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This document contains confidential information and a request to maintain confidential treatment is hereby made in accordance with all applicable provisions of law and any other applicable statutory or regulatory authority available to the Insurance Department. The disclosure of this proprietary and trade secret information may cause competitive injury to the Applicant. All documents and exhibits marked as "confidential and nonpublic" shall constitute examination work papers under 36 O.S. Sections 309.1-309.7, and shall be given confidential treatment.

National Legacy Insurance Company – Application for Insurance Business Transfer Plan

Please allow the following to serve as National Legacy Insurance Company's Application for an Insurance Business Transfer Plan ("IBT") for the proposed transfer of The Hanover Insurance Company's liabilities, obligations, and continued expenses as an assuming reinsurer within the Excess and Casualty Reinsurance Association ("ECRA") Pool to National Legacy Insurance Company.

A. Identities of Transferring Company and Assuming Company/ Controlling Parties

The Transferring Company is The Hanover Insurance Company ("Hanover") with an address of:

The Hanover Insurance Company

440 Lincoln Street, N435

Worcester, Massachusetts, 01653

Telephone: (508) 855-1000

(800) 446-8379 (toll free)

The Assuming Company is National Legacy Insurance Company ("NLIC") with an address of:

NLIC

R&Q Solutions LLC

1 Logan Square, Suite 320

Philadelphia, Pennsylvania 19103

Telephone: (267) 675-3400

(877) 514-3542 (US toll free)

0808 196 5091 (UK toll free)

NLIC is a wholly owned subsidiary of Randall & Quilter America Holdings, Inc., which in turn is owned ultimately by R&Q Insurance Holdings Ltd., a Bermuda domiciled company which is publicly traded in the United Kingdom ("R&Q Group"), each with an address of:

Randall & Quilter America Holdings, Inc.

1 Logan Square, Suite 320
Philadelphia, Pennsylvania 19103
Telephone: (877) 514-3542

R&Q Insurance Holdings Ltd.

F.B. Perry Building
40 Church Street
PO Box HM 2062
Hamilton, Bermuda HM HX
Telephone: (441) 239 0020

B. Summary of Insurance Business Transfer Plan

Definitions

“Assuming Insurer” means National Legacy Insurance Company—See Section A.

“Business to be Transferred” means all the insurance and reinsurance business of the Transferring Insurer, more specifically described in the table in this Section B.

“Cedant” means an insurance company whose policies are reinsured by Hanover, the Transferring Insurer, as a participant in the ECRA Pool.

“IBT” means Insurance Business Transfer in accordance with the Oklahoma Insurance Business Transfer Act of 2018.

“Insurers” means the Assuming Insurer and the Transferring Insurer together.

“Other Assets” means such other assets as are required to capitalize the Assuming Insurer.

“Policy” or “Policies” means any policy or policies of insurance or reinsurance forming part of the subject business.

“Transferring Insurer” means Hanover Insurance Company—See Section A.

Introduction

Hanover is seeking to transfer its assumed liabilities, obligations, and continued expenses within the ECRA Pool to NLIC, an Oklahoma domiciled insurance company which is part of the R&Q Group. An overview of the R&Q Group is provided below.

As shown below, Hanover’s share of the ECRA Pool liabilities is relatively small, ranging from 1.15% to 11.05%, depending on policy year. Currently, all of Hanover’s assumed reinsurance liabilities are reinsured through a 100% quota share reinsurance contract with Accredited Surety & Casualty Company, Inc. (“ASC”), an A-Rated R&Q Group carrier based in Florida, which was entered into by Hanover in

2021 for \$35.6M payment, and which reinsurance contract would terminate if this IBT transaction is completed. The proposed IBT transaction does not affect Hanover's position as a ceding insurer in the ECRA Pool, and no direct insurance is involved in this transaction, only assumed reinsurance of ECRA Pool liabilities. The transaction would provide a positive benefit for Hanover, removing both uncertainty of losses and administrative burden.

Insurance Business Transfer Proposal

It is proposed that for an agreed price of approximately \$35.6M (the "Transfer Fee"), and subject to regulatory approval provided by both the New Hampshire Insurance Department Commissioner ("IDC") and the Oklahoma Insurance Department ("OID"), Hanover's current and future ECRA assumed reinsurance liabilities, obligations, and continued expenses would be transferred to NLIC. All costs associated with the IBT will be borne by NLIC. Prior to the IBT, Cedants to the Hanover Pool years will be notified as to the proposed change and given an opportunity to comment and/or object prior to court approval of the IBT, and any interested parties who may be affected by the IBT will be given the opportunity to comment and/or object to the IBT.

The ECRA Pool

From 1948 to 1982, ECRA and its predecessor, the Casualty Reinsurance Association of America, reinsurance pools/associations were comprised of approximately 150 reinsurance members and/or fronted companies in total. Various casualty and property reinsurance risks were underwritten and managed by its pool manager, Excess and Treaty Management Corporation ("ETMC"). ETMC was acquired by the R&Q Group in October 2010 but operates independently of NLIC.

