IE Report, insurance companies in run-off require a non-objection from the PRA before paying a dividend. Therefore, in the event that CWIL's run-off of the portfolio was worse than planned, this provides an ongoing protection to policyholders in that those forecast dividends could be retained in CWIL.

CWIL SCR and Unapproved UCR projections - including dividends for 2029 onwards (£ms)

	Actual	Forecast									
	30/09/2025	31/12/2025	31/03/2026	31/12/2026	31/12/2027	31/12/2028	31/12/2029	31/12/2030	31/12/2031	31/12/2032	31/12/2033
Gross reserves	466	401	1,239	1,150	1,036	941	849	765	688	618	555
RI reserves	(286)	(242)	(697)	(648)	(586)	(532)	(480)	(432)	(389)	(349)	(313)
Net reserves	**179**	**159**	**542**	**501**	**450**	**410**	**370**	**333**	**299**	**269**	**241**
Own Funds	152	138	400	417	442	461	326	294	255	237	213
Risk margin release	13	14	48	44	39	35	32	28	25	22	20
Own Funds (incl Risk Margin release)	**165**	**151**	**448**	**461**	**481**	**496**	**358**	**322**	**280**	**260**	**233**
SCR	68	68	207	196	178	165	145	131	118	106	96
SCR ratio	**224%**	**203%**	**193%**	**213%**	**249%**	**280%**	**225%**	**225%**	**217%**	**223%**	**223%**
Unapproved UCR	103	105	332	310	282	259	231	208	187	169	152
Unapproved UCR ratio	**160%**	**145%**	**135%**	**149%**	**171%**	**192%**	**155%**	**155%**	**149%**	**154%**	**154%**
Surplus own funds over risk appetite	26	10	0	43	101	146	47	41	27	32	28

Source: Catalina Management information

CWIL SCR and Unapproved UCR projections - excluding dividends (£ms)

	Actual	Forecast									
	30/09/2025	31/12/2025	31/03/2026	31/12/2026	31/12/2027	31/12/2028	31/12/2029	31/12/2030	31/12/2031	31/12/2032	31/12/2033
Gross reserves	466	401	1,239	1,150	1,036	941	849	765	688	618	555
RI reserves	(286)	(242)	(697)	(648)	(586)	(532)	(480)	(432)	(389)	(349)	(313)
Net reserves	**179**	**159**	**542**	**501**	**450**	**410**	**370**	**333**	**299**	**269**	**241**
Own Funds	152	138	400	417	442	461	475	496	507	529	550
Risk margin release	13	14	48	44	39	35	32	28	25	22	20
Own Funds (incl Risk Margin release)	**165**	**151**	**448**	**461**	**481**	**496**	**506**	**524**	**533**	**551**	**570**
SCR	68	68	207	196	178	165	152	141	131	122	114
SCR ratio	**224%**	**203%**	**193%**	**213%**	**249%**	**280%**	**312%**	**352%**	**388%**	**435%**	**483%**
Unapproved UCR	103	105	332	310	282	259	236	216	197	181	166
Unapproved UCR ratio	**160%**	**145%**	**135%**	**149%**	**171%**	**192%**	**214%**	**243%**	**270%**	**305%**	**343%**
Surplus own funds over risk appetite	26	10	0	43	101	146	187	233	266	307	346

Source: Catalina Management information

4.36 I note that immediately prior to the Transfer (as shown in paragraph 4.25), the capital coverage ratio for CWIL is 152% of unapproved UCR and 215% of SCR. Consistent with the IE Report, immediately after the Transfer, the capital coverage ratio for CWIL drops to the target level of 135% of unapproved UCR and to 193% of SCR. Assuming that the run-off proceeds in line with expectations and no dividends are paid out in the interim it would take less than two years for the unapproved UCR capital coverage ratio to exceed the 152% starting point again. I note though that this level is above the capital management policy target level for payment of dividends, so it is unrealistic to expect that the capital coverage ratio would be maintained at this level indefinitely.

Market developments

4.37 Since the date of my IE Report there has been a legal ruling of relevance to the Project Elbow portfolio. On 10 December 2025 the Supreme Court ruled in favour of respondents Veale and others in a case against Scottish Power UK Plc. The ruling concluded that the family of a mesothelioma victim that had died were entitled to claim damages for distress, grief, and loss of society under the Damages (Scotland) Act 2011, despite the victim having already settled on a full and final basis their claim in respect of an asbestos related disease that was not mesothelioma arising out of the same wrongdoing against their former employer.

4.38 The ruling only applies to claims that are brought in Scotland, and only affects those cases where a victim reached a full and final settlement with their previous employers in respect of an asbestos related disease at a time where they were not suffering from, or were not aware that they were suffering from, mesothelioma. Scottish mesothelioma claims that have not been previously settled by the victim routinely include a distress, grief, and loss of society element on behalf of family members already and are not affected by this decision.

4.39 I note that this ruling supports rather than overturns rulings by previous Courts on the same topic, so it does not directly change the legal environment surrounding asbestos related claims. It is possible however that in light of the uncertainty while this case was still being pursued some claimants may have put off bringing similar claims until it was decided, and that there may therefore be an increase in claim reporting as a result of this.

4.40 The original High Court ruling which the Supreme Court supported is an example of the type of unforeseen event that a standard reserving methodology cannot easily make appropriate allowance for before it has actually manifested. This is one reason why it is important to consider the impact of stress scenarios on the portfolio.

4.41 Any such notifications are likely to take the form of a reopened claim. I note that one of the drivers of the reserve strengthening by CWIL since the IE Report was an increasing trend in reopened claims, and that this was projected to continue into the future, so this should help mitigate any future emergence as a consequence of this ruling. I understand from CWIL that of the open claims for non-mesothelioma asbestos related disease, between 34% and 40% of claims (depending on the portfolio) are Scottish. Medical advice CWIL has received from claimant solicitors submitted as part of the settlement process suggests that between 2% and 5% of claimants that develop non-mesothelioma asbestos related diseases go on to develop mesothelioma.

4.42 From my firm's wider benchmarking, I have seen some insurers adding precautionary loadings to reserves for potential additional claims arising from this ruling in the range from 2.5% to 3.5% of asbestos related reserves (percentages adjusted to reflect this portfolio's proportion of Scottish claims). Given the stress tests that I have considered represent a significantly higher level of potential deterioration I do not consider that this ruling reflects a significant risk of a material adverse impact for any group of policyholders involved in the Transfer.

4.43 I am not aware of any other material developments in the insurance market that would be expected to affect the Transfer Companies' reserves or capital position.

Exposure of the Transfer Companies to potential severe adverse stresses

4.44 I have reconsidered the severity of the severe adverse stress tests used in section 7 of the IE Report as to whether they are still appropriate as stresses for the Transfer Companies. I have also considered them against the updated solvency capital positions (based on projections from 30 September 2025 for CWIL and CatGen both pre and post Transfer).

4.45 As would be expected, updates have happened to the reserving assumptions made by CWIL, CatGen and ZIC since the date of my IE Report, and the changes implied by these updates have led to further strengthening of reserves as discussed in paragraphs 4.1 to 4.18 above. As the key stresses applied are percentage uplifts to the reserves the tests are already more severe than when they were applied in my IE Report because of that reserve increase. This is relevant because the exposure of the portfolio that the stresses are applied to has not changed, just the strength of the reserves available to pay claims emerging from that portfolio.

4.46 In my IE Report I consider in paragraphs 5.53 to 5.54 the level of future reserve deterioration that might be considered a real and significant risk, and concluded, based on the alternative projections from the AWP model that a 75% increase in asbestos claims was equivalent to the upper scenarios that the working party considered. In my analysis I also considered the reserving deteriorations experienced by the CWIL and Project Elbow portfolios over recent years, noting that the reserves of CWIL post-Transfer will be dominated by the Project Elbow portfolio.

4.47 Taking into account the deterioration recommended in the year-end reserving exercise and February update for the Elbow portfolio, I note that the cumulative strengthening of those two portfolios taken together (as if the Transfer had already happened) over the period since 2019 is equivalent to 17.8% of the combined opening reserves over that six-year period.

4.48 Given that the underlying mesothelioma deaths model has continued to be a good predictor of actual experience, and taking into consideration the level of recent deterioration in reserves, I believe that the 75% uplift that I selected in my IE Report, when applied to the now increased reserve level for both CWIL and the Elbow Portfolio, continues to represent a real and significant reserving risk over the duration of the liabilities, but that higher levels of stress test than the 75% uplift would be sufficiently remote as to not be considered a cause of material detriment to policyholders.

