

COMMUNICATION PLAN

INSURANCE BUSINESS TRANSFER

FROM

THE HANOVER INSURANCE COMPANY

TO

NATIONAL LEGACY INSURANCE COMPANY

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PART A: BACKGROUND

1. Introduction

- The Hanover Insurance Company (Hanover), the Transferring Insurer, assumed reinsurance from 1948 through 1982. During that time, Hanover participated in the Excess and Casualty Reinsurance Association (“ECRA”) Pool for the 1948-1982 years of account. Hanover placed its assumed reinsurance book of business into run-off commencing in 1983.
- On the 30th of June 2021, Hanover entered into an unlimited Reinsurance Contract with Accredited Surety and Casualty Company Inc (“ASC” an R&Q Group Company), to reinsure Hanover’s ECRA Pool liabilities. Subsequently, Hanover agreed to pursue the transfer of the reinsured liabilities utilising the Oklahoma Insurance Business Transfer Act (36 O.S. §§ 1681-1688) (“the IBT Act”) to National Legacy Insurance Company (“NLIC”), an R&Q Group company domiciled in Oklahoma.

2. Summary of proposals

- The IBT Act requires this application to include the following information in the proposed Insurance Business Transfer Plan (“Plan”):
 - A proposal for Plan implementation and administration, including the form of notice to be provided under the Insurance Business Transfer Plan to any Cedant whose policy is part of the subject business; and
 - A full description of how such notice shall be provided.
- This document sets out the approach Hanover and NLIC will take to communicating with stakeholders in the context of the IBT Act and the proposed Plan. The term “Cedant”, used extensively below, refers to an insurance company whose policies are reinsured by Hanover as a participant in the ECRA Pool, the Transferring Insurer. All business involved in this Insurance Business Transfer is reinsurance business. There are no personal policyholder involvements in this book.
- NLIC’s strategy is to provide notice, by United States mail, first class postage prepaid, to all current Cedants identified as already having a claim, or having the potential for a new claim, at the most recent address held for that Cedant. The form of communication will include sufficient information to allow Cedants to understand the impact, if any, of the Insurance Business Transfer and what to do if there are any objections to it.
- Supplementing this direct notification will be targeted advertising by way of publication in the Concord. There will also be access to a website and the provision of a toll-free number for stakeholders to log queries, questions and objections. NLIC also intends to provide notice to brokers and reinsurers of the transferring business in accordance with the legislation.
- NLIC will also provide notice of the Plan to all State Insurance Regulators by first class mail, postage prepaid. None of the business which is the subject of the Plan has any impact on any Guaranty Fund or Guaranty Association. However, notice will be given to the Guaranty Funds or Associations in accordance with the statutory requirement.

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- The parties have sought the written views of the Insurance Commissioner on:
 - The proposed communication strategy for the IBT Plan; and
 - Where relevant, a dispensation from certain notification requirements.
- Draft forms of notices and letters have been provided to the Oklahoma Insurance Department (“OID”) for their review and comment separately.

3. Subject Business of the Transferring Insurer

- 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.
- 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 effective June 30, 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.

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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%

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PART B: APPROACH TO INDIVIDUAL NOTIFICATIONS

1. Cedant Identification for Communication

Cedant Population

- The Statute states that “Whenever notice is required to be given by the applicant under the Insurance Business Act and except as otherwise permitted or directed by the court or the Insurance Commissioner, the applicant shall, within fifteen (15) days of the event triggering the requirement, cause transmittal of the notice by first class mail, postage prepaid”.
- For purposes of analysing the appropriate method and extent of communications notice of the proposed IBT, NLIC in conjunction with Hanover and ETMC, the Pool Manager, used their in-house systems to identify and locate current details of Cedants to Hanover’s Pool years. There, are in total for all Pool years, 639 Cedants of which 636 Cedants specific to Hanover’s Pool years.
- The base data utilised was extracted from the Pool manager’s own data from its “Carpenter Pool Management System” (“CPMS”). The review focused on those Cedants with policies which have had a billed movement dating back to 1948. From that core data a determination was made as to whether the Cedants were either Active or Inactive Cedants, these are defined below:
 - “Active Cedants” comprise those Cedants with open claims or as otherwise specified.
 - “Inactive Cedants” comprise those Cedants which do not have open claims and the likelihood of a claim in the future is improbable.
- Inactive Cedants will not be negatively impacted by the proposed IBT and nor will they incur additional financial risk as:
 - All Cedants and associated policies will continue to be administered by ETMC; and
 - All policyholders’ rights under their respective policies will be fully preserved against NLIC. This includes the right to make a claim.

