



Transferring to *USAA S.A.*

Your questions about the
transfer of policies answered

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Your Questions Answered

Section 1

General Overview

1.1 What are the proposed changes?

USAA Limited (the **Transferor**) has agreed to transfer the entirety of its insurance business and related assets and liabilities to USAA S.A. (the **Transferee**). Policies originally issued to policyholders in the European Economic Area (**EEA**) and all related assets and liabilities will transfer to the Transferee's head office in the Grand-Duchy of Luxembourg whereas policies originally issued to policyholders in the United Kingdom (**UK**) and all related assets and liabilities will transfer to UK branch of the Transferee (these transfers together being the **Transfer**).

This process will be effected by means of a **Scheme** pursuant to Part VII of the Financial Services and Markets Act 2000 (**FSMA**).

1.2 When will the Transfer happen?

If approved by the High Court of Justice of England and Wales (the **Court**), the Transfer is scheduled to take effect on the **Effective Date**. It is expected that this will be 23:59 (Central European Time) on 31 December 2022.

Any change to the expected Effective Date will be announced on a dedicated website maintained by the Transferor and the Transferee (www.usaa.com/brexit).

1.3 Which policies are transferring?

The Transferor currently provides motor insurance, renter's protection insurance, valuable personal property insurance and a form of liability insurance called "umbrella insurance".

As part of strategic restructuring of the USAA group's business following the UK's departure from the European Union (**EU**), it has been decided that the Transferor will cease writing business and the Transferor has agreed to transfer all of its insurance business and assets and liabilities to the Transferee.

The Transfer includes all of the Transferor's active business in the UK, all of the Transferor's historic business in the UK and Europe, all open claims in the UK affecting contracts written by the Transferor pre and post Brexit and all open claims in any European location where the Transferor previously offered insurance on a freedom of services basis under the EU passporting regime (the **Transferring Policies**).

1.4 Why is USAA Limited doing this?

As noted above, the Transfer is being undertaken as part of a restructuring undertaken by the USAA group following the departure of the UK from the EU. The aims of the restructuring are to achieve a sustainable and profitable business model for the USAA group in Europe whilst ensuring the continuation of services in the UK.

The Transferor has already ceased writing new business – it ceased writing business in the EEA with effect from 1 January 2019 and it ceased writing business in the UK with effect from 1 April 2022. Since these dates the relevant business has been underwritten by the head office of the Transferee and the UK branch of the Transferee (respectively).

If you currently hold an active policy in the UK with the Transferor which expires before the Effective Date, you may be offered the opportunity to renew your policy with the UK



branch of the Transferee when it expires; however, you are not required to purchase a new policy with the UK branch of the Transferee.

Please refer to the glossary at the back of this document for a list of defined terms.

Section 2

More about USAA S.A.

2.1 Who is USAA S.A.?

The Transferee was incorporated in Luxembourg in 2018 and is regulated by the Commissariat Aux Assurances (the **CAA**) and registered with the Registre du Commerce et des Sociétés de Luxembourg under registered number 222100GIQKRF94HI8657. The Transferee's UK branch was created in 2021. It received authorisation from the Prudential Regulation Authority (**PRA**) on 28 January 2022. Accordingly, the Transferee's UK branch is regulated by the CAA, the PRA and the Financial Conduct Authority. The Transferee belongs to the USAA group headquartered in San Antonio, Texas, United States (the Transferor is also part of the USAA group).

You can find more about the Transferee by visiting (www.usaa.com/brexit).

2.2 How will USAA S.A. administer my policy?

The Transferee will administer the Transferring Policies after the Effective Date in the same way as they are currently administered, in line with the systems, policies and procedures previously used by the Transferor. In particular, there will be continuity in terms of personnel as, subject to the completion of appropriate employee consultation procedures in relation to any transfer of their employment, the same employees who were previously employed by a USAA group services company to provide services to the Transferor will be joining the Transferee and will continue to administer the Transferring Policies after the Effective Date. The workplace and systems used will remain unchanged.