4.49 The key stress tests that drove the thinking around my conclusions in the IE Report were those severe adverse stress tests on reserving (with UK and US asbestos related claims increasing by both 75% and 100%), and a number of the combination stresses that combined a reserving stress with the failure of CatGen as CWIL's major reinsurer. In each of these stresses CWIL was to some extent reliant on being able to call upon the LOCs provided by a consortium of banks led by Natixis on behalf of CatGen.

4.50 I set out the results of these two updated stress tests in paragraphs 4.53 to 4.62 below. I have also had an update prepared for each of the other stress tests and reverse stress tests that I considered in my IE Report, and confirm that the results of the updated tests are in line with those in that report. As these other stress and reverse stress tests did not demonstrate any material risk of policyholder detriment before, and they continue not to, I do not show the results of all of these in this Supplementary Report, instead focussing on the two that were most extreme in my IE Report.

4.51 In addition to the above, I note that in my IE Report there were three severe stress tests identified by CWIL that could also lead to CWIL not being able to pay all valid claims in full (two involving extreme levels of inflation over a thirty-year period and the third discovery of a new disease that generates the same scale of claims as mesothelioma). My rationale for considering these three stresses sufficiently remote to not constitute a material adverse impact is given in paragraphs 7.49 to 7.61 of my IE Report and remains unchanged.

4.52 I understand from CWIL that the stress test results provided to me for my IE Report included an overstatement of the collateral recoverable in the stress scenarios incorporating the failure of CatGen of £15m. I have checked that adjusting for this correction would not have changed my reasoning or conclusion. In repeating these stresses in the analysis below the results have been updated to reflect this change in recoverable collateral.

Stress test 1 – 75% increase in asbestos reserves and CatGen quota share termination

4.53 As described in section 7 of the IE Report, this scenario involves UK and US asbestos reserves increasing by 75% for both CWIL and CatGen, and the CatGen quota share is terminated. The tables below show the impact of this stress test on the CWIL and CatGen balance sheets as at 31 March 2026, pre and post Transfer, and as at 31 December 2028. The figures are based on projections from 30 September 2025. Two tables are shown for the CatGen balance sheet, one assumes planned capital coverage (being the current five-year forecasts applied to the current balance sheet position) and the other assumes 150% coverage (being the minimum level of capital that CHBL has guaranteed to maintain in CatGen, and therefore a working "floor" for the capital position). One way in which the difference between the "planned" and "150%" scenarios could be realised is through the payment of dividends by CatGen to its parent. Whilst this would be subject to approval by the BMA it illustrates the importance of considering both scenarios. As the only assets assumed to be recoverable from CatGen are the collateral provided through the CatGen quota share, the CWIL position remains the same in both cases. The collateral is converted to become "cash and investments" following the stress test.

CWIL stressed balance sheet - 75% increase in asbestos reserves and CatGen QS termination (£ms)						
	31/03/2026 Pre Transfer		31/03/2026 Post Transfer		31/12/2028	
	Base	75% asbestos stress test	Base	75% asbestos stress test	Base	75% asbestos stress test
Assets						
Cash and investments	295	533	852	1,579	805	1,381
Best estimate of RI recoveries	178	57	518	153	395	98
Other assets	28	28	39	26	30	18
Total assets	**502**	**618**	**1,409**	**1,759**	**1,231**	**1,498**
Liabilities						
Best estimate of liabilities	310	494	959	1,584	729	1,210
Risk margin	-	-	-	-	-	-
Other liabilities	43	43	46	46	51	51
Total liabilities	**352**	**537**	**1,006**	**1,631**	**780**	**1,261**
Net Assets	**149**	**82**	**403**	**128**	**451**	**237**
Tier 2 AOF	-	-	45	-	44	-
Eligible total own funds	**149**	**82**	**448**	**128**	**496**	**237**

Source: Catalina Management information

CatGen stressed balance sheet - 75% increase in asbestos reserves and CatGen QS termination (£ms)				
	31/03/2026 Pre and Post Transfer		31/12/2028	
CatGen with plan coverage	Base	75% asbestos stress test	Base	75% asbestos stress test
Assets				
Total assets	**4,358**	**4,358**	**2,274**	**2,274**
Liabilities				
Non-Life Best Estimate Liabilities	1,146	1,641	711	1,092
Non-Life Risk Margin	137	196	107	164
FABN Best Estimate Liabilities	1,863	1,863	338	338
FABN Risk Margin	1	1	0	0
Net Technical Provisions	3,148	3,702	1,156	1,594
Other Liabilities	224	224	224	224
Total Liabilities	**3,372**	**3,926**	**1,380**	**1,819**
Total statutory economic capital and surplus	**986**	**431**	**894**	**456**

Source: Catalina Management information

CatGen stressed balance sheet - 75% increase in asbestos reserves and CatGen QS termination (£ms)				
	31/03/2026 Pre and Post Transfer		31/12/2028	
CatGen with 150% coverage	**Base**	**75% asbestos stress test**	**Base**	**75% asbestos stress test**
Assets				
Total assets	**4,006**	**4,006**	**1,812**	**1,812**
Liabilities				
Non-Life Best Estimate Liabilities	1,146	1,641	711	1,092
Non-Life Risk Margin	137	196	107	164
FABN Best Estimate Liabilities	1,863	1,863	338	338
FABN Risk Margin	1	1	0	0
Net Technical Provisions	3,148	3,702	1,156	1,594
Other Liabilities	224	224	224	224
Total Liabilities	**3,372**	**3,926**	**1,380**	**1,819**
Total statutory economic capital and surplus	**634**	**80**	**432**	**-6**

Source: Catalina Management information

4.54 The table below shows the impact of this stress test on the CWIL unapproved UCR and coverage ratio as at 31 March 2026, pre and post Transfer, and as at 31 December 2028. The figures are based on projections from 30 September 2025.

CWIL stress test (ultimate basis) - 75% increase in asbestos reserves (£ms)													
		31/03/2026 Pre Transfer				31/03/2026 Post Transfer				31/12/2028			
Projections from	**Scenario**	**Unapproved UCR**	**Own funds**	**Surplus**	**Coverage ratio**	**Unapproved UCR**	**Own funds**	**Surplus**	**Coverage ratio**	**Unapproved UCR**	**Own funds**	**Surplus**	**Coverage ratio**
30 September 2025	Base	101	149	48	148%	332	448	116	135%	259	496	237	192%
	Asbestos reserves increased by 75% & CatGen quota share terminated	291	82	(209)	28%	948	128	(820)	14%	739	237	(502)	32%
30 June 2025 (in IE Report)	Base	97	163	66	168%	317	428	111	135%	238	426	188	179%
	Asbestos reserves increased by 75% & CatGen quota share terminated	277	90	(186)	33%	908	125	(783)	14%	691	192	(499)	28%
Movement	Base	5	(13)	(18)	-21%	15	20	5	0%	22	71	49	12%
	Asbestos reserves increased by 75% & CatGen quota share terminated	14	(9)	(23)	-5%	40	3	(37)	0%	48	45	(3)	4%

Source: Catalina Management information

4.55 The key differences between the results of this stress test in my IE Report and the updated forecasts are that (a) the coverage pre-Transfer for CWIL has deteriorated as the higher reserves have reduced the Own Funds available; and that (b) the opposite is true post-Transfer as the higher starting level of capital post-Transfer helps to improve the overall coverage ratio.

4.56 The conclusions of the test itself remain the same though, and in both cases (CatGen base scenario and managed to 150% BSCR scenario) CWIL remains able to pay all valid claims in full.

Stress test 2 – 100% increase in asbestos reserves and CatGen quota share termination

4.57 As described in the section 7 of the IE Report, this scenario is the most extreme, and involves UK and US asbestos reserves increasing immediately by 100% for both CWIL and CatGen, and the CatGen quota share is terminated. The tables below show the impact of this stress test on the CWIL and CatGen balance sheets as at 31 March 2026, pre and post Transfer, and as at 31 December 2028. The figures are based on projections from 30 September 2025. Two tables are shown for the CatGen balance sheet, one assumes planned coverage and the other assumes 150% coverage. Given the only assets assumed recoverable from CatGen are the collateral provided the CWIL position remains the same in both cases. The collateral is converted to become "cash and investments" following the stress test.