Underwriting participations in the ECRA pool varied from year to year and over its active life, comprised more than 150 member companies in total. The financial status of pool members today ranges from the still active and highly solvent to a number which are now insolvent; individual participations ranged from very large to very small. ECRA members include major property and casualty insurers. The diversity of participants in terms of their credit quality and line size, adds considerable complexity to the management of the pool liabilities. However, ETMC and the R&Q Group are well experienced in the management of the pool liabilities.

The Hanover ECRA Assumed Contracts and Obligations to the ECRA Pool

The table on the following page details the assumed contractual involvement that Hanover has, as a member of the ECRA Pool. These are the contracts subject to the IBT to NLIC should approval be received. As can be seen below, Hanover's ECRA pool participation is relatively small, ranging between 1.15% and 11.05% in any year. As previously mentioned, Hanover entered into an unlimited quota share reinsurance contract provided by ASC June 2021. ASC is an AM Best A-V111 Rated R&Q Group carrier based in Florida. This was the first step in Hanover seeking finality for its ECRA Pool exposures. Since entering into the reinsurance contract, ASC has continued to meet Hanover's reinsurance obligations under the ECRA contracts and has agreed to continue to do so until the IBT is achieved or claims are no longer presented.

Summary of Hanover Involvement as Pool Member

Policy Year	Effective Date	Expiration Date	Pool Member %
1948	1-Jan-48	1-Jan-49	2.500%
1949	1-Jan-49	1-Jan-50	2.500%
1950	1-Jan-50	1-Jan-51	4.500%
1951	1-Jan-51	1-Jan-52	4.100%
1952	1-Jan-52	1-Jan-53	4.100%
1953	1-Jan-53	1-Jan-54	4.500%
1954	1-Jan-54	1-Jan-55	4.500%
1955	1-Jan-55	1-Jan-56	8.400%
1956	1-Jan-56	1-Jan-57	9.550%
1957	1-Jan-57	1-Jan-58	10.050%
1958	1-Jan-58	1-Jan-59	11.050%
1959	1-Jan-59	1-Jan-60	10.569%
1960	1-Jan-60	1-Jan-61	9.942%
1961	1-Jan-61	1-Jan-62	9.460%
1962	1-Jan-62	1-Jan-63	6.196%
1963	1-Jan-63	1-Jan-64	6.561%
1964	1-Jan-64	1-Jan-65	5.973%
1965	1-Jan-65	1-Jan-66	2.353%
1966	1-Jan-66	1-Jan-67	4.748%
1967	1-Jan-67	1-Jan-68	5.778%
1968	1-Jan-68	1-Jan-69	5.911%
1969	1-Jan-69	1-Jan-70	5.949%
1970	1-Jan-70	1-Jan-71	6.472%
1971	1-Jan-71	1-Jan-72	6.213%
1972	1-Jan-72	1-Jan-73	4.884%
1973	1-Jan-73	1-Jan-74	1.571%
1974	1-Jan-74	1-Jan-75	2.222%
1975	1-Jan-75	1-Jan-76	2.339%
1976	1-Jan-76	1-Jan-77	2.336%
1977	1-Jan-77	1-Jan-78	2.243%
1978	1-Jan-78	1-Jan-79	2.060%
1979	1-Jan-79	1-Jan-80	1.847%
1980	1-Jan-80	1-Jan-81	1.737%
1981	1-Jan-81	1-Jan-82	1.670%
1982	1-Jan-82	1-Jan-83	1.150%

As a member of the ECRA Pool, Hanover also assumed liability and financial obligations under its contractual involvement with the other pool members and the pool manager. Thus, Hanover's liabilities, obligations, and continued expenses as an assuming reinsurer under the underlying ECRA Constitution and Run-Off Agreement would also be subject to the novation to NLIC should approval be received.

R&Q Group Overview

R&Q Insurance Holdings Ltd. (“R&Q”) is listed on the London Stock Exchange’s Alternative Investment Market (“AIM”) 100 Index and provides core services of legacy acquisitions and program management. The R&Q Group was founded by Ken Randall and Alan Quilter in 1991.

R&Q has a proven track record over three decades of acquiring discontinued books of non-life business and non-life (re)insurance companies and captives in run-off.

R&Q has access to capital and the experience of managing run-off, which frees our counterparties’ management and investors from the cost and constraints of handling discontinued business. Furthermore, R&Q operates on both sides of the Atlantic with licensed platforms in the US, Bermuda and Europe.

These same licensed platforms are also crucial for R&Q’s second core service: the provision of program management services. R&Q’s US and EU-regulated (re)insurance companies act as conduits between MGAs and other niche underwriters and their capital providers, typically (re)insurers. These platforms provide the authorized insurance paper enabling insurance entrepreneurs to develop and build their businesses in partnership with their capital providers.