Summary Findings of Cedant and Policy Identification Exercise

- The table on the following page details the results of the analysis conducted. From a Cedant count of 641, a total of 638 have been identified on Hanover’s ECRA Pool years. Hanover will be providing notification to all–Cedants within Hanover’s Pool years. Per the statute, direct notification will be provided first-class mail, postage pre-paid.

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	<u>Cedant Overview</u>	<u>Policy Overview</u>
Total for All Pool Participants	641	7216
Total for Hanover Only	638	7154
Hanover - Inactive	311	3411
Hanover - Active	327	3743

- Where current address/contact details were not available within CPMS or Hanover’s own systems, further research was conducted using the following resources:
 - AM Best Rating Services and associated company information;
 - General internet searches;

2. Reinsurer Identification

- There is no third-party reinsurance on the ECRA Pool for Hanover’s Pool years. However, as mentioned previously, ASC provided a 100% unlimited reinsurance policy effective June 30, 2021, to cover all of Hanover’s current and future ECRA Pool liabilities.
- Notification will be provided to ASC in accordance with the notification provisions in the reinsurance agreement.
- Mailing management services will be provided by Epiq with support from NLIC.

3. Regulators

- Hanover is licensed in all fifty states within the United States therefore each state’s Chief Insurance Regulator will be notified of the IBT.
- Notification will be by United States first-class mail, postage prepaid, to the Chief Insurance Regulator in each jurisdiction. All mailing will be handled by Epiq.

4. Insurance Guaranty Funds

- The subject business of the IBT is purely assumed reinsurance and does not have any Guaranty Fund or Association involvement. However, notice will be given to the Guaranty Funds or Associations in accordance with the statutory requirement. All mailing will be handled by Epiq.

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PART C: DEALING WITH QUERIES AND REPRESENTATIONS

1. Telephone

- A toll-free number for Hanover and NLIC will be provided in each communication pack that will be sent to identified interested parties. The toll-free number will have recording capabilities to ensure capture of contact details for those communications that may occur outside of regular business hours.

NLIC: (877) 514-3542 (US toll free), 0808 196 5091 (UK toll free)
Hanover: (800) 446-8379

- The toll-free numbers will also be detailed on the Plan website page described at 3 below.

2. E-mail

- An email account will also be established with details included within the communication pack that will be sent to all identified interested parties.

hanover-ibt@rqih.com

- The email account and address will also be detailed on the Plan website page described at 3 below.

3. Website

- A separate web page will be established within the R&Q Group Website (www.rqih.com), specifically for the Hanover IBT Plan. Copies of the IBT Plan submitted to the Oklahoma Regulator, Communications Plan, Independent Experts Report and the Non-Objection letter from the New Hampshire Regulator will be available to download from the Web page. Details of the Toll-free numbers, Email addresses and details of how to make an in-person representation will also be provided.

- Details of the website address will be included in each communication pack sent to identified interested parties:

<https://www.rqih.com/ecra-hanover-insurance-company-insurance-business-transfer/>

4. Cedant Court Representation

- Details of how a Cedant can make an in-person representation or how to be represented at the hearing will also be included within the communication pack being sent to all identified interested parties. Details will also be shown on the dedicated Web page established on the R&Q Website.

5. Ongoing Reporting

- The parties are preparing for response handling which they expect will be able to answer promptly and effectively any queries from interested parties. All enquiries and responses will be tracked and recorded. Responses will be provided within a reasonable timeframe.

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- The parties will collate and record/log any objections to the IBT Plan that are received with all objections being considered by all parties. The Regulator and the Court will be provided with copies of relevant objection letters and emails together with the responses and any subsequent correspondence.
- The parties will also regularly report to the OID on compliance with the notification requirements. All steps to rectify any failures will be fully explained.