CWIL stressed balance sheet - 100% increase in asbestos reserves and CatGen QS termination (£ms)

	31/03/2026 Pre Transfer		31/03/2026 Post Transfer		31/12/2028	
	Base	100% asbestos stress test	Base	100% asbestos stress test	Base	100% asbestos stress test
Assets						
Cash and investments	295	533	852	1,579	805	1,381
Best estimate of RI recoveries	178	64	518	173	395	112
Other assets	28	28	39	26	30	18
Total assets	**502**	**625**	**1,409**	**1,779**	**1,231**	**1,511**
		-		-		-
Liabilities	-	-	-	-	-	-
Best estimate of liabilities	310	555	959	1,793	729	1,373
Risk margin	-	-	-	-	-	-
Other liabilities	43	43	46	46	51	51
Total liabilities	**352**	**598**	**1,006**	**1,839**	**780**	**1,424**
		-		-		-
Net Assets	**149**	**27**	**403**	**-60**	**451**	**87**
Tier 2 AOF	-	-	45	-	44	-
Eligible total own funds	**149**	**27**	**448**	**-60**	**496**	**87**

Source: Catalina Management information

CatGen stressed balance sheet - 100% increase in asbestos reserves and CatGen QS termination (£ms)

CatGen with plan coverage	31/03/2026 Pre and Post Transfer Base	31/03/2026 Pre and Post Transfer 100% asbestos stress test	31/12/2028 Base	31/12/2028 100% asbestos stress test
Assets				
Total assets	**4,358**	**4,358**	**2,274**	**2,274**
Liabilities				
Non-Life Best Estimate Liabilities	1,146	1,806	711	1,219
Non-Life Risk Margin	137	216	107	183
FABN Best Estimate Liabilities	1,863	1,863	338	338
FABN Risk Margin	1	1	0	0
Net Technical Provisions	3,148	3,886	1,156	1,740
Other Liabilities	224	224	224	224
Total Liabilities	**3,372**	**4,111**	**1,380**	**1,965**
Total statutory economic capital and surplus	**986**	**247**	**894**	**309**

Source: Catalina Management information

CatGen stressed balance sheet - 100% increase in asbestos reserves and CatGen QS termination (£ms)

CatGen with 150% coverage	31/03/2026 Pre and Post Transfer Base	31/03/2026 Pre and Post Transfer 100% asbestos stress test	31/12/2028 Base	31/12/2028 100% asbestos stress test
Assets				
Total assets	**4,006**	**4,006**	**1,812**	**1,812**
Liabilities				
Non-Life Best Estimate Liabilities	1,146	1,806	711	1,219
Non-Life Risk Margin	137	216	107	183
FABN Best Estimate Liabilities	1,863	1,863	338	338
FABN Risk Margin	1	1	0	0
Net Technical Provisions	3,148	3,886	1,156	1,740
Other Liabilities	224	224	224	224
Total Liabilities	**3,372**	**4,111**	**1,380**	**1,965**
ıtal statutory economic capital and surplus	**634**	**-105**	**432**	**-152**

Source: Catalina Management information

4.58 The table below shows the impact of this stress test on the CWIL unapproved UCR and coverage ratio as at 31 March 2026, pre and post Transfer, and as at

31 December 2028. The figures are based on projections from 30 September 2025.

CWIL stress test (ultimate basis) - 100% increase in asbestos reserves (£ms)													
		31/03/2026 Pre Transfer				31/03/2026 Post Transfer				31/12/2028			
Projections from	Scenario	Unapproved UCR	Own funds	Surplus	Coverage ratio	Unapproved UCR	Own funds	Surplus	Coverage ratio	Unapproved UCR	Own funds	Surplus	Coverage ratio
30 September 2025	Base	101	149	48	148%	332	448	116	135%	259	496	237	192%
	Asbestos reserves increased by 100% & CatGen quota share terminated	324	27	(297)	8%	1,065	(60)	(1,125)	-6%	832	87	(745)	10%
30 June 2025 (in IE Report)	Base	97	163	66	168%	317	428	111	135%	238	426	188	179%
	Asbestos reserves increased by 100% & CatGen quota share terminated	309	38	(271)	12%	1,022	(58)	(1,080)	-6%	782	45	(737)	6%
Movement	Base	5	(13)	(18)	-21%	15	20	5	0%	22	71	49	12%
	Asbestos reserves increased by 100% & CatGen quota share terminated	15	(11)	(26)	-4%	43	(2)	(45)	0%	50	42	(8)	5%

Source: Catalina Management information

4.59 Similar to the 75% stress test above, the capital coverage ratio for CWIL in this stress scenario is reduced pre-Transfer and increased post-Transfer for the same reasons as described in paragraph 4.55 above. For as long as Own Funds remain positive then CWIL would have sufficient funding to be able to pay all valid claims in full. In this case CWIL would, for a period of time (less than 33 months) after the Transfer, not be able to do this, with the shortfall in Own Funds immediately post-Transfer being £60m. This is broadly consistent with the shortfall of £58m, which was stated in the IE report.

4.60 It remains reasonable to assume that had the Transfer not occurred ZIC would have had the capital resources available to meet the difference. Whilst there is no suggestion that such a reduction will happen, and CatGen would in any case need BMA approval to pay out the dividends required to achieve that reduction in capital, this scenario continues to represent the possibility of a detriment to policyholders. For both the 75% and 100% stress tests the conclusion is effectively unchanged from my IE Report; in the 75% scenario CWIL is able to pay all valid claims by drawing down all the LOCs and collateral, but is not able to do so for a period of time in the 100% scenario if CatGen capital coverage is managed to 150% of BSCR. This 100% stress with CatGen capital at 150% of BSCR would represent a detriment to Transferring ZIC policyholders were it to occur.

4.61 In my opinion this risk of detriment is sufficiently remote such that it does not cause a material adverse impact to Transferring ZIC policyholders for the following reasons:

- As noted in paragraph 4.46 I consider a deterioration of this level across the run-off of the liabilities to be remote. A 100% increase in the value of asbestos liabilities at any one point in time is even more highly unlikely (and would more likely be spread over many years) because the liabilities are expected to emerge over a very long period of time, and mesothelioma deaths have been closely tracking the results of the model which underlies the UK AWP model for asbestos related insurance claims. As such even an extreme outlier in notified claims in any one reporting period would likely not be reflected in full in any actuarial projections of the reserves, and instead manifest more slowly in a gradual change of assumptions. In particular I note that the core AWP model itself has only had material updates twice since it was first published in 2004.

- If the 100% deterioration did occur but were to emerge over a more prolonged period then a key mitigating factor for CWIL is that the collateral provided for its benefit by CatGen would be topped up progressively as the deterioration was recognised. Whilst CatGen's total capitalisation would remain a limiting factor on the amount of collateral available to CWIL, the larger this collateral becomes the overall risk of detriment reduces.

- I consider it unlikely that CatGen will reduce its capital to the 150% of BSCR level from the currently much higher level immediately at the point of Transfer because that 150% level is a minimum level that has been agreed with the BMA and guaranteed by CHBL. It is normal for insurers to operate with a buffer over their minimum level to avoid repeated capital injections if there is a period of adverse experience. The business plan for CatGen (including planned dividends) for the next five years shows increases to in excess of 250% BSCR coverage level. In addition, any dividend that would achieve such a drop would need to be approved by the BMA, which further reduces the likelihood of CatGen reducing its capital to the minimum level at the date of the Transfer or in the very short term thereafter. This additional layer of protection is important because dividend plans could be changed at any time.
- As CWIL and CatGen's portfolios run-off, they become more correlated. With this the resulting reduction in the diversification benefit in CatGen and release from related collateralisation requirements could reduce the level of BSCR coverage in CatGen to a level that is commensurate with the level of SCR coverage in CWIL. Beyond this, further reductions in the CatGen BSCR would require a change in the capital management framework of CWIL and / or extractions of capital from CWIL. These would firstly require both the CWIL Board and PRA approval.
- In any event, as this is a combination stress test, in order for CWIL to be unable to pay valid claims, both elements of the stress test must be breached in order for the stress test to fail (and not just one of them). Although I consider it unlikely that CatGen will reduce its capital to the 150% of BSCR level for the reasons set out in the previous bullet point, this cannot be entirely discounted as it depends on a number of external factors, some of which may even be outside the control of CatGen, including asset shocks. However, even if CatGen's level of capitalisation falls to 150% BSCR coverage, there must also be a 100% deterioration in asbestos reserves occurring in parallel. As noted in my first bullet point above, I believe that such a deterioration is unlikely to occur, and if it were to occur it would much more likely arise over a much longer time horizon. The natural run-off of the CWIL portfolio is

expected to release capital over time, and as a consequence CWIL passes even this most extreme stress test after a window of less than 33 months.