Among other things, R&Q:

- Employs over 300 insurance professionals based in the UK, US, Bermuda and Europe with a wide service capability in both “live” and “legacy” markets;
- Owns and manages a portfolio of insurance companies, both active and in runoff, in the UK, US and Europe;
- Owns a US admitted carrier, Accredited Surety & Casualty Company, Inc., and an Excess/Surplus carrier, Accredited Specialty Insurance Company, both rated A- by A.M. Best, with nationwide licenses;
- Owns a Bermuda Class 3B insurance & reinsurance company;
- Owns a European insurer, Accredited Insurance (Europe) Limited, also rated A- (Excellent) by A.M. Best, with “passporting” rights throughout the EU;
- Provides Lloyd’s RITC solutions through its legacy Syndicate 1110;
- Raised \$129.5m of new equity in July 2022 to fund future growth;
- Completed 51 legacy transactions in 2019 - 2021;
- Acquired Global Re, our largest ever legacy transaction costing \$80.5m, which completed in H1 2019;
- Completed the first IBT in Oklahoma between two non-related entities (NLIC and The Sentry Insurance Company) on August 26, 2021

Impact to Hanover

The impact to Hanover of the proposed transfer we believe will be positive. The transfer of the contracts to NLIC is part of Hanover’s assumed reinsurance runoff strategy of removing the long-term uncertainty associated with the ECRA Pool involvements as the claims predominantly involved are primarily asbestos, pollution and health hazard in nature. Although Hanover’s participations are small, the IBT would remove the continued claim payment burden as well as eliminate the administrative demands on what is predominantly a high-volume low value program.

This reinsurance Pool has been in runoff since 1982 and no further premiums are generated from this pool. As a result of seeking the transfer of these contracts, Hanover can affirm that there has been no impact to Hanover's ongoing staffing requirements within New Hampshire and elsewhere, and that since entering the 100% quota share reinsurance with ASC in June 2021, all claims management and settlement has been undertaken by staff within R&Q.

Summary

In summary Hanover is seeking to transfer its assumed liabilities, obligations, and continued expenses under the ECRA Pool contracts to NLIC. There will be no infrastructure impact to Hanover, and both Hanover and NLIC see this as a positive move both in respect of balance sheet and discontinued lines runoff administration.

C. Identification and Description of Business to be Transferred

Please see table provided in Section B., above.

D. Most Recent Audited Financial Statements and Statutory Annual and Quarterly Reports of Transferring Company and Assuming Company Filed With Their Respective Domiciliary Regulator

See attached at Appendix "A" for Transferring Company's Financial Statements.

See attached at Appendix "B" for Assuming Company's Financial Statements.

E. Most Recent Actuarial Report and Opinion Quantifying Liabilities to be Transferred to Assuming Company

Analysis of Excess and Casualty Reinsurance Association Estimated Unpaid Claim Liability at December 31, 2015 - Prepared by Milliman, Dated October 24, 2016.

Analysis of Excess and Casualty Reinsurance Association Estimated Unpaid Claim Liability at August 31, 2019 - Prepared by Milliman, Dated February 14, 2020.

See attached at Appendix "C" - Confidential and non-public submitted under separate cover.

F. Pro-forma Financial Statements Demonstrating Projected Statutory Balance Sheet, Results of Operations and Cash Flows of the Assuming Company for the Three (3) Years Following the Proposed IBT

See attached at Appendix "D".

G. Officers' Certificates of Transferring Company and Assuming Company Attesting that Internal Approvals and Authorizations Regarding Insurance Business Transfer Plan have been Obtained

See attached at Appendix "E" for Transferring Company's Approvals.

See attached at Appendix "F" for Assuming Company's Approvals.

H. Plan Implementation and Administration/Form of Notice to be Provided to Cedants and Reinsurers

See attached at Appendix "G" for Form of Notice.

See attached at Appendix "H" for Communications Plan.

I. Full Description as to How Notice to Cedants is to be Provided

Hanover will provide Notice to Cedants and Reinsurers pursuant to Title 36, Chapter 1, Article 16C, Section 1685.

See attached at Appendix "H" for Communications Plan.

J. Description of Any Reinsurance Arrangement that would Pass to Assuming Company Under the Insurance Business Transfer Plan

Not applicable.

K. Description of any Guarantees or Additional Reinsurance Covering Transferred Business

Not applicable.

L. Statement Regarding Assuming Company's Proposed Investment Policies and any Third-Party Claims Management and Administrative Arrangements

The Assuming Insurer's Investment Policies will be in compliance with Oklahoma Insurance Law and Regulation.

M. Evidence of Approval or Non-objection of the Transfer From the Chief Insurance Regulator of the State of the Transferring Insurer's Domicile

See attached at Appendix "I" for NH IDC Letter.

N. Independent Expert Report Providing an Opinion on the Proposed Transaction

See attached at Appendix "J" for the Independent Expert Report.