As noted above, if you currently hold an active policy in the UK with the Transferor which expires before the Effective Date, you may be offered the opportunity to renew your policy with the UK branch of the Transferee when it expires; however, you are not required to purchase a new policy with the UK branch of the Transferee.

Section 3

More about the Transfer Process

3.1 What is the Transfer?

The Transfer is governed by a process under Part VII of the UK Financial Services and Markets Act 2000 (**FSMA**) that enables groups of insurance policies to be moved between insurers. The insurers involved can either be in the same corporate group or from different corporate groups. An application must be approved by the Court before the Transfer can go ahead.

The applicable regulations require the Transferor to appoint an Independent Expert, approved by the Regulators, who looks at the impact of the Transfer on the various groups of affected policyholders, and submits a report to the Court. Policyholders must be notified and given time to consider the proposals regarding the Transfer, and they have a right to object or raise concerns if they feel they would be adversely affected.

3.2 Where and when will the Court Hearing take place?

The Court Hearing will be at the **High Court of Justice, 7 Rolls Building, Fetter Lane, London EC4A 1NL, UK** on 21 November 2022.

You will be able to find information about the outcome of the hearing on the dedicated website maintained by the Transferor and the Transferee (www.usaa.com/brexit) or by calling the helpline, free of charge at: (a) 0800 289 192 (if calling from within the UK or by mobile or DSN); (b) 00 800 531 81110 (if calling from within Europe); or (c) 800 531 8722 (if calling from within the United States), available Monday to Friday 7am to 1am (UK time).

Please note that it is possible that the Court Hearing may take place remotely via a teleconferencing service. It is requested if you intend on attending the Court Hearing (whether in person or via your representative), you inform the Transferor and the Transferee (using the contact details set out above) as soon as possible and preferably before 11 November 2022. This will enable the Transferor and the Transferee to provide any details necessary to attend the Court Hearing if it is to be held remotely.

3.3 What will happen at the Court Hearing?

The Court will consider whether the Transfer adversely affects policyholders and other interested parties such as third party claimants and reinsurers, and whether it is appropriate to allow the Transfer to proceed. The judge will review the witness statements and evidence presented by the Transferor and the Transferee, and consider the reports of the Independent Expert and the Regulators. Time will be allocated to hear any objections or concerns put forward (whether in writing, by telephone or in person) by affected policyholders or any other person who believes that they would be adversely affected by the proposals. The judge must decide whether or not it is appropriate to approve the Transfer, taking all of the evidence into account. If the judge does approve the Transfer, then the Court will make an Order and the Scheme will come into effect at a time specified therein.

3.4 What can you do if you believe you may be adversely affected?

If you believe you may be adversely affected as a result of the Transfer, then you are entitled to object or raise your concerns either in writing or by telephone (in advance) or in person at the Court Hearing. You may choose to appoint legal counsel to attend the Court Hearing on your behalf.

You can:

- Call the helpline, free of charge at: (a) 0800 289 192 (if calling from within the UK or by mobile or DSN); (b) 00 800 531 81110 (if calling from within Europe); or (c) 800 531 8722 (if calling from within the United States), available Monday to Friday 7am to 1am (UK time).
- Write to us at:

Part VII Enquires, USAA S.A., 1, Avenue du Bois, L-1251, Grand-Duchy of Luxembourg; or

Part VII Enquires, USAA Limited, 4th Floor, Fitzwilliam House, 10 St Mary Axe, London, EC3A 8AE, UK.
- E-mail us at: PartVII@usaa.com.

Any objections or concerns relating to the Transfer notified to us by telephone or in writing will be included in the information supplied to the Court. Should you need any further information or if you have any questions or concerns about the Transfer or consider that you may be adversely affected, then please contact us as soon as possible and preferably no later than 11 November 2022.