4.62 **As such I conclude, after reviewing the updated stress test results, that this scenario is sufficiently remote that it does not constitute a material adverse impact on Transferring ZIC policyholders.**

Reliance on LOCs

4.63 As the results of the updated stresses are not materially different from those described in my IE Report, CWIL remains reliant on its ability to draw down the LOCs in these severely adverse stress scenarios. I stated in my IE Report that given the importance of the performance of these LOCs in the scenarios I have considered, I would also confirm the availability of these LOCs under these stress scenarios in my Supplementary Report and any impact that this may have on my conclusions.

4.64 The letters of credit arrangements are written in such a way that allows CWIL to call on them simply by demanding payment from a participating bank branch, without any conditions other than that the LOC has not expired. As such, having consulted with colleagues who are commercial lawyers, I cannot identify any legal or commercial reason why CWIL would not be able to draw on the LOCs.

4.65 I note that the effectiveness of the LOCs in practice depends on the ability of the CWIL Board, to act independently of its parent in a scenario where drawing down the LOCs could ultimately result in a worsening financial position for CatGen. I also note though that the Board of CWIL includes a number of Non-Executive Directors, and that the scenarios in which CWIL is reliant on the LOCs are ones where Directors would have a fiduciary and statutory duty to secure the LOC funds, which helps to mitigate this risk. In addition, the Senior Managers and Certification Regime holds Senior Managers within CWIL individually accountable for their conduct and imposes a "duty of responsibility" on each Senior Manager to take such steps as a person in that Senior Manager's position could reasonably be expected to take to avoid a breach of regulatory requirements occurring and continuing. As such I conclude that the Board of CWIL should be able to act independently of CatGen when drawing down the LOCs.

4.66 In returning to the question of whether CWIL could draw down on these LOCs, I have also considered the results of the severe adverse stress scenarios at later points in time. The purpose of performing this analysis at forecast future points in time is to understand for how long the LOCs remain a critical part of CWIL's capital support. As at the latest forecast from 30 September 2025 the amount of LOCs expected to be provided in favour of CWIL is £242.4m, being £45m in respect of the Tier 2 AOF facility and £197.4m as collateral against the quota shares. This is equivalent to $324.8m at £1=$1.34. The table in paragraph 4.28 above shows that CatGen is forecast to have net assets of $791m in excess of its Enhanced Capital Requirement ("**ECR**") after the Transfer.

4.67 In the table in paragraph 4.58 above, which shows the results of the largest stress test post-Transfer, the eligible Own Funds deficit for CWIL if the stress test is carried out at the point of the Transfer is £60m. Under this scenario it is assumed that CWIL has drawn down both the Tier 2 AOF LOCs and those supporting the collateral funds. So in the absence of being able to call on the

LOCs the deficit at that point in time would be £302.4m (being the £60m deficit plus the £242.4m of LOCs). I focus on this example in paragraphs 4.68 to 4.75 as the other stress scenarios create less reliance on the LOC recoverability.

4.68 The second table in paragraph 4.35 (excluding dividend payments) shows how capital is expected to build up within CWIL if the run-off proceeds according to plan. I note that by 31 December 2026 it is expected that £43m of capital will have been released to Own Funds (which removes almost 75% of the £60m deficit if the stress occurs immediately after the Transfer). By 31 December 2027 it is forecast that release to Own Funds will increase to £101m (which is almost enough to cover the initial deficit and the full LOC for Tier 2 AOF). By 31 December 2032 the release is £307m (which is enough to cover the full deficit and all LOCs).

4.69 I note that the terms of the Tier 2 AOF LOCs state that they are valid for a period of three years. At the end of this term they could be extended or withdrawn by the consortium of banks. The remaining LOCs are "evergreen" annual LOCs and renew automatically if notice of termination is not given, for which at least 60 days notice must be given. So for as long as the stress events that lead to the LOCs being called upon happen within that period, then the capital will be made available to CWIL as long as the consortium of banks remains trading too. As discussed in paragraph 7.87 of my IE Report, in the event that one or more of those banks got into financial difficulties, there is provision in the LOC that CatGen would post additional collateral itself or seek an alternative LOC provider (as all LOC providers are required to be rated at least A- by Standard and Poor's under the 50% CWIL quota share).

4.70 To reduce the concentration risk to any one LOC provider each bank has a less than 19% share of the consortium. Each bank is an independent entity from any of the Catalina Group companies, so in the event that CatGen did get into financial problems there is no suggestion that the consortium banks would be in a similar position to CatGen, and therefore no reason to suggest that the LOCs would not be available for CWIL to draw down.

4.71 As discussed in paragraph 7.83 of my IE Report, once the LOCs are called upon CWIL is not required to make repayment to the consortium of banks, instead the banks become unsecured creditors of CatGen. If CatGen were to be unable to make any such required repayment and was unable to secure any other capital from the wider Catalina Group, then it would most likely end up in an insolvency scenario. Under Bermuda law policyholder liabilities rank ahead of unsecured credit facilities, and as there are no provisions in the LOCs that grant the consortium of banks security over any of CatGen's assets, such a scenario would not result in CWIL (as a reinsurance policyholder of CatGen) being unable to access any of the assets of CatGen envisaged in the severe adverse stress scenarios.

4.72 Despite this observation, the Catalina Group has a life reinsurance entity that is underwriting on a continuing basis and is expected to generate capital as the business matures, and also has access to a rolling credit facility that means that it is unlikely that there will be no capital available anywhere within the Catalina Group to support CatGen should such a scenario arise. By guaranteeing the obligations of CatGen under the CWIL 50% quota share, CHBL has guaranteed the solvency of CatGen to be maintained at least 150% of BSCR for as long as it has the financial resources itself to do that.

4.73 This leaves the scenario in which the severe adverse stress scenario occurs after the LOCs have been terminated, but before the date at which CWIL is no longer reliant on the LOCs under this scenario, which is effectively 31 December 2032 based on the forecast run-off of the liabilities and the analysis in paragraph 4.68.

4.74 If the consortium of banks is happy at this point to reissue or extend the LOCs further, then the risk that they are not available in the critical time period for the extreme stress scenario disappears. Assuming therefore that the banks are not willing to extend the LOCs for any reason then, given that there is no strict trigger requirement for CWIL to draw down against them, CWIL could just make the request for the funds shortly before the expiry of the LOC term during the notice period to ensure that the funds are available for the remainder of the duration that they are relied upon.

4.75 **As a result of this I conclude that in the extreme stress scenarios where CWIL is dependent on the LOCs for a period of time it is reasonable to expect that CWIL will be able to access these funds.**

Unaudited 31 December 2025 financial and solvency information and anticipated reserve strengthening

4.76 As noted in paragraph 1.16, the updated and unaudited financial and solvency information as at 31 December 2025 for CWIL and CatGen is broadly in line with the forecasts that underlie the analysis in this report, and there is therefore nothing in this additional information that would cause me to change my analysis of the severe adverse stresses in paragraphs 4.44 to 4.62 above.

4.77 The anticipated increase to the reserves for the Elbow portfolio does have an impact on the forecasts for CWIL at the point of Transfer though. In addition to the February 2026 strengthening, actual payments made by CWIL during the fourth quarter of 2025 were lower than expected. Together these anticipated changes increase the target capital requirement for CWIL immediately post-Transfer by an additional £11.3m. This in turn increases the capital injection from the CatGen and Elbow Re collateral Trusts at the point of Transfer to a total of £180.5m, with the post-Transfer capital coverage ratio for CWIL remaining at 135% of unapproved UCR.

4.78 I have checked that the order of magnitude of the likely impact of this increase in reserves and capital at the point of Transfer is not large enough to materially change the results of the key stress tests described above, by calculating the impact of the higher stress amount that would be implied and factoring in the increased starting capital position. I have concluded that it is not, for the following reasons:

- in both of the 75% asbestos stress tests CWIL would still be able to pay all valid claims and as a consequence the increased opening reserves do not affect the outcome of this stress test;
- in the 100% asbestos stress test where CatGen's capital is managed to plan CWIL would still be able to pay all valid claims and as a consequence the increased opening reserves do not affect the outcome of this stress test;
- in the scenario where asbestos reserves increase by 100% and CatGen's capitalisation reduces to 150% BSCR, CWIL would fail the stress test during a period of less than 33 months following the Transfer. After that period, as the natural run-off of the CWIL portfolio is expected to release capital over time, CWIL would pass even this most extreme stress test, and as a consequence the increased opening reserves do not materially affect the outcome of this stress test.

4.79 As these are the same overall outcomes as implied before the anticipated reserve strengthening was applied this does not change the results of my analysis or any of the conclusions that I draw in this report.

5 Other non-financial considerations

5.1 In this section of the Supplementary Report, I set out any other considerations or changes related to the Transfer that have been notified to me by the Transfer Companies since the date of the IE Report.

The Proposed Transfer Scheme

5.2 I have confirmed that there have been no material changes to the terms of the proposed Transfer Scheme since my IE Report.

Operational changes

5.3 In paragraphs 3.58 to 3.60 and paragraphs 8.1 to 8.13 of the IE Report I set out the claims handling agreement between ZIC UK and Catalina Services UK Limited ("**CSUK**"), which is contained within a MOA. After the Transfer CSUK will continue in the role of administering claims, but for the benefit of CWIL rather than ZIC. Since the time of writing the IE Report, there has been an update to the Service Level Agreement ("**SLA**") requirements within the MOA, with the SLA metrics moving from 100% to 97%. This came into effect from 1 November 2025 and will last for the remaining duration of the claims servicing arrangement.

5.4 I understand that this change has been effected because 100% compliance is an unforgiving target and minor infringements were resulting in performance penalties. As part of the tendering process to consider the proposed changes to the operating model for CWIL they have received a number of submissions that suggest that the wider market targets compliance closer to 95% for key metrics. I understand that CSUK have been running at compliance levels in excess of 99%. This change would appear to bring the expectations of performance more in line with the market performance, and as such I do not anticipate that this creates a material adverse impact on policyholder experience.

5.5 In addition to this, in paragraphs 8.4 to 8.5 of the IE Report, I noted the results of the 2024 Employers' Liability Tracing Office ("**ELTO**") tracing audit for the whole of the ZIC employers' liability portfolio (i.e. including both Elbow and non-Elbow policies). Since the time of writing the IE Report, the result of the 2025 ELTO audit was a score of 96%, which is an improvement from the prior score of 85%. The improvement in score was due to an improvement in overall tracing operations.

5.6 In paragraphs 8.14 to 8.18 of the IE Report I set out planned changes to CWIL's future operating model. Since the time of writing the IE Report, CWIL's management has confirmed that they are still proceeding towards an outsourced future operating model. At this point in time, CWIL have moved through the discovery phase and are now planning the design and build of processes and systems. In addition to this, contract negotiations have commenced.

5.7 The changes to the future operating model will not commence until after the Effective Date of the Transfer. As at the date of this report though there are no contractual arrangements for me to comment on, and as I note in paragraph 8.16

of my IE Report, outsourcing is a commonly used tool for companies in run-off as their portfolios move into accelerated run-off.

5.8 I also noted in my IE Report that CWIL has committed to maintain the standards set out in the MOA for at least two years after the effective date of Transfer, and as such there is nothing in the developments towards the new operating model that have occurred since the date of my IE Report that leads me to change my conclusion that they represent a material adverse impact on policyholders or material reduction in claims handling standards below those currently delivered by CSUK.

Changes to letters of credit, future reinsurance or parental guarantee arrangements

5.9 At the time of writing the IE Report, the PRA had granted a "minded to" permission for CWIL's £45m Tier 2 ancillary own funds capital. CWIL's management has since provided me with the application for "full" permission which was made to the PRA on 19 December 2025. This "full" permission was formally granted on 5 March 2026.

5.10 I understand that there are no changes to any of the future reinsurance arrangements or parental guarantees from those discussed in my IE Report.

Policy splitting

5.11 In paragraphs 8.23 to 8.29 of the IE Report I explained that some of the Project Elbow portfolio policies will be "split" as part of the Transfer, with the employers' liability coverage being moved to CWIL and the residual policy coverage remaining behind with ZIC, and that similarly certain outwards reinsurance agreements that cover policies both within and outside of the Project Elbow portfolio will also be split as part of the Transfer. I understand that there are no changes to the anticipated volume of Project Elbow portfolio policies that will need to split as part of the Transfer.

5.12 Furthermore, there is nothing that has changed in terms of the trigger events that would generate an EL or PL claim under one of the splitting policies. As such the analysis in my IE Report that leads me to conclude that there is no material risk of policyholder detriment introduced through the splitting of policies remains unchanged.

Conduct liabilities

5.13 In paragraphs 8.30 to 8.32 of the IE Report I considered any conduct liabilities (including mis-selling liabilities) related to the Project Elbow portfolio. As noted in the IE Report, it is unlikely, in my opinion, that any new mis-selling liabilities will arise in relation to the portfolio given the age of the policies and (to a lesser extent) the compulsory nature of EL insurance. I have not been made aware of the existence of any contingent liabilities associated with the Transfer by either ZIC or CWIL and to the best of my knowledge there are not expected to be any. I do not consider that the transfer of conduct liabilities to CWIL creates a material risk that CWIL is not already exposed to.

Impact on competition

5.14 As in paragraph 8.33 of the IE Report, I do not consider there to be any adverse impact on effective competition in the interests of consumers as a consequence of the Transfer. Nor have I identified any other impact of the Transfer on competition.

Sanctions

5.15 In my IE Report I noted that no Transferring policies had been identified that were subject to international sanctions, and that in legacy CWIL four policies had been identified that potentially could be, and were subject to ongoing modelling. This information was provided as at 30 September 2025. As at 23 February 2026 I understand that there has been no change identified by the Transfer Companies to the status of any of the policies with respect to international sanctions that could affect this Transfer.

Potential merger and acquisitions activity

5.16 It has been widely reported in the press since my IE Report that the Zurich Group has made a number of offers to acquire Beazley plc, a specialist insurance business with operations in Lloyd's, Europe, North America and Asia. The reported size of this potential acquisition would represent a material change to the Zurich Group.

5.17 On 2 March 2026 Zurich Group announced that it has agreed with Beazley plc the terms of a recommended all-cash offer by Zurich Group for the entire issued and to be issued share capital of Beazley, which is subject to acceptance by Beazley plc shareholders and regulatory approvals.

5.18 This transaction would have no impact on the security of any policyholders post-Transfer, so whilst it would represent a material transaction for the Zurich Group, I do not consider it to have any potential to create a material adverse impact on any group of policyholders affected by the Transfer.

6 Overall conclusions

Impact of the Transfer on non-Transferring ZIC policyholders

6.1 **There is nothing in the new information available to me at the date of this report that causes me to change my conclusion that the impact of the Transfer on non-Transferring ZIC policyholders is negligible, and there is no material adverse impact on this group of policyholders.**

Impact of the Transfer on Transferring ZIC policyholders

6.2 In my IE Report I considered the following points below to reach my conclusion:

- Whether the proposed target capitalisation of CWIL at 135% of unapproved UCR is a reasonable target level;
- Whether CWIL's calculation of their target capital has been appropriately performed; and
- By consideration of stress tests and reverse stress tests whether the scenarios that would lead to CWIL being unable to meet all its valid claims in full are sufficiently remote.

6.3 With regard to the first two items, the 135% target capitalisation remains reasonable, and the calculation methodology for the unapproved UCR has not changed. Where the inputs have changed (for example taking into account the reserve strengthening) the unapproved UCR has moved as I would expect, so I continue to consider that the calculations have been appropriately performed.

6.4 As noted in my IE Report, the Transferring ZIC policyholders are the only policyholder group where I identified scenarios through the stress and reverse stress testing in which there was detriment to them. The stress tests and reverse stress tests have been rerun using the updated information provided to me by the Companies. Whilst there are some minor differences in the results the overall outcome of the stress tests is unchanged. I show the detailed results of the two most extreme stress tests in paragraphs 4.53 to 4.60 of this Supplementary Report.

6.5 In this regard, the detriment emerged in the most extreme stress scenario that I considered in my IE Report – that of a 100% increase in the value of asbestos liabilities, coupled with CatGen's capital coverage ratio having been reduced back to the 150% of the BSCR minimum level agreed with the BMA at the date of the Transfer (leading in this case to the termination of the quota share agreements between CatGen and CWIL and the drawdown of LOCs associated with them).

6.6 If this scenario were to occur between the effective date of the Transfer and 31 December 2028 (a window of 33 months) then the modelled stress would result in CWIL not having enough funds to pay all valid claims in full, whereas it is reasonable to assume that ZIC would have had the surplus to make good that shortfall if the Transfer had not occurred.