3.5 What do you mean by 'adversely affected'?

Any types of effect on policyholders may be considered by the Court. This includes changes to the financial security of the companies involved or changes to the administration of the Transferring Policies. If there are some changes for the worse, this does not necessarily mean that the Transfer is unfair or unreasonable, as they might be outweighed by other benefits, or they might be extremely small or they may only occur infrequently. The Independent Expert has considered the materiality of any adverse changes based on their size or likelihood of occurring and provides his conclusions in his Report.

Please refer to the enclosed summary of the Report for an assessment of the adverse effects of the Transfer.

3.6 What will happen if the Court does not approve the Transfer?

If the Transfer is rejected, your policy will remain with the Transferor. The Transferor will continue to engage a USAA group services company to administer your policy or any claim you have made until the expiry of the policy or (if applicable) the conclusion of your claim.

If the Transfer is delayed for any reason then we will inform policyholders of this via our dedicated Transfer website at www.usaa.com/brexit. If there is expected to be a protracted delay, or the Transfer is rejected, we will also write to affected policyholders to let them know.

3.7 Will I be charged extra for any of this?

No, you will not be asked to bear the costs of the Transfer. The Transferor and the Transferee will meet all of the costs and fees of carrying out the Transfer.

Section 4

More about the Independent Expert

4.1 Who is the Independent Expert?

The Independent Expert is Alex Marcuson of Marcuson Consulting Ltd.

4.2 What's his role?

The Independent Expert has been appointed to give his opinion on the likely effect of the proposals on policyholders. His appointment has been approved by the PRA, following consultation with the FCA. His Report is impartial and based on thorough scrutiny of the proposals and the businesses of the Transferor and the Transferee. The Transferor and the Transferee have provided him with access to key staff and information he has requested, both private and public.

4.3 How do I know the Independent Expert is independent?

The Independent Expert's appointment has been approved by the PRA, following consultation with the FCA, and independence is one of the criteria that they use to assess suitability. Neither the Independent Expert nor any of his immediate family hold any policies, shareholdings or have any other financial interests with the Transferor, the Transferee or any other company within the USAA group. The Independent Expert's overriding duty of responsibility is to the Court, and not the Transferor and the Transferee. His Report must be impartial. We have included a summary of his Report with this pack, but you can download a full copy of the Report at our dedicated Transfer website www.usaa.com/brexit. If you would like a paper copy sent to you then please contact us on the details set out at section 3.4 above.

Section 5

Will there be any changes to my policy?

5.1 Who do I contact after the Transfer for a query on my policy or to make changes?

As set out in section 2.2 above, the administration of your policy will not change as a result of the Transfer and after the Transfer you should continue to contact your normal claims handler or contacts.

5.2 Will there be any changes to the premiums I pay?

No changes will be made to your premium as a result of the Transfer.

5.3 Are there any changes to the terms and conditions of my policy?

The Transfer won't change the terms and conditions of your policy or the payments that you receive, if you have a claim.

5.4 Are there any other changes I should be aware of as a result of the Transfer?

Please refer to the summary of the Report, which is included with this pack. We note that the Transfer may impact your ability to access the Financial Services Compensation Scheme (**FSCS**) and the Financial Ombudsman Service (**FOS**) in the UK.

FSCS

In the event of the insolvency of the Transferor, if you meet the relevant eligibility criteria, you currently have recourse to the FSCS to have any claim you bring under your policy paid. If your policy is transferred to the Transferee, you will continue to have recourse to the FSCS in the event of the Transferee's insolvency up to the date that your policy expires, provided that the UK branch of the Transferee remains authorised in the UK.

The Independent Expert has considered this issue in his Report at paragraphs 13.4.4 and 13.4.5 and has concluded that there is no impact on any policyholder ability to claim under the FSCS as a result of the Transfer and accordingly it will not materially adversely affect the transferring policyholders, for the reasons set out in his Report.

Financial Ombudsman Scheme

The EEA policies and liabilities that are part of the Transfer are not currently covered by the FOS because they are administered in Germany and are not administered in the UK. This will not change as a result of the Transfer. The other policies and liabilities that are part of the Transfer are and will continue to be administered in the UK. As a result, these policies and related liabilities will continue to benefit from the FOS after the Transfer.