6.7 As such, the loss of access to the ZIC balance sheet gives rise to the potential for detriment for Transferring ZIC policyholders.

6.8 In my opinion, for the reasons set out in detail in paragraph 4.61 , this risk of detriment is sufficiently remote such that it does not cause a material adverse impact to Transferring ZIC policyholders.

6.9 In addition to the above, there were three severe stress tests identified by CWIL that could also lead to a shortfall (two involving extreme levels of inflation over a thirty-year period and the third discovery of a new disease that generates the same scale of claims as mesothelioma). In principle these also lead to a potential detriment to Transferring ZIC policyholders. My rationale for considering these three stresses sufficiently remote to not constitute a material adverse impact is given in paragraphs 7.49 to 7.61 of my IE Report and remains unchanged. This rationale is also summarised in paragraph 2.20 of this Supplementary Report.

6.10 In this Supplementary Report I have considered the availability of the LOCs under stress scenarios in more detail. This analysis is contained in paragraphs 4.66 to 4.75 of this Supplementary Report. Based on this analysis, in the extreme stress scenarios where CWIL is dependent on the LOCs for a period of time, it is reasonable to expect that CWIL will be able to access the funds under the LOCs. From this analysis I conclude that CWIL's reliance on the LOCs in stress scenarios does not create a material adverse impact on policyholder security.

6.11 I have also considered the information provided to me shortly before the date of this report, concerning the high-level unaudited financial and solvency information for CWIL and unaudited solvency information for CatGen and CHBL as at 31 December 2025, together with the anticipated reserve strengthening recommended on the project Elbow portfolio during February 2026. I discussed the impact of these items on my analysis in paragraphs 4.76 to 4.79, and concluded that the movements suggested by these are not material enough to change the conclusions of my analysis set out in this report.

Non-financial changes

6.12 There have been no material developments in the proposed future operating model for CWIL that would impact on Transferring ZIC policyholders. Similarly, there have been no changes identified to the other non-financial items that I considered in my IE Report (such as access to the FOS and the FSCS) as at the date of this Supplementary Report.

6.13 **I therefore continue to conclude that there is no material adverse impact on Transferring ZIC policyholders as a result of the proposed Transfer.** Whilst scenarios can be derived that would cause a detriment that could in principle be material in quantum, the key question I address is whether such detriment would amount to a material adverse effect on Transferring ZIC policyholders as a result of the Transfer. On addressing this question, the relevant test is that, in line with the prevailing case law on Part VII insurance business transfers, an adverse effect would only considered to be material if it is (i) a possibility that cannot be sensibly ignored, given the nature and gravity of the feared harm (ii) a consequence of the transfer and (iii) material in the sense there is the prosect of real or significant, as opposed to fanciful or insignificant, risk to the position of the policyholder or stakeholder concerned. Based on the analysis set out in my IE Report and in this Supplementary Report, I consider the likelihood of these scenarios occurring causing detriment to be sufficiently remote, and therefore applying the test set out above such detriment is not materially adverse.

Impact of the Transfer on existing CWIL direct policyholders

6.14 As noted in my IE Report, the analysis of capital requirements and associated stress tests above is also relevant to CWIL policyholders, and my conclusions with respect to them remain unchanged as a consequence of that analysis.

6.15 Since my IE Report, the only change of note for any CWIL policyholders is that the reserving exercise on 30 June 2025 data has been completed and the results indicate that a further reserve strengthening of £28.0m gross of reinsurance (£4.8m net of reinsurance) will be recommended for the 31 December 2025 balance sheets. This will (as described in section 4) reduce the capital coverage ratios on both a SCR and an unapproved UCR basis for CWIL pre-Transfer, because the strengthening reduces the Own Funds used to cover the capital, and the SCR and unapproved UCR increase as a second order impact of this. As a consequence of this the reduction in SCR and unapproved UCR coverage ratios within CWIL caused by the Transfer is smaller than it was in my IE Report. The reserve strengthening happens though for CWIL irrespective of whether the Transfer proceeds or not.

6.16 The terms of CWIL's capital management plans require that capital is injected into CWIL to ensure that the unapproved UCR capital coverage ratio is at least 135% immediately after the Transfer As such, although the reserves are higher, the amount of capital required to be held by CWIL immediately following the Transfer is also greater. Consequently, the capital coverage available to CWIL existing policyholders does not change despite the pre-Transfer reduction in capital coverage ratio.

6.17 As noted in paragraph 6.12 above, there have been no material developments in the proposed future operating model for CWIL or in any of the other non-financial impacts of the Transfer that would impact existing direct policyholders.

6.18 **I therefore continue to conclude that there is no material adverse impact on existing CWIL direct policyholders as a result of the Transfer.**

Impact of the Transfer on existing CWIL assumed policyholders

6.19 The only difference for existing CWIL assumed policyholders from CWIL direct policyholders arises because almost all of the business transferring in is in the form of direct employers' liability insurance policies, which in the event of any insolvency of CWIL would rank ahead of the existing CWIL assumed policyholders as creditors.

6.20 In paragraphs 9.46 to 9.51 of my IE Report I discussed my reasoning as to why this difference in creditor ranking does not create a material detriment to existing

CWIL assumed policyholders, and there is nothing in the new information available to me that would change that argument.

6.21 **I therefore continue to conclude that there is no material adverse impact on existing CWIL assumed policyholders as a result of the Transfer.**

Impact of the Transfer on reinsurers of ZIC UK whose policies transfer

6.22 I also considered the impact of the Transfer on reinsurers of ZIC UK whose policies transfer in paragraphs 9.52 to 9.53 of my IE Report. None of this analysis has changed as a result of new information.

6.23 **As such I conclude that there is no material impact on reinsurers of the Project Elbow portfolio as a consequence of the Transfer.**

Impact on policyholders if the Transfer does not proceed

6.24 I compared the pre-Transfer position of the Transfer Companies to the post-Transfer position in sections 5 to 8 of the IE Report. In the event that the Transfer were not to proceed, all Transfer Companies (and their policyholders) would remain in their pre-Transfer positions and there would therefore be no impact on any of the policyholder groups.

Conclusion

6.25 **In summary, provided the proposed Transfer operates as intended (and I have no grounds for believing that it will not do so), it is my opinion that:**

- **the Transfer will not materially adversely affect the security of benefits to any of the policyholders identified; and**
- **the Transfer will not affect the service standards experienced by any of the policyholders identified.**

As such, the conclusions set out in Section 9 of my IE Report remain unchanged.

6.26 I have reviewed summaries of any relevant communications received from policyholders and other potentially affected parties. No matters have been drawn to my attention as a result of communications received from policyholders or other relevant parties that would cause me to revise my analysis of the effects of the Transfer.

6.27 I will communicate to the Courts in the event that material changes occur that require adjustments to my findings between the date of this report and the final hearings.

Expert's declaration

6.28 I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer. I understand that proceedings for contempt of court may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief in its truth.

Duty to the Court

6.29 In accordance with Part 35 of the Civil Procedure Rules, I hereby confirm that I understand my duty to the Court, I have complied with that duty and I will continue to comply with that duty.

Philip Tippin
Fellow of the Institute of Actuaries
Partner, KPMG LLP
5 March 2026

Appendix 1 List of additional information provided for Supplementary Report

Financial information

- Updated CWIL projected balance sheet and other financial information, pre and post Transfer as at 31 March 2026, based on projections from 30 September 2025
- Catalina UK business plan for 2026 to 2028, as at 17 December 2025
- Updated CatGen projected balance sheet and other financial information, pre and post Transfer as at 31 December 2026, based on projections from 30 June 2025
- Updated ZIC UK (unaudited) draft proforma balance sheet, pre and post Transfer as at 30 September 2025
- High-level unaudited financial information for CWIL as at 31 December 2025

Structure and company information

- Updated CWIL Group structure chart
- Confirmation that there are no changes to details of current and post transfer Board(s) and governance arrangements.
- Details of any changes in business, litigation, operational / structural changes, and any other changes since the IE Report

Significant risk sharing arrangements and material counterparties

- Presentation by Catalina Group on the Group strategy and financial plans as at 15 January 2026

Reserving

- CWIL Reserve Committee reports
- CatGen's valuation of Elbow portfolio reserves as at 30 June 2025
- CWIL Independent Consultant draft report on review of claims reserves as at 30 June 2025
- Details of material losses that occurred in the interim period

Capital and risk management

- Updated capital requirements and available capital figures under Solvency UK for CWIL pre- and post-Transfer
- Updated Solvency UK balance sheets (unaudited) for CWIL as at 30 September 2025
- CWIL Capital Management Plan 2026 to 2028 as at 17 December 2025
- Updated CWIL capital projection from 2025 to 2033, based on projections

from 30 September 2025

- Updates to the impact of the stresses on the business as set out in section 7 of the IE Report
- High level solvency information for CWIL, CatGen and CHBL as at 31 December 2025

Investments

- CWIL Strategic Asset Allocation

Legal scheme documents in final form

- Scheme document
- Communications Strategy Document
- Witness statements for ZIC and CWIL

Other legal documents

- Tier 2 application documents for "full" approval and legal opinions on these, dated 19 December 2025
- Updated draft AOS legal memorandum summarising and explaining the contractual framework that sits alongside the Part VII, dated 16 December 2025
- Funds flow agreement
- Natixis Letter of Credit agreement

Policyholder communications

- Advertising agency's tracker of published adverts for the Transfer, and copies of published newspaper adverts
- Tracker of policyholder queries with descriptions of query and status.

Other information considered

- Discussions with key staff within executive team. Numerous e-mails and documents confirming statements and information provided verbally during these meetings.
- Internal management information provided over the course of preparing this Report.

Appendix 2 Glossary of terms and definitions

Catalina and Zurich Group company names:

Term	Definition
CatGen	Catalina General Insurance Ltd.
CHBL	Catalina Holdings (Bermuda) Ltd.
CSUK	Catalina Services UK Limited
CWIL	Catalina Worthing Insurance Limited
Elbow Re	Elbow Re Ltd.
ZIC	Zurich Insurance Company Ltd
ZIC UK	Zurich Insurance Company Ltd, UK Branch

Other terms:

Term	Definition
Adverse impact	A negative change of any size.
Ancillary own funds ("AOF")	Under Solvency II / UK this is a form of Tier 2 capital which can be used to support an insurer's SCR.
Asbestos Working Party ("AWP")	The UK Asbestos Working Party is a working party within the Institute and Faculty of Actuaries that investigates asbestos related claims based on UK market data.
Asset	Generally, any item of property whether tangible or intangible, that has financial or monetary value
BCR	Best's Credit Rating
Bermuda Monetary Authority ("BMA")	The integrated regulator of the financial services sector in Bermuda.

Term	Definition
Bermuda solvency capital requirement ("BSCR")	Under the Bermuda solvency regime, the BSCR can be calculated using a BSCR model or an approved internal capital model. The BSCR model calculates a risk-based capital measure by applying capital factors to solvency return items such as investments and assets, operational risk and long-term insurance risks.
Capital	Defined as total assets less total liabilities as measured using either an economic method of valuation, PRA mandated valuation rules or Statutory Accounting principles, as indicated by the accompanying text.
Claims Reserves	Funds to be set aside for the future payment of incurred claims that have not yet been settled, and hence are classified as liabilities on the company's balance sheet.
Communication Pack	The pack that will be sent to policyholders and other stakeholders, as described in Appendix 6 of the IE Report to inform them of the proposed Transfer, comprising a cover letter, an information booklet and a copy of the legal notice.
The Court	The High Court of Justice of England and Wales.
Coverage ratio	Ratio of available capital to the capital requirement.
Discounting	The process used to determine the present value of future claim and expense payments in the future.
EBS	Economic balance sheet
Economic basis	A method of measuring the value of assets and liabilities using market consistent valuation techniques including reflecting the time value of money on cashflows occurring in the future, and excluding 'prudent' valuation margins included in estimates of the valuation of insurance liabilities. In this report, the word 'economic' is used to represent the closest representation to the real value of the assets or liabilities in question, disregarding the effect of accounting or regulatory measurement rules.
Economic capital	Capital calculated using an economic basis.
Effective Date	The date and time on which the Transfer takes effect.
EL	Employers' Liability

Term	Definition
Employers' Liability Tracing Office ("ELTO")	ELTO is a system set up to provide claimants with access to a database of EL policies through an online search engine. The system can be used, for example, to find the insurer of a previous employer where the claimant has suffered from injury or disease caused by previous employment. ELTO requires all insurers to upload the details for all new and renewed EL policies post 1 April 2011, for EL policies with outstanding claims at that date and for EL policies written prior to that date where a claim has been made on or after that date and liability is accepted, as per applicable FCA rules relating to keeping an EL register.
Enhanced Capital Requirement ("ECR")	Under the Bermuda solvency regime, the ECR of an insurer is calculated as the higher of the Bermuda Solvency Capital Requirement ("BSCR") and the Minimum Margin of Solvency ("MSM").
FIA	Fellow of the Institute and Faculty of Actuaries.
Financial Conduct Authority ("FCA")	The Financial Services Authority was reorganised into two separate regulatory agencies during 2013. The successor organisations are the Prudential Regulation Authority and the Financial Conduct Authority. The Financial Conduct Authority is, in relation to insurers, responsible for conduct regulation.
Financial Ombudsman Service ("FOS")	An independent public body that aims to resolve disputes between eligible complainants and UK financial services companies. It may make awards in favour of policyholders. Only holders of policies that constitute business carried on in the UK are permitted to bring complaints to the FOS.
Financial Services Compensation Scheme ("FSCS")	A statutory scheme funded by members of the UK financial services industry. It provides compensation to eligible holders of policies in the event of their insurer's default.
Financial Services and Markets Act 2000 ("FSMA")	An Act of Parliament codifying regulation of financial services markets and firms, Part VII of which governs the transfers of insurance business between insurance undertakings.
Financial Services Authority ("FSA")	Regulator of the financial services industry in the UK between 2001 and 2013. The Financial Services Authority was reorganised into two separate regulatory agencies during 2013. The successor organisations are the Prudential Regulation Authority and the Financial Conduct Authority.

Term	Definition
Funding Agreement Backed Notes ("FABNs")	A form of investment in US life insurance entities that produce a return based on the credit spread of the underlying assets.
Funds Flow Agreement	The name given to a contract defining the mechanism by which the capital injection to CWIL sufficient to meet the 135% of unapproved UCR capital coverage ratio will be made on the Effective Date
GAAP	Generally Accepted Accounting Principles
Gross	Excluding the effect of reinsurance arrangements. For example, 'gross insurance liabilities' refers to insurance liabilities before taking into account any offsetting of reinsurance assets.
IBNR	Incurred but not reported
IFRS	International Financial Reporting Standards
IFRS 17	The IFRS standard for accounting for insurers which replaced IFRS 4 with effect from 1 January 2023.
IMF	International Monetary Fund
Independent Expert	The person appointed to report on the terms of the Transfer pursuant to section 109 of FSMA, or any successor appointed to report on this and whose appointment is approved by the PRA. The Independent Expert's primary duty lies with the Court, and the opinions of the expert are developed independently of the sponsoring Transfer Companies and the PRA.
Insolvency	The condition of having more liabilities than assets which might be available to pay them, even if the assets were mortgaged or sold.
Jersey Financial Services Commission ("JFSC")	The regulator for financial services in Jersey.
Jersey Policies	Policies effected or carried out as part of the insurance business carried on by the Transferor in or from within Jersey.

Term	Definition
The Jersey Transfer	In the context of this report, in addition to the UK transfer, a parallel transfer is proposed in Jersey (i.e. the Jersey Transfer) in respect of policies within the Project Elbow portfolio forming part of the business carried on in, or from within Jersey, which must be approved by the Royal Court of Jersey.
Letter of credit ("LOC")	A financial instrument from a bank or financial institution which guarantees payment on receipt of required documents.
Liability	A claim against the assets, or legal obligations of a person or organisation, arising out of past or current transactions or actions.
Loss Portfolio Transfer ("LPT")	A reinsurance contract or agreement in which an insurer cedes policies to a reinsurer. The reinsurer assumes an insurer's existing open and future claim liabilities through the transfer of the reserves.
Material adverse impact	Please refer to paragraphs 4.65 to 4.72 of the IE Report
Migration and Outsourcing Agreement ("MOA")	Agreement between ZIC and CSUK for claims handling of Elbow portfolio.
Minimum Capital Requirement ("MCR")	Under Solvency UK and Solvency II, this is the level above which an insurer's available resources must stay, to avoid severe supervisory action, such as the insurer's liabilities being transferred to another insurer, the licence of the insurer being withdrawn, the insurer being closed to new business and its in-force business being liquidated.
Minimum Margin of Solvency ("MSM")	Under the Bermuda solvency regime, this is the lower capital requirement which is similar to the MCR.
Net	Including the effect of reinsurance arrangements. For example, 'net insurance liabilities' refers to insurance liabilities after deducting any offsetting reinsurance assets from the gross insurance liabilities.
Noise induced hearing loss ("NIHL")	A loss or impairment of hearing that is caused by exposure to high intensity sound.