The Independent Expert has considered this issue in his Report at paragraph 13.5.13 and has concluded that there is no impact on any policyholder ability to claim under the FOS as a result of the Transfer and accordingly it will not materially adversely affect the transferring policyholders, for the reasons set out in his Report.

Section 6

Final Comments

6.1 I can't find the answer to my question in this booklet. Where can I find out more?

We hope that the information we have provided has helped you to understand the proposals. We have published further information at www.usaa.com/brexit, from which you can download a full version of the Scheme which sets out the legal terms of the Transfer, the full Report of the Independent Expert and the policyholder communications pack. Alternatively, you can request this information by contacting us as follows:

- Call the helpline, free of charge at: (a) 0800 289 192 (if calling from within the UK or by mobile or DSN); (b) 00 800 531 81110 (if calling from within Europe); or (c) 800 531 8722 (if calling from within the United States), available Monday to Friday 7am to 1am (UK time).
- Write to us at:

Part VII Enquires, USAA S.A., 1, Avenue du Bois, L-1251, Grand-Duchy of Luxembourg; or

Part VII Enquires, USAA Limited, 4th Floor, Fitzwilliam House, 10 St Mary Axe, London, EC3A 8AE, UK.
- E-mail us at: PartVII@usaa.com.

We will also publish on www.usaa.com/brexit, copies of the Supplementary Report that the Independent Expert writes before the Court Hearing date.

However, if you do think you may be worse off as a result of the Transfer please see section 3.4 above or turn to the legal notice within this pack for information about how to make your objection or concern known to us.

6.2 How will I know if the Transfer has been approved?

We will announce the outcome of the Court application at www.usaa.com/brexit following the Court Hearing due to take place on 21 November 2022. Any changes or information on the progress of the Transfer will also be announced on this website.

You should check this website for any changes or updates or call our helpline as set out at section 6.1 above.

If the application is successful then the Transfer should take place on the Effective Date (being 23:59 (Central European Time) on 31 December 2022).

Glossary

Court means the High Court of Justice in England and Wales.

Court Hearing means the Hearing at the High Court of Justice in England and Wales at which the final decision to approve or disapprove the Scheme is made.

EEA means the European Economic Area.

Effective Date means 23:59 (Central European Time) on 31 December 2022, the date on which the Scheme is expected to become effective (subject to the approval of the Court). Any change to the date of the Transfer will be announced on www.usaa.com/brexit.

FCA means the Financial Conduct Authority which is responsible for protecting consumers of financial services firms, protecting and enhancing the integrity of the UK financial system and promoting effective competition in the interests of consumers.

FSMA means the UK Financial Services and Markets Act 2000.

Independent Expert means Alex Marcuson of Marcuson Consulting Ltd. whose appointment, which has been approved by the PRA in consultation with the FCA, involves producing the Report.

PRA means the Prudential Regulation Authority which is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms in the UK.

Regulator(s) means the applicable regulator(s) of the UK insurance industry. This refers to, as the context requires, the PRA, the FCA or both.

Report means the Scheme report produced by the Independent Expert under the requirements of FSMA, reflecting the guidance provided by chapter 6 of the supervision manual forming part of the FCA Handbook, FG22/1: The FCA's Approach to the review of Part VII insurance business transfers and the PRA's Statement of Policy on insurance business transfers.

Scheme means the legal document giving effect to the Transfer which will be considered for approval by the Court at the Court Hearing.

Supplementary Report means a report, produced in advance of the Court Hearing, to consider the impact on the Independent Expert's conclusions of events that have happened subsequent to the issue of her initial Report.

Transfer means the legal transfer of the Transferring Policies from the Transferor to the Transferee.

Transferee means USAA S.A. (in respect of the Transferor's EEA insurance business) and USAA S.A. UK Branch (in respect of the Transferor's UK business).

Transferring Policies means the policies of the Transferor transferring to the Transferee under the Scheme.

Transferor means USAA Limited.