Term	Definition
One-year basis	Solvency II / UK refers to liabilities on an ultimate basis and a one-year basis. The one-year basis considers the uncertainty in valuation of liabilities over one financial year of the firm's own-funds. For Solvency II / UK, the capital requirement is calculated as the one-year risk in the shortfall in own-funds over a time horizon of one year, with a confidence level at the 99.5th percentile.
Own Funds	The level of available capital as measured under Solvency UK or Solvency II rules.
Part VII Transfer	A court process under Part VII of FSMA for transferring insurance business, ranging from single contracts to an entire portfolio, from one insurer to another insurer. The insurers involved can either be in the same insurance/reinsurance group or from different corporate groups. FSMA requires that the transferor and transferee company appoint an Independent Expert who considers the impact of the proposed transfer on the various groups of affected policyholders and submits a report to the Court.
Policyholder	A policyholder is the individual or business that purchased the insurance policy from one of the Transfer Companies or their predecessors. Additionally, third party claimants (usually former employees in the case of Transferring policies) suffering from illness or injury from a claim made against an original policyholder acquire the same rights as those original policyholders. For the purpose of this report the term "policyholder" is used to refer to both those individuals and businesses that purchased insurance policies, and any third party claimants that can claim against those policies, whether they are currently aware of their ability to claim or not (and in many cases given the long period of time it can take to diagnose the claim conditions these policyholders will not yet be aware of their future claims).
Policyholder obligation	The contractual obligation of an insurer to its policyholders.
Policyholder security	The degree of certainty that policyholders have that an insurer will have the financial resources available to meet its policyholder obligations.

Term	Definition
Premium	The amount of money received by an insurer in return for providing an insurance policy providing protection to an insured against the financial consequences of a specified set of potential events. Premium can be measured gross or net of reinsurance, meaning before or after the deduction of any associated reinsurance premiums paid by the insurer. Premium is measured on a 'written' basis, meaning all premiums receivable on policies commencing within a given period, or is measured on an 'earned basis', meaning the amount of premium attributable to the accounting period based on some allocation of the premium across the period during which the underlying policy is exposed to risk.
Project Elbow	Project Elbow is the project name for the series of transactions under which CWIL is intended to assume both economic and legal responsibility for the "Project Elbow Portfolio"
Project Elbow Portfolio	Consists of all of the EL policies underwritten by ZIC UK (as successor in interest to the UK branch of ZIP UK pursuant to a Part VII Transfer with effect from 1 January 2023) and issued before 1 January 2007 other than policies outlined in section 3 of my IE Report.
Prudential Regulation Authority ("PRA")	The Financial Services Authority was reorganised into two separate regulatory agencies during 2013. The successor organisations are the Prudential Regulation Authority and the Financial Conduct Authority. The Prudential Regulation Authority is part of the Bank of England and carries out the prudential regulation of certain financial firms, including banks, investment banks, building societies and insurance companies.
Quota share ("QS")	A form of reinsurance where the reinsurer receives a defined proportion of the premium and pays the same proportion of the claims attributed to the business being covered, usually in return for a commission paid to the original insurer.
Reinsurance	An insurance contract between one insurer (the reinsurer) and another insurer (the cedant) to indemnify against losses of the cedant on one or more contracts issued by the cedant in exchange for a consideration (the premium). Reinsurance is 'insurance for insurers', allowing insurers to share potential insurance losses with a reinsurer and hence reduce their own risk. Similar to insurance policies, reinsurance policies are written to cover specific pre-agreed risks and eventualities, as detailed in the reinsurance contract.

Term	Definition
Reinsurance and Transfer Deed ("RTD")	A Deed dated December 2018 (as amended and restated) among ZIC UK, CatGen, CHBL and CWIL. This deed, in relation to the Project Elbow Portfolio, included that the portfolio is reinsured to CatGen on a loss portfolio transfer basis (following the fortunes and settlements of ZIC UK) with effect from 1 April 2019; and ZIC UK and CWIL have agreed to work together with a view to effecting the Transfer.
Reserves	See 'Claims Reserves''.
Reverse stress test	A stress test or scenario analysis that tests a company's business plan to failure. Business plan failure is understood as the point at which the market loses confidence in a firm and results in the firm no longer being able to carry out its business activities.
Risk Margin	An amount required to ensure the value of the Solvency II / UK Technical Provisions, which are calculated on an ultimate basis, is increased from the discounted best estimate to an amount equivalent to the theoretical level required to transfer the obligations to another insurance undertaking.
Sanction	To receive approval from each of the Court and the Royal Court of Jersey to proceed (with the Transfer).
SLAs	Service Level Agreements
Solvency II	The EU's revision of insurance regulation designed to improve consumer protection, modernise supervision, deepen market integration and increase the international competitiveness of European insurers, which came into effect from 1 January 2016. Under this new system insurers are required to take into account a wide variety of different types of risk to which they are exposed and to demonstrate they manage those risks effectively. The new system has introduced more sophisticated solvency requirements for all EU insurers, in order to guarantee that they have sufficient capital to withstand adverse events (for example, floods or investment market crises).
Solvency UK	The PRA's adaptation of the Solvency II framework to the UK market.
Solvency Capital Requirement ("SCR")	An insurance entity's Solvency II or Solvency UK capital requirement.

Term	Definition
Strategic asset allocation ("SAA")	A portfolio strategy in which investors set target allocations for different asset classes.
Subsidiary	An enterprise controlled by another (called the parent) through the ownership of greater than 50 percent of its voting stock.
Surplus	An insurance undertaking typically holds assets of greater value than its contractual liabilities. The difference between these two amounts is often described as the surplus assets, and is usually compared against the amounts of regulatory capital that the undertaking is required to hold.
Swiss Solvency Test ("SST")	A supervisory tool used to assess the solvency position of insurance companies in Switzerland. SST ensures that Swiss insurance companies maintain sufficient capital to cover their risks and protect policyholders.
TASs	Technical Actuarial Standards issued by the Financial Reporting Council.
Time value of money	A concept that recognises that money in the present has more value than the same money in the future because of its capacity to earn a return (through, for example, interest) over time. See also "Discounting".
The Transfer	In the context of this report, the proposed UK Transfer is of a particular portfolio of employers' liability policies underwritten prior to 2007 transferred from the UK branch of ZIC UK to CWIL under Part VII of FSMA. In addition to the UK transfer, a parallel transfer is proposed in Jersey (i.e. the Jersey Transfer) in respect of policies within the Project Elbow portfolio forming part of the business carried on in, or from within Jersey, which must be approved by the Royal Court of Jersey. Both the proposed UK Transfer and Jersey Transfer are collectively referred to as the "Transfer".
The Transfer Companies	CWIL and ZIC UK
Transferee	CWIL
Transferor	ZIC UK
Transferring policyholders	Includes policyholders of ZIC who have entered into policies which are the subject of the proposed Transfer.

Term	Definition
The UK Transfer	In the context of this report, the proposed UK Transfer is of a particular portfolio of employers' liability policies underwritten prior to 2007 transferred from the UK branch of ZIC UK to CWIL under Part VII of FSMA.
Ultimate basis	Solvency II / UK refers to liabilities on an ultimate basis and a one-year basis. The ultimate basis takes into account the uncertainty in the valuation of claims until final settlement. The difference here from the one-year measure is that the time horizon is set equal to the time period over which all the liabilities are fully extinguished. For Solvency II / UK, this will include the claims liabilities already on the balance sheet and unearned claims liabilities relating to existing obligations.
Unapproved ultimate capital requirement ("unapproved UCR")	This is intended to represent the capital required to respond to 97.5th percentile shocks across the entire duration of the run-off of its portfolio. Is it noted as "unapproved" as the internal model used to calibrate the unapproved UCR has not been through the formal Internal Model Approval Process for use in Solvency UK, so it cannot be used for regulatory capital requirements.
Underwriting	In general insurance, this is the process of consideration of an insurance risk. This includes assessing the appropriate premium, together with the terms and conditions of the cover, as well as assessing the risk in the context of the other risks in the portfolio.
Volatility adjustment ("VA")	Under Solvency II / UK, this is an adjustment to the basic risk-free rate that reflects a proportion of the additional return that an insurer may expect to earn from investing in government and corporate bonds, rather than risk-free equivalents.